CIRTEK HOLDINGS PHILIPPINES CORPORATION

Php 2,000,000,000

Commercial Paper Issue

Issue Price: Discount to face value

Cirtek Holdings Philippines Corporation ("TECH", the "Company" or the "Issuer") is authorized by the Securities and Exchange Commission to issue Php 2,000,000,000 worth of commercial papers (the "CPs"). The Initial Issuance of Series A, B and C will carry Discount Rates of 5.332%, 5.582%, and 5.832%, respectively, calculated on a true-discount basis. (See "Terms and Description of the CPs – Discount Rate"). The Initial Issuance will have the following tenors: 91 days, 182 days, and 364 days for Series A, B and C, respectively.

The CPs shall be offered to the public (the "Offer") at discount to face value and in one lump sum or in tranches through the Underwriter and the Selling Agents as may be designated subject to certain conditions in the Issue Management and Underwriting Agreement executed between the Issuer and the Issue Manager/Underwriter. The CPs are intended to be listed at the Philippine Dealing & Exchange Corp. (PDEx) for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEx Trading Participants. The Issuer has been assigned a credit rating of PRS A (corp.) with a Stable Outlook by the Philippine Ratings Services Corporation ("PhilRatings") on November 04, 2019. A credit rating is not a recommendation to buy, sell, or hold the securities and may be subject to revision, suspension, or withdrawal at any time by PhilRatings.

Sole Arranger and Lead Underwriter

Multinational Investment Bancorporation

February 6, 2020

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Cirtek Holdings Philippines Corporation
116 East Main Avenue, Phase V-SEZ
Laguna Technopark
Biñan, Laguna
Tel.nos. +632 729 6206 and +6349 541 2317
Corporate Website: www.cirtekholdings.com

CIRTEK HOLDINGS PHILIPPINES CORPORATION (the "Issuer" or the "Company) is offering Commercial Papers (the "CPs") in the aggregate principal amount of PhP 2,000,000,000.00 (the "Offer"). The CPs, which may be issued in lump sum or in tranches, shall have an interest rate fixed prior to issuance. The succeeding tranches, if any, may be issued within three (3) years from the date of effectivity of the registration statement.

After the close of the Offer and within three (3) years following the issuance of the CPs, the Company may, at its sole discretion, offer any or all of the remaining balance of the face value of the CPs covered by such registration statement, in one or more subsequent series under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such registration provides the Company with the ability to take advantage of opportunities in a volatile debt capital market, as these occur, and to issue CPs depending on its financing needs. Subsequent issuances are subject to a rating by PRS.

The CPs will be unsecured obligations of the Company and will rank pari passu without any preference amongst themselves and at least pari passu with other unsecured and unsubordinated obligations of the Company, present and future, other than obligations preferred by law. The CPs will be effectively subordinated in right of payment to all secured debt of the Company to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The Company expects the Net Offer proceeds to amount to approximately Php1,879,584,750.89. Such proceeds will be used by the Company to refinance existing debt of the company and finance working capital requirements. See "Use of Proceeds" on page 35. The Underwriter will receive 0.50% per annum of the aggregate value of the CPs issued. Such amount shall be inclusive of the underwriting and selling agency fees and shall be deductible from the gross proceeds of the Offering.

Cirtek Holdings was incorporated under the laws of the Republic of the Philippines on February 10, 2011 to invest in, purchase, or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidence of indebtedness, and other securities. It was listed in the Philippine Stock Exchange on November 18, 2011.

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

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

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

as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

On July 28, 2017, the Parent Company's Board of Directors approved the acquisition of Quintel and its subsidiaries for $83.2 million. Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks. 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 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 April 28, 2011, the Company's Board approved an annual dividend payment ratio of approximately 30% of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of dividends including, but not limited to, when the Company undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

The Subsidiaries have no defined dividend policy; nevertheless the Subsidiaries, in declaring and paying dividends, take into consideration the interests of their shareholders as well as their working capital, capital expenditures and debt servicing requirements, and tax regimes. Historically, the Subsidiaries have declared and paid up dividends to CHPC amounting to approximately 50% to 100% of their unrestricted retained earnings on an annual basis. See "*Dividend Policy*" on page 169.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board, having made all reasonable inquiries, accepts full responsibility for the information contained in this Prospectus and confirms that this Prospectus contains all material information with regard to the Company, its business and operations and the CPs, which as of the date of this Prospectus is material in the context of the Offer; that, to the best of its knowledge and belief as of the date hereof, the information contained in this Prospectus are true and correct and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held; and, that there are no other facts, the omission of which makes this Prospectus, as a whole or in part, misleading in any material respect. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Multinational Investment Bancorporation, the Issue Manager and Underwriter / Arranger, warrants that it has, to the best of its ability, exercised the level of due diligence required under existing regulations in ascertaining that all material information contained in this Prospectus are true and correct, and that to the best of its knowledge, no material information was omitted, which was necessary in order to make the statements contained in this Prospectus not misleading. Except for its failure to exercise the required due diligence, the Issue Manager and Underwriter / Arranger assumes no liability under existing rules and regulations, for any information supplied by the Company.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Issue Manager and Underwriter / Arranger makes any representation as to the accuracy and completeness of such information.

In making an investment decision, applicants are advised to carefully consider all the information contained in this Prospectus, including the following key points characterizing potential risks in an investment in the CPs:

Risks relating to the Company and its business

- Dependence on an industry that is characterized by rapid technological changes, such that it must be able to adapt to new technologies and be flexible to customer needs in order to remain competitive
- Risks relating to the contractual right of the customers of the Cirtek Group to place orders in quantities less than the agreed minimum and their requirement for the latter to maintain certain key certifications and meet technical audit standards
- Risks relating to working capital being tied up in inventories and inventory obsolescence
- Risks relating to delayed or non-payment of customers for products sold or services rendered
- Risks relating to the maintenance of governmental approvals
- Risks relating to the industry's dependence on the continued growth of outsourcing by OEMs
- Risks relating to the Company's exposure to the cyclical nature of the semiconductor industry
- Risks relating the competitive nature of the assembly and testing segment of the semiconductor industry
- Risks relating to the volatility in the price of raw materials and the availability of supply used by the Company in its production process
- Risks relating to intellectual properties
- Risks relating to foreign exchange
- Risks relating to industrial or labor disputes
- Risks relating to the separation of key employees with the Company
- Risk that the Company might fail to comply with its loan covenants which might reduce its ability to service its debt obligations

Risks Relating to Countries Where the Company Operates

- Business, political, operational, financial, and economic risks arising from the Company's operations in the Philippines and other jurisdictions
- Risks arising from environmental laws that are applicable to the Company's projects
- Risks due to political instability in these various jurisdictions
- Risks arising from territorial disputes involving the Philippines and its neighboring countries
- Macroeconomic risks in each country of operations
- Risks relating to the Company's international expansion and its operation in multiple jurisdictions
- Risks due to natural or man-made catastrophes including severe weather conditions and epidemics

Risks Relating to the Commercial Papers

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets
- Price Risk – the CPs market value moves (either up or down) depending on the change in interest rates
- Retention of Ratings Risk – there is no assurance that the rating of the CPs will be retained throughout the life of the CPs

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" beginning on page 23 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the CPs.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectation and projections about future events and financial trends affecting its business and operations. Words including, but not limited to "believe", "may", "will", "estimates", "continues", "anticipates", "intends", "expects" and similar words are intended to identify

forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may or may not occur. The Company's actual results could differ significantly from those anticipated in the Company's forward-looking statements.

The contents of this Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the CPs receiving a copy of this Prospectus acknowledges that he has not relied on the Issue Manager and Underwriter / Arranger or Selling Agents in his investigation of the accuracy of such information or his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of a purchase of the CPs.

The CPs are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or by the Issue Manager and Underwriter / Arranger to issue any advertisement or to give any information or make any representation in connection with the Offer other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Issue Manager and Underwriter / Arranger.

The laws of certain jurisdictions may restrict the distribution of this Prospectus and the offer and sale of the CPs. Persons into whose possession this Prospectus or any of the CPs come must inform themselves about, and observe any such restrictions. Neither the Company, the Issue Manager/Underwriter and the Selling Agents, nor any of its or their respective representatives are making any representation to any prospective purchaser of the CPs as to the legality of any investment in the CPs by such prospective purchaser under applicable legal investment or similar laws or regulations.

The Company is organized under the laws of the Republic of the Philippines. Its principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna, Philippines with telephone number 729-6205. Any inquiry regarding this Prospectus should be forwarded to the Company, or to Multinational Investment Bancorporation.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

By:

JORGE AGUILAR
Vice-Chairman and President

FEB 2020 CITY

SUBSCRIBED AND SWORN to before me this __th day _____ 2020 in _____ City, Philippines, affiant exhibiting to me his _____ __ issued in _____.
Ministry of Affairs, China due until 01 July 2023 Passport No. 307391456

Doc. No 10 ;
Page No 3 ;
Book No 36
Series of 2020.

FELIPE T. TEDAN JR.
Notary Public for and in Makati City
Until Dec. 31, 2020, Appt. No. M-02
Roll No. 27625, TIN 136897808
Rm. 412, 4th Flr. VGP Center, Ayala, Makati City
2019 PTR No.Mla 8009506 12/18/2018
IBP No. 1046422; 8/5/2016
MCLE Comp. VI-0012066, 9/11/2018

PTR MLA 9067886 12/9/2019/MLA

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

AOI	Automatic Optical Inspection
Application	the documents to purchase or subscribe to the Offer Shares
Articles	the Articles of Incorporation of the Company
Banking Day or Business Day	a day (except Saturdays, Sundays, and holidays) on which banks in the Philippines are open for business
BER	Bit Error Rate
BIR	Bureau of Internal Revenue
Board of Directors or Board	the Board of Directors of the Company
BOI	Board of Investments, the lead investments promotion agency of the Philippines
BOM or Bill of Materials	List of raw materials, sub-assemblies, intermediate assemblies, subcomponents, parts and the quantities of each needed to manufacture an end product
Box-Build	the electromechanical assembly process involving enclosure fabrication, installation of sub-assemblies and components, and installation and routing of cabling or wire harnesses
BPSK	Binary Phase Shift Keying
BSP	Bangko Sentral ng Pilipinas, the Central Bank of the Philippines
BVAL	Bloomberg Valuation benchmark reference rates as reported in the Bloomberg system
By-Laws	the By-Laws of the Company
CAGR	Compound annual growth rate
Camerton	Camerton, Inc., the principal shareholder of the Company
CATSI	Cirtek Advanced Technologies and Solutions, Inc.
Cayon	Cayon Holdings, Inc.
CEC	Cirtek Electronics Corporation, a Philippine company

CEIC	Cirtek Electronics International Corporation, a British Virgin Islands company
Charmview	Charmview Enterprises, Ltd, ,
CHI	Cirtek Holdings, Inc.
CHPC or Cirtek or Cirtek Group or Issuer or Company or TECH	Cirtek Holdings Philippines Corporation, a corporation incorporated in the Philippines; references to the Company include references to its Subsidiaries, unless the context otherwise requires
CLC	Cirtek Land Corporation
COA	Commission on Audit
Congress	the Congress of the Philippines, comprised by the House of Representatives and the Senate
Corporation Code	Republic Act No. 11232, otherwise known as "The Revised Corporation Code of the Philippines"
CP	The Commercial Papers, an evidence of indebtedness registered with the SEC with maturity of three hundred and sixty five (365) days or less
CP Holder	A purchaser of the CPs
CTT	code name for RBWI's 2nd generation radio (after MRI)
DDS	securities denominated in U.S. dollars which are listed and traded on the PSE
Debt-to-Equity Ratio	the Company's total bank borrowings divided by its total equity attributable to the equity holders of the Parent Company as described in the Consolidated Financial Statements included in this Prospectus
DENR	Department of Environment and Natural Resources
DENR-EMB	Department of Natural Resources, Environmental Management Bureau
DFN	Dual flat leadless package
Director(s)	the director(s) of the Company
DOLE	Department of Labor and Employment
EBITDA	earnings before interest, taxes, depreciation and amortization
ECC	Environmental Compliance Certificate
EDGE	Electronic Disclosure Generation Technology

EIS	Environmental Impact Statement
EMB	Environmental Management Bureau
EMS	Electronics Manufacturing Services
Government	the national government of the Republic of the Philippines
GRT	Gross receipts tax
IC	Integrated Circuits
IDM	Integrated Device Manufacturer
Initial Issuance	The first issuance of the Commercial Paper
IPP	Investment Priorities Plan, an annual publication by the BOI that defines the areas of business that it intends to promote
IRFU	Indoor Radio Frequency Unit
IRRs	Implementing Rules and Regulations of the SRC, as amended
ISO9001	the international standard that specifies requirements for a quality management system (QMS)
ISO14001	the international standard that specifies requirements for environmental management system (EMS)
Issue Date	A date at which the CPs or a portion thereof shall be issued by the Issuer, which date shall be set by the Issuer in consultation with the Issue Manager and Underwriter/Arranger. For the avoidance of doubt, an Issue Data shall at any time be a date which is within the validity of the SEC Permit to Sell
Issue Manager and Underwriter/ Arranger	Multinational Investment Bancorporation
LGU	Local Government Unit
Listing Date	The date at which the CP shall be listed with PDEx
LLDA	Laguna Lake Development Authority
LMC	Labor Management Council
MIC	Monolithic Integrated Circuit
microwave	region of the electromagnetic spectrum which corresponds to radio band frequencies of 300 MHz to 300 GHz

millimeter wave	region of the electromagnetic spectrum corresponds to radio band frequencies of 30 GHz to 300 GHz
MPO	minimum public ownership
MTBF	Mean Time Between Failure. It is a way of measuring how good an equipment is, usually in hours between failure.
NPI	New Product Information
ODFN	Optical Dual Flat No lead. It is a DFN package that uses clear or transparent mold compound.
ODM	Original Design Manufacturer
ODU	Out Door Unit
OEMs	Original Equipment Manufacturers
Offer	Up to Php2,000,000,000.00 Commercial Papers
Offer Price	Discount to face value
OIPR	Outdoor Internet Protocol Radio
OSAT	Outsourced Semiconductor Assembly & Test
PCBA	Printed Circuit Board Assembly
PDEx	Philippine Dealing & Exchange Corp.
PDIP	Plastic Dual-In-Line Package
PDTC	Philippine Depository & Trust Corp.
Pesos, Philippine Pesos, ₱ and Philippine currency	the legal currency of the Republic of the Philippines
PEZA	Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standards
Philhealth	Philippine Health Insurance Corporation
Philippine Constitution	also known as the 1987 Constitution, the supreme law of the Republic of the Philippines
Philippine Corporation Code	Batas Pambansa Blg. 68, also known as the Corporation Code of the Philippines
Philratings	Philippine Ratings Services Corporation
PQFN	Power Quad Flat No leads

Principal Shareholder	Camerton, Inc.
Prospectus	This Prospectus together with all its annexes, appendices and amendments, if any
PSA	Philippine Standards on Auditing
PSE	The Philippine Stock Exchange, Inc.
PSRE	Philippine Standards on Review Engagements
QFN	Quad flat pack leadless package
QS9000	a company level certification based on quality system requirements related specifically to the automotive industry
Quintel	Quintel Cayman Ltd. and its subsidiaries, Quintel Technology Ltd. and Quintel USA, Inc.
Quintel Solutions	Quintel Technology Ltd. and Quintel USA, Inc.
R.A.	Republic Act, which refers to a statute enacted by the Senate or the House of Representatives
RBWI	REMEC Broadband Wireless International, Inc.
REMEC	REMEC Broadband Wireless Holdings, Inc.
RF	Radio frequency
SBFZ	Subic Bay Freeport Zone
SEC	The Philippine Securities and Exchange Commission
Senate	the Senate of the Philippines, one of the two branches of the Congress
SOIC	Small-outline integrated circuit
Sole Issue Manager	Multinational Investment Bancorporation
SRC	R.A. No. 8799, also known as the Securities Regulation Code of the Philippines
SSS	the Republic of the Philippines' Social Security System
Subsequent Issuance	Issuances subsequent to the Initial Issuance
Subsidiaries	Cirtek Electronics Corporation, Cirtek Electronics International Corporation, Cirtek Advanced Technologies and Solutions, Inc. and/or Quintel

Term Deposit Facility or TDF	The Term Deposit Facility is a key liquidity absorption facility, commonly used by central banks for liquidity management. Due to the BSP's inability to issue its own debt instruments, the TDF will be tasked to withdraw a large part of the structural liquidity from the financial system to bring market rates closer to the BSP policy rate.
TS16949	the ISO technical specification aimed at the development of a quality management system that emphasizes defect prevention and the reduction of variation and waste in the automotive industry supply chain
TUV	TÜV SUD Philippines Inc.
TUV Product Safety Certification	certification by TUV indicating that a manufacturer's products have met applicable safety requirements and quality standards
UHA	Ultra High Availability
Underwriting Agreement	The agreement entered into by and between the Company and the Underwriter, indicating the terms and conditions of the Offer and providing that the Offer shall be underwritten by the Underwriter on a best efforts basis
US$	U.S. Dolars, the lawful currency of the United States of America
VAT	Value Added Tax

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the CPs, see the section entitled "Risk Factors" beginning on page 23 of this Prospectus.

Company Overview

Cirtek Holdings Philippines Corporation is a fully integrated global technology company focused on wireless communication. It is the holding company of Cirtek Electronics Corporation ("CEC") and Cirtek Electronics International Corporation ("CEIC"), (collectively the "Cirtek Group"). The Company's principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

Through its Subsidiaries, the Company is primarily engaged in three major activities:

1) The design, development, and delivery of the wireless industry's most advanced high-efficiency, high-performance antenna solutions;
2) The manufacture of value-added, highly integrated technology products; and
3) The manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services

Quintel Solutions is a leading provider of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks. Quintel is a pioneer of multi-port, multi-frequency wireless tower antennas. These antennas support more frequencies and deliver greater bandwidth, thereby improving customer experience and creating cost-efficiencies and quicker roll-out for mobile operators.

CEIC sells integrated circuits principally in the US and assigns the production of the same to CEC. CEIC acquired Remec Broadband Wireless Inc. ("RBWI") in July 30, 2014. RBWI, renamed to Cirtek Advanced Technologies and Solutions, Inc, ("CATSI"), is a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunications, satellite, aerospace and defense, and automotive wireless devices.

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. CEC has over 64 regular customers spread out in Europe, the US and Asia.

Cirtek Delaware is a Delaware corporation which is wholly-owned by Cirtek Electronics International Corporation. Cirtek Delaware was established to implement the Agreement and Plan of Merger under which Quintel Cayman Ltd. will be a wholly- owned subsidiary of Cirtek Delaware.

Quintel Cayman Ltd is the holding corporation of Quintel Technology Limited and Quintel USA, Inc.

Quintel Technology Limited designs, develops, and delivers antenna solutions for the wireless industry in the United States and internationally. Quintel Technology Limited is based in Rochester, New York with additional offices in North America, Europe, and Asia.

Quintel USA, Inc. is a privately held company in Rochester, New York. Quintel USA, Inc. designs, develops and delivers advanced high-efficiency, high-performance antenna solutions that help mobile operators to increase efficiency, enhance quality-of-service, slash costs and accelerate returns.

The Philippine Branch is the extension of Cirtek Advanced Technologies and Solutions, Inc. ("CATSI"), a BVI company, in the Philippines. CATSI is wholly-owned by Cirtek Electronics International Corporation. CATSI, through its Philippine Branch is a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

RBW Realty and Property, Inc. is a real estate developer located in Muntinlupa, Philippines.

Cirtek Business & Technology Solutions, Inc. was established to provide wireless infrastructure solutions to large Philippine enterprises using internally-manufactured multi-gigabit, millimeterwave, high capacity wireless backhaul and access technologies.

CHPC, through its Subsidiaries, harnesses more than 54 years of combined operating track record. The Company's products cover a wide range of applications and industries, including communications, consumer electronics, power devices, computing, automotive, and industrial.

All companies under Cirtek Holdings Philippines Corporation are wholly-owned.

Beginning in 1984 with only three customers, the Cirtek Group has significantly grown its customer base to over 70 major and regular customers across Europe, U.S. and Asia, with the bulk of revenues contributed by customers located in Europe and the U.S.

The Cirtek Group has built a strong reputation with its customers for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop application and customer specific packages. Members of the Cirtek Group have been accredited and certified by several international quality institutions, such as TÜD SÜD Management Service GmbH and Defense Supply Center of Columbus, for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949.

The Company was listed in the PSE on November 18, 2011. On November 10, 2015, the Company had a follow on offering of common shares ("FOO") which was 1.5 times oversubscribed and raised ₱2.2 billion. The common shares subject to the FOO were listed on the PSE on the same day. Its market capitalization has grown by approximately sixteen times from ₱1.1 billion in 2011 to ₱17.10 billion as of September 30, 2017.

From 2016 to 2018, Cirtek Group's consolidated net sales grew from US$74.3 million to US$106.5 million at a CAGR of 19.7% while consolidated net income grew from US$7.6 million to US$8.3 million at a CAGR of 4.5%. Meanwhile, for the nine months ended 30 September 2019, the Cirtek Group reported lower consolidated net sales and consolidated net income at $69.6 million and $3.7 million, respectively, compared with $88.5 million and $11.1 million for the same period in 2018. As of 30 September 2019, the Cirtek Group had total consolidated assets of US$253 million and total consolidated liabilities of US$139.6 million.

Corporate History

For more than three decades, the Company has provided turnkey solutions to its roster of clients who have remained loyal since the company's inception in 1984. The milestones charted by its Subsidiaries attest to this:

Cirtek Electronics Corporation
CEC was officially incorporated with the Securities and Exchange Commission on May 31, 1984, primarily to engage in the business as independent subcontractor for semiconductor assembly, test and packaging services.

CEC was registered as a Philippine Export Zone Authority (PEZA) company on March 24, 1998. As a registered PEZA enterprise, CEC is entitled to certain tax and non-tax incentives provided for in Republic Act No. 8748.

Cirtek Electronics International Corporation

CEIC was incorporated under the International Business Companies Act of the British Virgin Islands on April 4, 1995. CEIC primarily sells integrated circuits principally to the United States of America, and subcontracts the production of the same to CEC.

CEIC, through its acquisition of the production facility of Remec Broadband Wireless, Inc. ("RBWI") located in Carmelray Industrial Park 1, Laguna, manufactures complex systems and subsystems, modules and submodules, used in wireless communication and satellite applications,

RBWI, renamed to Cirtek Advanced Technologies and Solutions, Inc., ("CATSI"), is a PEZA-registered company which entitles it to tax and non-tax incentives

The Acquisition of the Quintel business

Last July 31, 2017, CHPC and Trillium International I, GP, as shareholder representative of Quintel Cayman, Ltd. ("Quintel Cayman") announced the signing of a definitive agreement under which CHPC, through its Subsidiaries, acquired 100% of Quintel, a leading provider of advanced high- efficiency, highperformance antenna solutions. The acquisition immediately gave CHPC a significant presence in the large and rapidly growing base station antenna market, estimated to be more than US$14 billion by 2020.

Established in 2002, Quintel designs, develops and delivers advanced high-efficiency, high performance antenna solutions that help mobile operators to increase efficiency, enhance quality-ofservice, slash costs and accelerate returns. Quintel's current customers are AT&T and Verizon, and large telecommunication corporations operating in North America and Puerto Rico. Quintel's world headquarters are located in Rochester, New York while the research and development office and sales offices are located in San Jose, California and Buckinghamshire, United Kingdom, respectively. The Rochester, New York and San Jose, California offices operate under Quintel USA, Inc. while the Buckinghamshire, United Kingdom entity operate under Quintel Technology, LTD.

The following are Quintel's antenna product lines:

1. MultiServ - Single Antenna - Multiple Frequency Bands

Under the MultiServ brand, Quintel sells Multi-Band/ Multi-Port Antennas which are designed to maximize site utilization without compromising site design and network optimization freedoms. This product offers independent tilt for different bands for different arrays while supporting up to 4x4 MIMO at high-bands. The technology of Multiserv also minimizes Passive Intermodulation interference and supports different access technologies (4G, LTE, 3G, 2G).

2. SONWav - Directional Antenna – Passive Real-Time Beamforming

Through its SONWav brand, Quintel provides Passive Real-Time Elevation Beamforming Antennas which increases throughput and spectral efficiency at low spectrum bands in a single slimline antenna. This product also offers route to double MIMO freedoms.

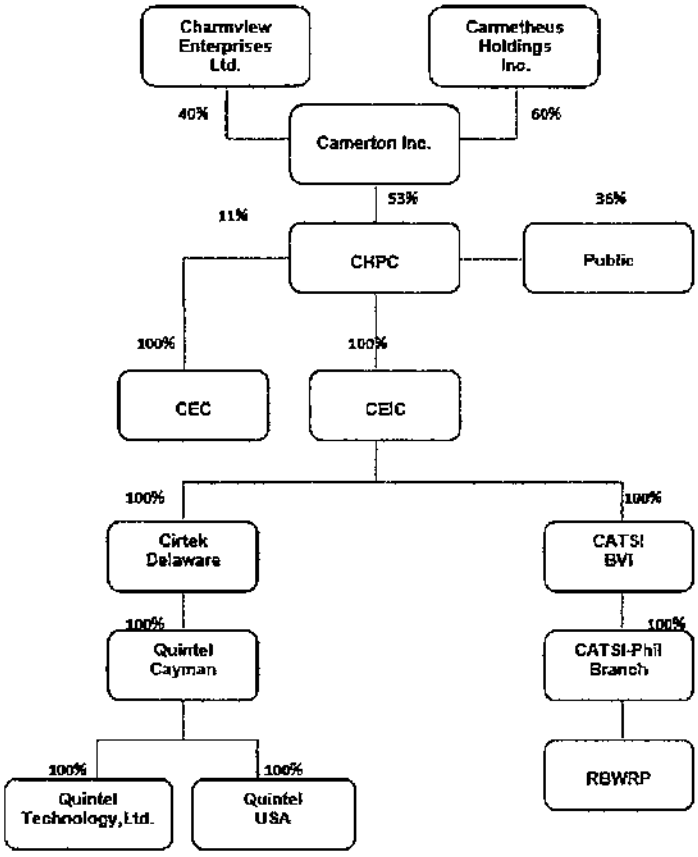
Quintel recently expanded its industry-leading MultiServ™ Slimline Antennas portfolio. In addition to the 12-Port Multiband Antenna, Quintel now has 10 Port antennas, both of which come in 4, 6 and 8 foot lengths. This latest Slimline Antenna utilizes the same 12"/300mm wide form factor that all Quintel antennas use providing the industry's only "One Size Fits All" portfolio of 6, 8, 10 and 12-Port antennas in the same single form factor.

The Company believes that Quintel's cutting edge R&D and product capabilities significantly add to and complement the Cirtek Group's growing portfolio in wireless communication, and is aligned with its business focus on high-growth market segments. Further, being the strategic manufacturing partner of Quintel products places the Company 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.

Please refer to the section entitled "Company Description" on page 54 for a more detailed discussion on the Quintel Acquisition.

Corporate Structure

The chart below sets out Cirtek Group's corporate structure as of the date of this Prospectus.



Competitive Strengths

The Company believes that with its existing operations, it has strong leverage to exceed its competitors. Cirtek believes that its principal strengths are the following:

- Industry-leading Technology
- Reputation for High-Quality, Innovative Products

- Offers a Complete Range of Turnkey Solutions and Vertically Integrated Services
- Significant Proprietary IP
- Global and Diversified Customer Footprint
- Strong Financial Track Record
- Highly Experienced Management Team
- Proven Execution Track Record

Key Strategies

The Company's key strategies are designed to allow the Cirtek Group to achieve its mid-term and long-term goals through an efficient mix of organic growth through expanding product lines/ more sales teams and mergers and acquisitions. In line with this, shown below are the Company's key strategies for its strategic business units ("SBU").

For Quintel

- Expand to new geographic markets as the global market for multi-port, multi-frequency base station antennas is expanding rapidly
- Expand Cirtek / Quintel's product portfolio through new product introduction, licensing and white label branding
- Improvement in gross margin through lower BOM cost, more efficient outbound logistics, better yield and better quality

For CEC

- Focus on further expanding the semiconductor business
- Strengthen presence in high-growth market segments such as wireless communication, consumer electronics, automotive sectors
- Expand sales network in key markets such as Europe, US and Asia

For CATSI

- Consistent growth from RFM/Microwave/Millimeterwave Business by at least 20% year on year
- Expand customer base for RF/Microwave/Milimeterwave Business
- Acquisition of Remec Broadband Wireless International, Inc.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the CPs. These risks include:

Risks relating to the Company and its business

- Dependence on an industry that is characterized by rapid technological changes, such that it must be able to adapt to new technologies and be flexible to customer needs in order to remain competitive
- Risks relating to the contractual right of the customers of the Cirtek Group to place orders in quantities less than the agreed minimum and their requirement for the latter to maintain certain key certifications and meet technical audit standards.
- Risks relating to working capital being tied up in inventories and inventory obsolescence
- Risks relating to delayed or non-payment of customers for products sold or services rendered
- Risks relating to the maintenance of governmental approvals
- Risks relating to the industry's dependence on the continued growth of outsourcing by OEMs
- Risks relating to the Company's exposure to the cyclical nature of the semiconductor industry
- Risks relating the competitive nature of the assembly and testing segment of the semiconductor industry

- Risks relating to the volatility in the price of raw materials and the availability of supply used by the Company in its production process
- Risks relating to intellectual properties
- Risks relating to foreign exchange
- Risks relating to industrial or labor disputes
- Risks relating to the separation of key employees with the Company

Risks Relating to Countries Where the Company Operates

- Business, political, operational, financial, and economic risks arising from the Company's operations in the Philippines and other jurisdictions
- Risks arising from environmental laws that are applicable to the Company's projects
- Risks due to political instability in these various jurisdictions
- Risks arising from territorial disputes involving the Philippines and its neighboring countries
- Macroeconomic risks from each country of operations
- Risks relating to the Company's international expansion and its operation in multiple jurisdictions
- Risks due to natural or man-made catastrophes including severe weather conditions and epidemics

Risks Relating to the Commercial Papers

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets
- Price Risk – the CPs market value moves (either up or down) depending on the change in interest rates
- Retention of Ratings Risk – there is no assurance that the rating of the CPs will be retained throughout the life of the CPs

Please refer to the section entitled "Risk Factors' beginning on page 23 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the CPs.

CORPORATE INFORMATION

The Company's principal place of business is at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna, Philippines with telephone number 830-8000. The information and prospectus of the Company may be obtained at http://www.cirtekholdings.com and at http://www.cirtekholdings.com/content/investor-relations/reports--latest-disclosures/, respectively.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's consolidated, unaudited, interim financial statements as of September 30, 2019 and the Company's consolidated, audited financial statements for the fiscal years ended December 31, 2018, 2017, and 2016. These should be read in conjunction with the auditors' reports, the Company's consolidated financial statements including the notes thereto included elsewhere in this Prospectus, the section entitled "Management's Discussion & Analysis of Financial Conditions and Results of Operations", and other financial information included herein.

The consolidated financial statements as of December 31, 2018, 2017, and 2016 were audited by SyCip Gorres Velayo & Co. ("SGV") a member practice of Ernst & Young Global, in accordance with Philippine Financial Reporting Standards ("PFRS"). The consolidated financial information as of and for the nine months ended September 30 2019 and 2018 have not been audited by the Company's auditor.

The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date. All figures are in thousands of US$ except per share figures and where otherwise indicated.

Income Statement Data	**For the nine months ended September 30**		**For the years ended December 31**		
	2019 *Unaudited*	**2018** *Unaudited*	**2018** *Audited*	**2017** *Restated*	**2016** *Audited*
Revenue from Contracts with Customers	69,560	88,475	106,475	88,710	74,322
Cost of Sales	(54,367)	(62,742)	(84,624)	(70,430)	(61,566)
Gross Profit	15,193	25,734	21,850	18,279	12,756
Operating Expenses	(7,139)	(15,560)	(15,587)	(12,214)	(4,354)
Financial Income (Expenses)	(4,629)	(3,721)	(4,805)	(3,320)	(995)
Other Income	643	4,846	8,328	506	748
Income Before Income Tax	4,069	11,299	9,786	3,251	8,155
Provision for Income Tax	381	212	1,452	101	547
Net Income	3,688	11,086	8,334	3,150	7,608
Other Comprehensive Income	-	-	215	156	(486)
Total Comprehensive Income	3,688	11,086	8,549	3,306	7,122
Basic/Diluted Earnings Per Share	$0.001	$0.010	$0.011	$0.008	$0.018

Balance Sheet Data	As at September 30	As at December 31		
	2019	**2018**	**2017**	**2016**
	Unaudited	*Audited*	*Restated*	*Audited*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	15,512	17,443	37,223	24,511
Trade and other receivables	26,965	14,726	13,035	23,172
Inventories	28,036	28,303	38,997	15,282
Amounts owed by related parties	29,931	57,005	50,384	12,437
Other current assets	3,451	2,618	2,523	2,618
Held-to-maturity investments	-	-	-	372
Financial assets at fair value through profit or loss	-	-	-	0.503
Noncurrent assets held for sale	-	-	11,409	11,409
Total Current Assets	103,895	120,094	153,571	89,801
NON-CURRENT ASSETS				
Available-for-sale financial asset	-	-	1,667	1,667
Other financial asset at amortized cost	470	470	-	-
Held-to-maturity investment	-	-	481	-
Investment properties	10,605	10,605	-	-
Property, plant, and equipment	37,009	38,161	31,294	28,676
Intangible assets	100,038	93,084	92,856	922
Deferred income tax assets – net	205	205	207	175
Other noncurrent assets	805	1,951	2,002	1,249
Total Non-current Assets	149,131	144,475	128,508	32,688
TOTAL ASSETS	253,026	264,569	282,078	122,490
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	19,583	16,811	39,999	19,136
Short-term loans	48,260	53,710	64,040	31,626
Current portion of long-term debt	6,644	11,046	4,253	6,882
Amounts owed to related parties	618	601	543	520
Dividend payable	21	21	-	-
Income tax payable	94	459	235	328
Total Current Liabilities	75,221	82,647	109,070	58,491
NON-CURRENT LIABILITIES				
Long-term debt – net of current portion	58,260	62,301	33,625	36,978
Deposit for future stock subscriptions	189	189	-	-
Retirement benefit obligation	1,497	1,555	1,890	1,808
Deferred income tax liabilities – net	4,447	4,091	3,510	3
Total Non-current Liabilities	64,393	68,136	39,025	38,789
TOTAL LIABILITIES	139,614	150,783	148,095	97,281
EQUITY				
Common stock	9,594	9,594	9,594	9,594
Preferred stock	2,616	2,616	2,037	221
Additional paid-in capital	100,470	100,470	100,470	35,897
Equity reserve	4,030	4,030	4.030	4,138
Other comprehensive income (loss)	(1,256)	(1,256)	196	40
Retained earnings	24,770	25,145	24,673	24,885
Parent company shares held by a subsidiary	(26,813)	(26,813)	(7,017)	(49,567)
Total Equity	113,412	113,786	133,983	25,209
TOTAL LIABILITIES AND EQUITY	253,026	264,569	282,078	122,490

The table below sets forth the comparative performance indicators of the Company and its Subsidiaries:

Amounts in thousands US$, except ratios, and where indicated	**2016 Full year**	**2017 Full year**	**2018 Full year**	**2019 Nine Months**
EBITDA	11,862	10,697	20,452	12,125
EBITDA Margin	16%	12%	19%	17%
Sales Growth	25%	19%	20%	(21%)
Current Ratio (x)	1.5x	1.41x	1.45x	1.38x
Earnings per share (US$)	0.018	0.008	0.011	0.001

THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the CPs. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective note holders are enjoined to perform their own independent investigation and analysis of the Issuer and the Commercial Papers. Each prospective note holder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective note holder's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the CP. Accordingly, any decision by a prospective investor to invest in the CPs should be based on a consideration of this Prospectus as a whole, which provides the material rights, obligations and privileges of a CP Holder. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

The following are the terms and conditions of the Offer:

Issuer	Cirtek Holdings Philippines Corporation
Sole Arranger	Multinational Investment Bancorporation
Lead Underwriter	Multinational Investment Bancorporation
Instrument	Registered Commercial Paper
Issue Size	Two Billion Pesos (PhP 2,000,000,000) to be issued in one lump sum or multiple tranches; the Commercial Papers may be issued and reissued, in each case, in whole or in part and in one or more series, within three (3) years from the date of the SEC order rendering the Registration Statement effective and a corresponding permit to offer securities for sale covering the Commercial Paper Program
Method of Issue	The Issuer may, in consultation with the Sole Arranger and Lead Underwriter, issue or reissue, in whole or in part, the Commercial Papers covered by the Registration State, in one or more series under Rule 12.1.2.5 of the Implementing

		Rules and Regulations of the Securities Regulation Code provided that a) the outstanding amount of the Commercial Papers at any time shall not exceed Two Billion Pesos (PhP 2,000,000,000), b) the Commercial Papers are issued within three (3) years following the Registration Statement Effectivity Date.
Use of Proceeds	:	To refinance existing debt of the company, and finance working capital requirements
Tenor / Initial Issuance		The tenor for the initial issuance shall be as follows: Tranche A: Ninety One (91) days from Issue Date Tranche B: One Hundred Eighty Two (182) days from Issue Date Tranche C: Three Hundred Sixty Four (364) days from Issue Date
Denomination		For Tranches A and B: Minimum of Pesos: Five Million (P5,000,000.00) face value and increments of Pesos: One Hundred Thousand (P100,000.00) For Tranche C: Minimum of Pesos: Five Hundred Thousand (P500,000.00) face value and increments of Pesos: One Hundred Thousand (P100,000.00)
Issue Price		Discount to face value
Issue Date		The CPs may be issued in either lump sum or tranches on a when and as needed basis in consultation with the Issuer upon approval by the SEC and issuance of the Permit to Offer and Sell Securities any time within three (3) years following the RS effectivity date
Discount Rate for Initial		Benchmark Rate + Spread

Issuance		
Reissuance Procedure		Issuer reserves the right during the validity of the Registration Statement for the Commercial Papers to a) issue additional Commercial Papers; or b) reissue Commercial Papers that have matured and are repaid on the relevant Maturity Date; provided that, at any time during the three (3)-year validity of the Registration Statement, there will be no more than P2,000,000,000 in aggregate principal amount of Commercial Papers outstanding and none of the Commercial Papers will have a maturity date of 365 days or more; provided further, that at the maturity date of any outstanding Commercial Papers, the Issuer may re-offer and re-issue the Commercial Papers for another term of not more than 365 days; provided further, that any and all relevant taxes, including, but not limited to documentary stamp tax on the indebtedness, shall be paid by the Issuer for each issuance and reissuance of the Commercial Papers.
Discount Rate for Subsequent Issuance/s		The discount rate for the subsequent issuance/s shall be set by the issuer in consultation with the arranger which may be determined based on the corresponding Benchmark Rate plus Spread
Minimum Denomination for Secondary Trading	:	Minimum of Pesos: One Hundred Thousand (Php 100,000) face value and increments of Pesos: Ten Thousand (Php 10,000)
Benchmark Rate		The higher of the three day average PHP BVAL benchmark rate of the corresponding tenor or the closest tenor of the Term Deposit Facility of the Bangko Sentral ng Pilipinas The corresponding benchmark rates are as follows: Tranche A: PHP BVAL 3M, or its successor benchmark rate Tranche B: PHP BVAL 6M, or its successor benchmark rate Tranche C: PHP BVAL 12M, or its

	successor benchmark rate
Spread over the Benchmark Rate	75-150 basis points
Tenor of Subsequent Issuance/s	The tenor of succeeding issues may range from thirty (30) days up to the maximum tenor allowed by the Securities and Exchange Commission (SEC) under the relevant provisions of the Securities Regulation Code (SRC)
Interest Computation	The Interest / Discount Rate and Rollover Interest / Discount Rate will be calculated on a true-discount basis
Principal Repayment	The principal amount of the CPs will be repaid in full at their respective Maturity Dates, unless the investor provides written instruction to rollover the entire amount or a portion thereof. If such principal repayment is due on a day that is not a business day, the principal repayment date shall be made on the immediately succeeding business day. No additional interest will be paid in such case.
Status	The CPs will constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer ranking at least pari passu in all respects and without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of the Issuer.
Form	The CPs shall be issued scripless and will be maintained in electronic form with the Registrar to be appointed for the purpose
Taxation	Interest paid on the CPs shall be subject to a 20% final withholding tax. A CP Holder who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents.
Registrar	Philippine Depository & Trust Corp.

Paying Agent		Philippine Depository & Trust Corp.
Facility Agent		AB Capital and Investment Corp. The Facility Agent has no direct relations with the issuer.
Secondary Trading		The CPs are intended to be listed at the Philippine Dealing & Exchange Corp. (PDEx) for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEx Trading Participants
Market Maker		Multinational Investment Bancorporation
Manner of Purchase	:	The CPs will be available for sale from the Underwriter / Arranger and Selling Agents, if any, subject to minimum purchase amount and denomination.
Acceptance / Rejection of the Application	:	The Issuer and the Issue Manager and Underwriter / Arranger reserve the right to accept or reject any application for CPs. In case of over-subscription, the Issuer and the Issue Manager and Underwriter / Arranger reserve the right to allocate the CPs available to the investors in a manner they deem appropriate.
Delivery of CP	:	Delivery of the CPs will be made upon full payment of the Offer Price to the Underwriter / Arranger and/or Selling Agents
Liabilities	:	The Company as the CP issuer is liable and responsible for any and all obligations arising from the sale of the CP as provided under pertinent sections of the Negotiable Instruments Law, the SRC and applicable laws of the Philippines as well as in the Underwriting Agreement and related agreements. In addition, the Issuer is responsible for complying with all reportorial requirements of the SEC in connection with the issuance of the CP.
Credit Rating	:	PRS A (corp.) with a Stable Outlook
Security	:	Negative pledge on the Company's existing and future assets, except (i) to secure statutory obligations, (ii) to enable the Company to continue to enter into its usual

		transactions in the ordinary course of business, (iii) those imposed by law or arising out of pledges or deposits under workmen's compensation laws or other social security or retirement benefits or similar legislation, and (iv) those created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof.
Cross Default	:	The Company shall be considered to be in default in case the Company fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other obligation, or commits a breach or violation of any of the terms, conditions or stipulations, of any agreement, contract or document with any persons to which the Company is a party or privy, whether executed prior to or after the date hereof, or under which the Company has agreed to act as guarantor, surety or accommodation party, which, under the terms of such agreement, contract, document, guaranty or suretyship, including any agreement similar or analogous thereto, shall constitute a default thereunder after allowing for all applicable grace periods.
Other Terms and Conditions	:	The CPs will not be convertible to any other security or equity of the Issuer. The Issuer will not set up any sinking fund for the redemption of the CPs. Substitution of the CP with another type of security will not be permitted. Other terms and conditions as may be agreed upon among the Issuer, the Lead Underwriter / Sole Arranger.

RISK FACTORS

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are issued by smaller companies. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the CPs and the Company from the SEC and PDEx.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

RISK FACTORS

An investment in the CPs described in this Prospectus involves a certain degree of risk. A prospective purchaser of the CPs should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the CPs. This Prospectus contains forward-looking statements that involve risks and uncertainties. CHPC adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of CHPC, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the CPs. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

RISKS RELATING TO THE COMPANY'S BUSINESS

The Cirtek Group's business is highly dependent on an industry that is characterized by rapid technological changes, such that it must be able to adapt to new technologies and be flexible to customer needs in order to remain competitive.

The pace of innovation in the electronics and communications industries is high. In order to remain competitive, the Cirtek Group must adapt to new technologies required by their customers. They must have the engineering capability for product development to meet their clients' needs.

The demand for the Company's solutions is derived from the demand of end customers particularly for end-use applications in the computing, communications, consumer automotive, and industrial

electronics industries. These industries have historically been characterized by rapid technological change, evolving industry standards, and changing customer needs. There can be no assurance that the Company will be successful in responding to these industry demands. New services or technologies may also render the Company's existing services or technologies less competitive. If the Company does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities may require substantial time, effort, and capital investment.

Thus, the Cirtek Group is focused on continuous R&D, new product development, technical innovation and re-engineering. This is done to ensure a strong and consistent pipeline of new products, enhance process capability and to reduce production cost. They have successfully collaborated with their customers in a number of projects, co-developing new technologies that are customer specific, thereby ensuring long-term partnership with customers.

The Cirtek Group develops its own technology and product roadmaps. The Cirtek Group ensures that it has the skills necessary to meet its customers' needs through training and hiring.

Some of the Cirtek Group's customers have the contractual right to place orders in quantities less than the agreed minimum. The customers also require that the latter maintain certain key certifications and meet technical audit standards in order to be an accredited assembly and testing subcontractor.

The Company is required to maintain certain certifications, which include among others, ISO9001, ISO14001, QS9000/TS16949 and Defense Supply Center of Columbus. In addition, the Company must pass annual audits conducted by its customers, in order to maintain its status as an accredited assembly and testing subcontractor. The failure by the Company to maintain any of its key accreditations could have a material adverse effect on the Cirtek Group's financial condition, or results of operation.

The Company has managed to consistently obtain all customary international accreditations certifying to its world-class standards of process and manufacturing from quality institutions such as TUV and Defense Supply Center of Columbus. This allows it to meet various industry requirements and standards. The Company continually monitors industry requirements and standards issued by applicable international accreditation bodies and implements the changes or adjustments necessary to remain compliant with the levels of standard imposed on competitive industry members.

The Company may be exposed to risk of inventory obsolescence and working capital tied up in inventories.

The Company may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Inventory obsolescence may require it to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected. The Company is cognizant of these risks and accordingly exercises due diligence in materials planning. The Company also makes provisions in its inventory systems and planning for a reasonable amount for obsolescence. It works with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk. In addition, the Company often negotiates buy back arrangements with customers where, in the event the customers' purchase orders are delayed, canceled, or enter in the end-of-life phase, the customers assumes the risk and compensates the Company for the excess inventory.

The Cirtek Group may be exposed to liquidity risk from delayed payments of customers, as well as credit risks on its receivables from clients.

The Cirtek Group may encounter difficulty with cash inflows due to delayed payments of customers, which in turn may affect its working capital cycle.

The Company is also exposed to credit risk if its customers are unable to fully settle amounts due for services and products delivered, as well as other claims owed to the Company.

That said, the Company believes it has been highly efficient in its collection of accounts receivables. It likewise believes it has a solid financial position which should mitigate liquidity risk that may result from delayed payment of customers.

Meanwhile, credit risk is managed in accordance with the Company's credit risk policy, which requires the evaluation of the creditworthiness of each customer. Cirtek requires new customers to undergo an initial evaluation period of six months and to pay cash upon delivery of products or services during this period. Existing customers are given a credit term of between 30 to 45 days, which the Company strictly implements.

The Company carries out the necessary due diligence customary for the business prior to booking orders from new customers, and it also strictly enforces its collection policies to all customers. The Company has not made any significant write-off of receivables in its operating history.

CEC and CATSI are required to maintain governmental approvals

Aside from other reportorial requirements to which all corporations are generally subject, the Subsidiaries, as PEZA-registered entities,are required to submit certain periodic reports to PEZA such as annual reports, quarterly reports, and audited financial statements. They are also required to submit quarterly, semi-annual, and annual reports to the Department of Energy and Natural Resources as part of its Environmental Compliance Certificate requirements. CEC's and CATSI's failure to comply with these reports and with any other requirements or regulations of these government agencies could expose them to penalties and the revocation of the registrations and permits.

CEC and CATSI ensure compliance with these requirements by assigning dedicated personnel to monitor, prepare the necessary filings, and liaise with the relevant government agencies.

The Company's industry is dependent on the continuous growth of outsourcing by OEMs

The Company belongs to an industry that is dependent on the strong and continuous growth of outsourcing in the computing, communications, consumer automotive, and industrial electronics industries where customers choose to outsource production of certain components and parts, as well as functions in the production process. A customer's decision to outsource is affected by its ability and capacity for internal manufacturing and the competitive advantages of outsourcing.

The Company's industry depends on the continuing trend of increased outsourcing by its customers. Future growth in its revenue depends on new outsourcing opportunities in which the Company assumes additional manufacturing and supply chain management responsibilities from its customers. To the extent that these opportunities do not materialize, either because the customers decide to perform these functions internally or because they use other providers of these services, the Company's future growth could be limited.

The Company believes that its global footprint, with sales reach in Asia, Europe, the U.S., Africa, and South America[1], its global supply chain systems and capabilities, and its design services will continue to provide strategic advantages for customers to outsource parts of their product development and manufacturing processes to the Company.

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[1] All of Cirtek Group's invoiced customers are based in three main regions, namely, Asia, Europe, and the United States. These customers deploy Cirtek's products to other regions such as Africa and South America.

The RF, Microwave and Millimeterwave segment of the wireless communication industry is competitive and characterized by rapid technological changes

The Company operates in a highly competitive industry. As a result of the rapid technological changes, regulation and changing customer needs, there can be no assurance that the Company will be successful in responding to these industry demands.

The Company offers full turnkey solutions at very competitive price points. The Company also has unique and strong manufacturing capabilities to build components, modules, up to system level.

To mitigate this risk, the Company has diversified to have its own product to lessen its dependency on outsourcing and is committed to grow this part of the business.

The Company is at an advantage with the growing trade tensions between the US and China as an avenue of opportunity opens up as an alternative choice for traders to consider.

The Company is exposed to the cyclical nature of the semiconductor industry

The semiconductor industry's growth is largely driven by end markets in communications, data processing, consumer electronics, the automotive industry, and the industrial sector for which semiconductors are critical components. The industry has historically been cyclical, and affected by economic downturns. The Company currently derives 35% of its sales and operating profits from the assembly and testing services it provides other semiconductor companies worldwide. During periods of weak demand or excess capacity, the Cirtek Group's customers may opt not to continue with, or cancel, existing orders. These events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Cirtek Group continually monitors its direct costs such as raw materials, spare parts, and direct and indirect labor. Customers provide order forecasts that enable the Company to properly plan direct material purchases. The Cirtek Group has also implemented an internal reporting system, which allows senior management to monitor profitability for each of the products on a weekly basis. The Cirtek Group believes that these measures allow it to respond quickly and make the necessary adjustments, which have proven crucial in maintaining its competitiveness.

In addition, the products have diverse end-user applications in different industries, which allow it to cope with upswings and downswings in demand. Customers are also geographically dispersed among Europe, U.S. and Asia. Thus, because of this diversity, the Cirtek Group is not dependent on a single market. As of September 30, 2019, 49% of Cirtek's revenue came from the U.S., 33% from Europe, and 18% from Asia.

Significant competition in the assembly and testing segment of the semiconductor industry could adversely affect the Company's business.

The assembly and testing segment of the semiconductor industry is highly competitive. Cirtek competes with both local and foreign firms to provide these back-end processes to semiconductor manufacturers.

The Company's competitors include Integrated Device Manufacturers ("IDM") with their own in-house assembly and testing capabilities, and similar independent semiconductor assembly and test subcontractors. In order to remain competitive, the Company has to price its services and products reasonably, as well as maintain the quality in its manufacturing processes and deliver its products on a timely basis. Discussion on the Company's competitors is found in the "Subsidiaries" section on page 61 of this Prospectus. A discussion on the semiconductor industry is also found in the "Industry Overview and Competitive Overview" section on page 48 of this Prospectus.

The Company has in place, strict procedures to ensure the quality of its products. Through the Quality

Assurance division of its subsidiary CEC, the Company ascertains its processes and products are compliant with its client's requirements, and conducts regular audits of manufacturing procedures. The Company has a dedicated and experienced management team that understands the industry's requirements and technology trends that allows the Company to be highly competitive. At least 65% of the Company's product portfolio pertain to customer specific applications, which cannot be easily replicated by competitors. Moreover, accreditation of a qualified supplier normally takes a minimum of nine months. Hence, once its requirements are met, it is not easy for a customer to transfer to a competitor.

As a PEZA-registered entity, CEC enjoys certain incentives like preferential 5% gross income tax, duty free importation of materials, and reduced power rate vis-a-vis non-registered entities which enables it to price its products competitively. It likewise continually monitors its direct costs such as raw materials, spare parts, and direct and indirect labor.

The volatility in the price of raw materials and the availability of supply used by the Company in its production process could affect its profitability.

A significant increase in the price of or a significant reduction in the supply of raw materials could adversely affect the cost of sales and other expenses. For certain products, raw materials such as gold and copper can account for up to 40% of cost of goods sold.

While these risks are uncontrollable, the Company's practice has been to bill its customers for any price adjustments whenever the cost of direct materials such as gold increases. In order to ascertain access to raw materials at all times, the Company as a policy, maintains at least three to four suppliers for each of the raw materials it uses for production. The Company also has clients who provide certain raw materials to them for exclusive use in these client's products, which serve to reduce the production costs.

Customers are required to submit order forecasts ranging from three to six months, which the Company uses to project its supply requirements.

The Company may be exposed to risks related to intellectual property

The Company, has an intellectual property ("IP") portfolio mainly lodged with Quintel. On the other hand, as the Company is also subcontracted for the manufacturing of technology products and semiconductor packages, it also constantly deals with its customers' IPs. In most cases, the design for the technology products manufactured by the Company originates from its customers. These design materials from the Company's customers may be patented, or may have their patents pending.

As such, in the Company's dealing with its own and its customers' IPs such as patents or copyrights, there is a risk that the Company's or its customers' IPs may be leaked or be the subject of infringement by the Company's employees or third parties with access to the IPs. The Company's failure to protect its own or its customers' IPs may expose it to legal liability, reputational risk, loss of business to competition or damage the Company's customer relationships and affect its ability to obtain future business.

To mitigate the risk, the Company adheres to a strict risk management process, which encompasses IP risk assessment and mitigation. The Company's manufacturing process is also stringent, in that, each step in the manufacturing process is closely overseen to prevent any leakage of IP material. As an example, Cirtek-employed engineers are stationed in the China CM factory to do surveillance of Antenna manufacturing and other related activities to protect from any leakage the designs and specifications of Quintel's antennas. Moreover, those assigned to the manufacturing process only cover a specific portion of the entire process, to ensure that only a limited number of key employees are aware of the complete process or design.

As of the date of this Prospectus, there has been no intellectual property claim or disputes involving the Company or between the Company and its customers.

The Company is exposed to foreign exchange risk

The Company uses the US$ as its functional currency and is therefore exposed to foreign exchange movements, primarily in the Philippine Peso currency. Its expenses denominated in Philippine Peso are local expenses such as labor, utilities, and local content and comprise around 40% of the Company's total expense.

The Company 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$ currencies. To further manage foreign exchange risk, the Company from time to time enters into currency swaps and forward contracts.

The Company is exposed to the risk of industrial or labor disputes

The Company has maintained a harmonious relationship between management and staff. Cirtek provides employee benefits and complies with labor standards. The Company is not unionized; however, to foster better employee-management relations, there is a labor management council composed of committees with representatives from both labor and management. Labor management councils are established to enable the workers to participate in policy and decision-making processes, in so far as said processes will directly affect their rights, benefits and welfare. The scope of the council/committee's functions consists of information sharing, discussion, consultation, formulation, or establishment of programs or projects affecting the employees in general or the management.

The Group engages subcontractors whose direct employees (889 employees as of September 30, 2019) perform specific services or certain aspects of the outsourced manufacturing process. Such arrangements involve a "trilateral relationship" among: (i) the Group, as the principal who decides to farm out the job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service for the Group.

Under the Labor Code of the Philippines, the Cirtek Group, as principal in the contracting relationship, is liable as an indirect employer to the contractual employees, in the same manner and extent that it is liable to its own employees. Such liability is to the extent of the work performed under the contract and arises when the contractor fails to pay the wages of its employees or violates any provision of the Labor Code. The principal can then seek reimbursement from the contractor/agency.

To date, there are no pending labor-related claims filed by any contractual employee against any member of the Group.

The Cirtek Group nevertheless continues to be exposed to the risk of industrial or labor disputes. The occurrence of such events could have a material adverse effect on the Company's business, financial condition, or results of operation. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, delays in the Subsidiaries' development schedule, and the diversion of resources and management's attention.

Risk on the separation of key employees

The Cirtek Group relies on the continued employment of, and its ability to attract, qualified engineers, key managers, and technical personnel to ensure its continued success. The competition for such skilled workforce is strong, as seen in aggressive head hunting of employees.

The Cirtek Group gives attractive compensation packages that combine standard remuneration and performance incentives. The Cirtek Group provides continuous training and development to managers and direct employees. These training sessions include technical and managerial courses.

Key employees are also bound by employment contracts which have standard confidentiality, noncompete and non-solicitation clauses.

Risk that the Company might fail to comply with its loan covenants which might reduce its ability to service its debt obligations

A significant portion of Cirtek's long term loan facilities impose certain covenants which the Company has to comply with; failure to do so, and if the particular covenant would not be waived, will constitute a default event and allow the lender to accelerate the repayment term such that the outstanding debt could become immediately due and payable (see "Material Contracts and Agreements" on page 150). Such an event would increase the debt obligations in the current period and might reduce the Company's ability to service them, including the CPs.

To mitigate this risk, Cirtek strictly monitors its compliance with its loan covenants and ensure that the concerned ratios are within the set limits. Nonetheless, the Company, as of the date of this prospectus, is securing a waiver for those that could potentially be breached with the issuance of the CPs.

As additional precaution to ensure that debt servicing requirements are met, its parent company, Camerton, a Philippine-based conglomerate with diversified holdings across the food, pharmaceutical, insurance, real estate and technology industry, has pledged its receivables over a six-month period amounting to US$ 38 million to cover for potential shortfalls that could divert resources away from programmed uses.

To date, the company has complied with all of the debt covenants imposed to it by creditors.

RISKS RELATING TO COUNTRIES WHERE THE COMPANY OPERATES (INCLUDING THE PHILIPPINES)

The Company conducts business in various jurisdictions, exposing it to business, political, operational, financial, and economic risks due to its operations in these jurisdictions

There is no assurance that there will be no occurrence of an economic slowdown in the countries where the Company operates, including the Philippines. Factors that may adversely affect an economy include but are not limited to:

- decreases in business, industrial, manufacturing, or financial activity in the Philippines or in the global market,
- scarcity of credit or other financing, resulting in lower demand for products and services,
- the sovereign credit ratings of the country,
- exchange rate fluctuations,
- a prolonged period of inflation or increase in interest rates,
- changes in the relevant government's taxation policies,
- natural disasters, including typhoons, earthquakes, fires, floods, and similar events,
- political instability, terrorism, or military conflict, and
- other regulatory, political, or economic developments in or affecting the Company

Notwithstanding the foregoing, the global operations, marketing, and distribution of the Company's products inherently integrate the impact of any economic downturn affecting a single country where the Company operates, and enables the Company to shift the focus of its operations to other jurisdictions.

Changes in law including unexpected changes in regulatory requirements, affect the Company's business plans, such as those relating to labor, environmental compliance, and product safety. Delays or difficulties, burdens, and costs of compliance with a variety of foreign laws, including often conflicting and highly proscriptive regulations also directly affect the Company's business plans and operations, cross-border arrangements, and the inter-company systems.

Increases in duties and taxation and a potential reversal of current tax or other currently favorable policies encouraging foreign investment or foreign trade by host countries may lead to the imposition of government controls, changes in tariffs, or trade restrictions on component or assembled products. This, in turn, may result to adverse tax consequences, including tax consequences which may arise in connection with inter-company pricing for transactions between separate legal entities within a group operating in different tax jurisdictions, as well as increases in cost of duties and taxation.

Actions which may be taken by foreign governments pursuant to any trade restrictions, such as "most favored nation" status and trade preferences, as well as potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions may adversely affect the Company's business and financial condition.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Philippine pesos into foreign currencies to satisfy foreign currency- denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.

The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered, or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of any environmental law or regulation occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties.

Any political instability in the Philippines and the countries where the Company operates may adversely affect the business operations, plans, and prospects of the Company.

The Philippines has from time to time experienced political, social, and military instability. In the past decade, there has been political instability in the Philippines, including alleged extrajudicial killings, alleged electoral fraud, impeachment proceedings against two (2) former presidents and the chief justice of the Supreme Court of the Philippines, military uprisings and public protests arising from alleged misconduct by previous administrations. In addition, a number of incumbent and past officials of the Philippine government are currently under investigation on corruption charges stemming from allegations of misuse of public funds, extortion, and bribery. An unstable political environment may also arise from the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. Likewise, no assurance can be given that the

future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth.

The Duterte administration has unveiled a "10 point plan" which has committed, among others, to "continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies." As of the third quarter of 2019, President Duterte's approval and trust ratings remained high. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

In general, political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company.

Territorial disputes involving the Philippines and its neighboring countries may adversely affect its economy and business environment

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei, Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. The South China Sea covers more than three million square kilometers in terms of area and is home to some of the biggest coral reefs of the world. It is also believed that under the seabed lies vast unexploited oil and natural gas deposits. China claims historic rights to nearly all of the West Philippine Sea based on its so-called
"nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("UNCLOS"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid.

China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case.

The Philippine government, under the Duterte administration, and China have taken meaningful action to de-escalate tensions concerning their territorial disputes.

However, on 9 June 2019, the boat Gem-Ver carrying 22 Filipino fishermen from San Jose sailed to Recto Bank in order to catch fish. Recto Bank is found to the west of Palawan and is within the disputed West Philippine Sea. For decades, the fishermen of San Jose have fished in the area reportedly rich in fish and said to contain huge reserves of oil and natural gas.

Around midnight of that day, Gem-Ver was reportedly hit by a Chinese vessel Yuemaobinyu 42212 leaving a hole that caused the boat to sink from the rear. Yuemaobinyu 42212 returned to the wreckage, flashed its lights, sped off and never returned, leaving the Filipino crew floating in the middle of the sea. The fishermen were saved only when a Vietnamese boat noticed the wreckage and saved them.

At present, there are ongoing debate on whether or not the Philippines should allow non-Filipinos from catching fish within the EEZ in the West Philippine Sea in light of the favorable arbitration decision.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has repeatedly announced that it will not honor the arbitral award. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected, thus materially and adversely affecting the Company's business, financial condition and results of operations.

Macro-economic conditions of different countries where the company operates may adversely affect the Company's business and prospects.

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt has been upgraded by each of Standard & Poor's, Fitch Ratings and Moody's to investment-grade, no assurance can be given that such international credit rating agencies will not subsequently downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Parent Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

On an as-need basis, the Company seeks the help of consultants and subject matter experts for changes in laws and regulations that may have a significant impact on the Company's business operations. It also maintains good relationship with local government, customs, and tax authorities through business transparency and compliance and/or payment of all government-related assessments in a timely manner. The Company has been able to overcome major crises brought about by economic and political factors affecting the countries where it operates. The strong corporate governance structure of the Company and its prudent management team are the foundations for its continued success. The Company also constantly monitors its macroeconomic risk exposure, identifies unwanted risk concentration, and modifies its business policies and activities to navigate such risks. Severe macroeconomic contractions may conceivably lead the Company to tweak or modify its investment decisions to meet the downturn. As a holding company, the Company affirms the principles of fiscal prudence and efficiency in the operations to its Subsidiaries operating in various countries.

The Company faces risks of international expansion and operations in multiple jurisdictions

The Company has an international customer base which requires worldwide service and support. The Company may expand its operations internationally and enter additional markets, which will require significant management attention. Any such expansion may cause a strain in existing management resources.

The distances between the Company, the customers, and the suppliers globally, create a number of logistical and communications challenges, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations, and coordinating the activities and decisions of the Company's management team, the members of which are spread out internationally.

The Company aggressively pursues hiring of experienced international managers and staff globally. This enables the Company to ensure that it has sufficient manpower complement with the required skills and experience to work with customers, vendors, and other partners in and out of the relevant country where it operates.

Natural or other catastrophes, including severe weather conditions and epidemics, that may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and in November 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction, devastation, and casualties of unprecedented levels in Tacloban, certain parts of Samar, and certain parts of Cebu, all of which are located in the Visayas, the southern part of the Philippines.

Similarly, the United States of America, where Quintel's head office is located, has also experienced a number of major natural catastrophes including hurricanes, floods, earthquakes and droughts. In August 2005, Hurricane Katrina made landfall in New Orleans, Louisana killing more than a thousand people and destroying more than 800,000 housing units. The estimated cost of the damages caused by Hurricane Katrina was estimated over US$81 billion.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant adverse effects on the Company's manufacturing facilities. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Any natural catastrophes may disrupt the Company's operations and the operations of the Company's customers and suppliers, and may affect the availability of materials needed for the Company's manufacturing services. Such events may also disrupt the transportation of materials to the Company's manufacturing facilities and finished products to the Company's customers.

There can be no assurance that the Company will be fully capable to deal with these situations and that the insurance coverage it maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

RISKS RELATING TO THE COMMERCIAL PAPERS

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Company cannot guarantee that the market for the CPs will always be active or liquid. Even if the CPs are listed in the PDEx, trading in securities such as the CPs may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the CPs may be easily disposed of at prices and volumes and at instances best deemed appropriate by their holders. This is mitigated by the fact that there is an assigned market maker for the CPs.

Price Risk

The CP's market value may move (either up or down) depending on the change in interest rates in the market. The CPs when sold in the secondary market may be worth more if interest rates drop. In such instance, an investor faces possible gain if he decides to sell. Conversely, if the prevailing interest rates rise, the CPs may be worth less when sold in the secondary market. In such instance, an investor faces possible loss if he decides to sell.

Retention of Ratings Risk

There is no assurance that the rating of the Issuer will be retained throughout the life of the CPs. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization. The rating normally considers various factors in the Company's business and financials. The consideration includes the business industry's characteristics and prospects, market and competitive position, operating efficiency and management quality and shareholders' strength. Financial factors will consider profitability, cash flow and liquidity, capital adequacy and financial flexibility. To mitigate this risk, CHPC's management monitors these underlying factors by covering them as part of the agenda of regular meetings. Given that management is ultimately responsible for directing the activities of CHPC in all aspects, it has the capacity to take actions as required to be able to retain the rating. So long as it is able to manage these factors, there should be no reason attributable to the Company for the credit rating to be downgraded.

MANAGEMENT OF RISKS

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies. See discussion on Competitive Strengths on page 57 and Key Strategy on page 59 of this Prospectus.

USE OF PROCEEDS

The Company estimates that its net proceeds from the Offer is expected to be approximately **Php 1,879,584,750.89** after deducting the applicable fees and expenses.

Expenses related to the Offer, all of which will be for the account of the Company, are broken down as follows:

Estimated Net Proceeds from the CP Issuance

Face Value of the Offer	**PHP 2,000,000,000.00**
Discount (indicative based on 4.90% and 360 days assuming true discount computation)	(90,692,124.11)
Gross Proceeds	1,909,307,875.89
Less:	
SEC Filing and Legal Research Fees	1,073,125.00
Documentary Stamp Tax (maximum assuming P2 billion is issued for one year)	15,000,000.00
Underwriting and Selling Fees (maximum assuming P2 billion is issued for one year)	10,000,000.00
Issue Management Fee	2,000,000.00
Philratings credit rating report fees	1,260,000.00
PDTC Registry fees*	150,000.00
PDEx listing maintenance fees*	50,000.00
Facility agency fees	125,000.00
Estimated Costs of Printing and Publication	65,000.00
Total expenses	PHP (29,723,125.00)
Net Proceeds	***PHP 1,879,584,750.89***

** Discount, DST, Underwriting, Selling, PDTC and PDEx fees are estimates*
***The actual net proceeds will depend on the amount issued per tranche*

In the event that the actual expenses relating to the Offer differ from the above estimates, the actual net proceeds to the Company from the Offer may be higher or lower than the expected net proceeds set forth above. Any increase or decrease in the net proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to the Company's provision for working capital requirements.

The Company intends to use the proceeds from the Offer to refinance existing debt, and to finance working capital requirements. They will use the net proceeds of the Offer 1) to payout some of its short-term obligations maturing in 2020, 2) to finance working capital of Quintel and 3) to finance working capital of CEC and CATSI.

Purpose	Amount (PHP)
To payout some of its short-term obligations	1,329,482,700.17
To finance working capital requirements of Quintel USA	400,000,000.00
To finance working capital requirements of CEC and CATSI	150,102,050.72
TOTAL	1,879,584,750.89

**the purpose are arranged in order of priority.*

Presented below is a list of some of the Company's short-term loans maturing in 2020.

Partial Maturing Short-term obligations of CHPC and CEC:

MATURITY DATE	FUNDER	RATE	TENOR	PRINCIPAL	MATURITY VALUE	TYPE OF LOAN
6/21/2020	Chinabank (CHPC)	5.00%	180	10,500,000.00	10,772,708.33	Unsecured
6/20/2020	Chinabank (CHPC)	5.00%	180	4,500,000.00	4,611,250.00	Unsecured
6/21/2020	Security Bank (CEC)	5.50%	180	3,000,000.00	3,088,916.67	Unsecured
6/21/2020	Security Bank (CEC)	5.50%	180	3,000,000.00	3,088,916.67	Unsecured
6/21/2020	Security Bank (CEC)	5.50%	180	3,900,000.00	4,006,058.33	Unsecured
TOTAL (in US$)				**24,900,000.00**	**25,566,975.00**	
Foreign Exchange Rate				52.00	52.00	
TOTAL (In PHP)				**1,294,800,000.00**	**1,329,482,700.17**	

Note: The Issue Manager and Underwriter / Arranger is not affiliated to the Funders.

Short term loans are availed to finance the Company's 1) purchase of inventory and 2) expenses. These are generally for working capital.

Breakdown of allocation for Quintel USA working capital requirements:

Indicative Date	Amount (PHP)	Purpose
Jan ~ Jun 2020		Research and Development for New Products:
	80,000,000.00	• 600MHz Antennas for T-Mobile, US Cellular and Canada Telco
	40,000,000.00	• Doublewide Antennas for AT&T and Verizon
	30,000,000.00	• Rooftop Antennas for AT&T and Verizon
Jan ~ Mar 2020	150,000,000.00	Raw material purchases
Jan ~ Jun 2020	100,000,000.00	Operating expenses
TOTAL	**400,000,000.00**	

Breakdown of allocation to finance the working capital requirements of CEC and CATSI:

- CEC Operating Expenses Breakdown

Indicative Date	Operating Expenses	Amount (PHP)
Jan ~ Mar 2020	Raw Material Purchases	30,000,000.00
	Research and Development Expenses	20,000,000.00
	Other Operation Expenses (Additional personnel expenses and training, Transportation, Light Water & Utilities, Rent, Repairs & Maintenance, Security Services)	40,102,050.72
TOTAL		**90,102,050.72**

- CATSI Operating Expenses Breakdown:

Indicative Date	Operating Expenses	Amount (PHP)
Jan ~ Mar 2020	Raw Material Purchases	20,000,000.00
	Research and Development Expenses	10,000,000.00
	Other Operation Expenses (Additional personnel expenses and training, Transportation, Light Water & Utilities, Rent, Repairs & Maintenance, Security Services)	30,000,000.00
TOTAL		**60,000,000.00**

Note: Above tables assume that the entire Two Billion Pesos (PhP 2,000,000,000.00) CP will be fully issued by the Company.

The primary purpose of the short term availments of the company is to finance its working capital requirements. No portion of the proceeds will be used to acquire major assets or finance the acquisition of other business nor will the proceeds be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advanced or otherwise. The Issue Manager and Underwriter / Arranger shall not receive any amount from the proceeds other than the underwriting and selling fees.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's disbursement plan, including force majeure, the Company will carefully evaluate the situation and may reallocate the proceeds and/or hold such funds on short term deposit whichever is better for the Company's and its shareholders' interest taken as whole. In such event, the Company will issue an announcement if there is any material change in the above proposed use of proceeds.

In the event of any significant deviation, material adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and shareholders, and the PDEx within thirty (30) days prior to its implementation.

DETERMINATION OF THE OFFER PRICE

The CPs shall be issued at a discount to face value.

Below is an illustration of the computation of the Offer Price for an Issuance:

	Series A	**Series B**	**Series C**
Tenor (in Days)	91	182	364
Discount Rate	5.332%	5.582%	5.832%
Cost Breakdown			
Face Value	500,000,000.00	500,000,000.00	1,000,000,000.00
Discount	(6,649,433.75)	(13,722,796.71)	(55,684,402.17)
Tax on Discount	1,329,886.75	2,744,559.34	11,136,880.43
Cost	494,680,453.00	489,021,762.63	955,452,478.26
Offer Price	98.94	97.80	95.55%

The discount rates were computed based on the discount rate formula, which sets the base rate as a) the three-day average BVAL Reference Rate of the corresponding tenor); or b) the weighted average accepted yield of the 28-day tenor of the Term Deposit Facility of the BSP whichever is higher.

The credit spreads applied are as follows: for Series A, 100 basis points; for Series B, 125 basis points; for Series C, 150 basis points.

PLAN OF DISTRIBUTION

The Company plans to issue the CPs in one lump sum or several tranches, through the designated issue manager, underwriter and selling agents. The first issuance, as the case may be, shall be in the 1st quarter of 2020 for such amount as shall be determined by the Issuer in consultation with the designated issue manager and underwriter.

ISSUE MANAGER/UNDERWRITER AND UNDERWRITING OBLIGATION

The Company has engaged Multinational Investment Bancorporation as its Underwriter pursuant to an Underwriting Agreement (the "Underwriting Agreement"). The Underwriter has agreed to act as the Underwriter for the Offer and as such, distribute and sell the CPs at the Offer Price, and has committed to underwrite the CPs on a best-efforts basis, in either case subject to the satisfaction of certain conditions and in consideration of certain fees and expenses. There is no breakdown of commercial papers for particular tranche in each series for distribution. Any unsold portion will be sold at a future date, since the issuance is under a three-year validity of registration.

There is no appointed syndicate or sub underwriters

The Underwriter is duly licensed by the SEC since April 1982 to engage in distribution of securities to the public and has never been subjected to any disciplinary action as such. The Underwriter may, from time to time, engage in transactions with and perform services in the ordinary course of business with the Company and its related companies.

Multinational Investment Bancorporation is the oldest existing independent investment house in the Philippines. It provides a full range of investment banking services that include debt and equity underwriting, loan syndication and financial advisory services for mergers and acquisitions, corporate reorganization and financial restructuring.

The Underwriter and its directors and officers have no direct relations with the Company in terms of ownership. The Underwriter has no right to designate or nominate any member of the Board of the Company.

SALE AND DISTRIBUTION

The distribution and sale of the CPs shall be undertaken by the Underwriter who shall sell and distribute the CPs to third party buyers/investors. Nothing herein shall limit the rights of the Underwriter from purchasing the CPs for its own account. There are no persons to whom the CPs are allocated or designated. The CPs shall be offered to the public at large and without preference. The allocation to the investors will depend on their orders which will be subject to scaling done in case of oversubscription.

Unless otherwise terminated, the engagement of the Issue Manager and Underwriter / Arranger shall subsist so long as the SEC Permit to Sell remains valid.

FEES AND COMMISSIONS

The Company will pay the Underwriter a fee of 0.50% per annum on the aggregate face value of the CPs issued, which is inclusive of the underwriting and the selling agency fees. The fees shall be deductible from the gross proceeds of the Offer for a particular tranche on a relevant Issue Date.

The Company will also pay the Issue Manager a flat fee of Pesos: Two Million (PhP 2,000,000.00) upon issuance of the Commercial Papers.

OFFER PERIOD

The Offer Period shall commence upon or immediately after approval by the SEC of, and will end on or before the expiry of the license to sell for, the CPs.

DESCRIPTION OF THE SECURITIES TO BE REGISTERED

Issuer	:	Cirtek Holdings Philippines Corporation
Sole Arranger	:	Multinational Investment Bancorporation
Lead Underwriter	:	Multinational Investment Bancorporation
Instrument	:	Registered Commercial Paper
Issue Size	:	Two Billion Pesos (PhP 2,000,000,000) to be issued in one lump sum or multiple tranches; the Commercial Papers may be issued and reissued, in each case, in whole or in part and in one or more series, within three (3) years from the date of the SEC order rendering the Registration Statement effective and a corresponding permit to offer securities for sale covering the Commercial Paper Program.
Method of Issue	:	The Issuer may, in consultation with the Sole Arranger and Lead Underwriter, issue or reissue, in whole or in part, the Commercial Papers covered by the Registration State, in one or more series under Rule 12.1.2.5 of the Implementing Rules and Regulations of the Securities Regulation Code provided that a) the outstanding amount of the Commercial Papers at any time shall not exceed Two Billion Pesos (PhP 2,000,000,000), b) the Commercial Papers are issued within three (3) years following the Registration Statement Effectivity Date.
Issue Price or Offer Price	:	Discount to face value
Use of Proceeds	:	Refinance existing debt of the company; finance working capital requirements
Bonded Indebtedness	:	The Company currently has no outstanding bonded debt. The issuance of the CPs will create a bonded debt of PhP 2,000,000,000.00.
Discount Rate for Initial Issuance	:	The sum of the Base Rate and the Credit Spread determined prior to each Issue Date (the "Rate Setting Date") The following are the final discount rates for the

		Initial Issuance: Tranche A: 5.332% Tranche B: 5.582% Tranche C: 5.832%
Discount Rate for Subsequent Issuance/s	:	The interest/discount rate for the subsequent issuance/s shall be set by the issuer in consultation with the arranger which may be determined based on the corresponding Benchmark Rate plus Spread
Base Rate	:	The base rate is the higher of a) the three-day average BVAL Reference Rate of the corresponding tenor; or b) the rate of the closest tenor of the Term Deposit Facility of the Bangko Sentral ng Pilipinas The BVAL Reference rate for each series is as follows: **Series A:** **BVAL 3Mos** **Series B:** **BVAL 6Mos** **Series C:** **BVAL 12 Mos** In the event that the BVAL reference rates are replaced by a different calculation methodology, the applicable replacement reference rates shall apply.
Tenor / Initial Issuance	:	Up to three hundred sixty four (364) days; provided portions of the issuance of the CPs may, as determined by the Issuer in consultation with the Issue Manager and Underwriter / Arranger, have the following tenor/term. The day convention is Actual/360.: Tranche A: 91 days Tranche B: 182 days Tranche C: 364 days
Denomination	:	For Tranches A and B: Minimum of Pesos: Five Million (P5,000,000.00) face value and increments of Pesos: One Hundred Thousand (P100,000.00) For Tranche C: Minimum of Pesos: Five Hundred Thousand

		(P500,000.00) face value and increments of Pesos: One Hundred Thousand (P100,000.00)
Issue Date	:	The CPs may be issued in either lump sum or tranches on a when and as needed basis in consultation with the Issuer upon approval by the SEC and issuance of the Permit to Offer and Sell Securities any time within three (3) years following the RS effectivity date
Reissuance Procedure	:	Issuer reserves the right during the validity of the Registration Statement for the Commercial Papers to a) issue additional Commercial Papers; or b) reissue Commercial Papers that have matured and are repaid on the relevant Maturity Date; provided that, at any time during the three (3)-year validity of the Registration Statement, there will be no more than P2,000,000,000 in aggregate principal amount of Commercial Papers outstanding and none of the Commercial Papers will have a maturity date of 365 days or more; provided further, that at the maturity date of any outstanding Commercial Papers, the Issuer may re-offer and re-issue the Commercial Papers for another term of not more than 365 days; provided further, that any and all relevant taxes, including, but not limited to documentary stamp tax on the indebtedness, shall be paid by the Issuer for each issuance and reissuance of the Commercial Papers.
Minimum Denomination for Secondary Trading	:	Minimum of Pesos: One Hundred Thousand (PhP 100,000) face value and increments of Pesos: Ten Thousand (PhP 10,000)
Spread over the Benchmark Rate	:	The spread over the Benchmark Rate shall be the following: Tranche A: 100 bps Tranche B: 125 bps Tranche C: 150 bps
Tenor of Subsequent Issuance/s	:	The tenor of succeeding issues may range from thirty (30) days up to the maximum tenor allowed by the Securities and Exchange Commission (SEC) under the relevant provisions of the Securities Regulation Code (SRC)
Interest Computation	:	The Interest / Discount Rate and Rollover Interest / Discount Rate will be calculated on a true-

		discount basis
Principal Repayment	:	The principal amount of the CPs will be repaid in full at their respective Maturity Dates, unless the investor provides written instruction to rollover the entire amount or a portion thereof. If such principal repayment is due on a day that is not a business day, the principal repayment date shall be made on the immediately succeeding business day. No additional interest will be paid in such case.
Status	:	The CPs will constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer ranking at least pari passu in all respects and without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of the Issuer.
Form	:	The CPs shall be issued scripless and will be maintained in electronic form with the Registrar to be appointed for the purpose
Taxation	:	Interest paid on the CPs shall be subject to a 20% final withholding tax. A CP Holder who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents.
Registrar	:	Philippine Depository & Trust Corp.
Paying Agent	:	Philippine Depository & Trust Corp.
Facility Agent	:	AB Capital and Investment Corporation
Secondary Trading	:	The CPs are intended to be listed at the Philippine Dealing & Exchange Corp. (PDEx) for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEx Trading Participants

Market Maker	:	Multinational Investment Bancorporation
Manner of Purchase	:	The CPs will be available for sale from the Underwriter / Arranger and Selling Agents, if any, subject to minimum purchase amount and denomination.
Acceptance / Rejection of the Application	:	The Issuer and the Issue Manager and Underwriter / Arranger reserve the right to accept or reject any application for CPs. In case of over-subscription, the Issuer and the Issue Manager and Underwriter / Arranger reserve the right to allocate the CPs available to the investors in a manner they deem appropriate.
Delivery of CP	:	Delivery of the CPs will be made upon full payment of the Offer Price to the Underwriter / Arranger and/or Selling Agents
Liabilities	:	The Company as the CP issuer is liable and responsible for any and all obligations arising from the sale of the CP as provided under pertinent sections of the Negotiable Instruments Law, the SRC and applicable laws of the Philippines as well as in the Underwriting Agreement and related agreements. In addition, the Issuer is responsible for complying with all reportorial requirements of the SEC in connection with the issuance of the CP.
Credit Rating	:	The Issuer has a rating of PRS A (corp.) with a Stable Outlook as assigned by Philratings effective November 04, 2019. Philratings assigned an issuer credit rating of PRS A (corp.) with a Stable Outlook for Cirtek Holdings Philippines Corporation based on the following considerations: The Group's established track record in the industry CHPC's strong customer base of well-established and global companies, diversified in terms of region and industries Highly competitive and cyclical industry that is susceptible to adverse changes Consistently increasing revenues weighed down by the growth in expenses Adequate liquidity in relation to debt servicing obligations

Security	:	Negative pledge on the Company's existing and future assets, except (i) to secure statutory obligations, (ii) to enable the Company to continue to enter into its usual transactions in the ordinary course of business, (iii) those imposed by law or arising out of pledges or deposits under workmen's compensation laws or other social security or retirement benefits or similar legislation, and (iv) those created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof.
Cross Default	:	The Company shall be considered to be in default in case the Company fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other obligation, or commits a breach or violation of any of the terms, conditions or stipulations, of any agreement, contract or document with any persons to which the Company is a party or privy, whether executed prior to or after the date hereof, or under which the Company has agreed to act as guarantor, surety or accommodation party, which, under the terms of such agreement, contract, document, guaranty or suretyship, including any agreement similar or analogous thereto, shall constitute a default thereunder after allowing for all applicable grace periods.
Other Terms and Conditions	:	The CPs will not be convertible to any other security or equity of the Issuer. The Issuer will not set up any sinking fund for the redemption of the CPs. Substitution of the CP with another type of security will not be permitted. Other terms and conditions as may be agreed upon among the Issuer, the Issue Manager and Underwriter / Arranger.
Loan Covenants		Certain loan agreements between the Company and various local financial institutions require Cirtek to meet and maintain certain financial ratios including, but not limited to: Debt-to-Equity Ratio • Shall not exceed 2:1 Debt Service Coverage Ratio

	• Shall not be less than 1.5x Current Ratio • Shall not be less than 1.10x For a more detailed discussion of the Company's loan covenants, please see the section "Material Contracts and Agreements" on page 150 of this prospectus.

INTEREST OF NAMED EXPERTS AND COUNSEL

The validity of the CPs and tax matters pertaining thereto were passed upon respectively by Pacis & Reyes and Follosco Morallos & Herce, *Attorneys-at-law*, the independent legal counsels for the issuance. The independent legal counsels haveno shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The Philippine Depository & Trust Corporation, the Registrar and Paying Agent, has no direct and indirect interest in the Company.

The financial statements of the Company for the periods ended December 31, 2018, 2017 and 2016 appearing in this Prospectus have been audited by SyCip Gorres Velayo & Co., independent auditor, as set forth in their report thereon appearing elsewhere herein. The partner-in-charge for the periods ended December 31, 2018, 2018 and 2017 is Mr. Kristopher S. Catalan, CPA.

Romulo Mabanta Buenaventura Sayoc & de los Angeles is the legal counsel for the Company. The legal counsel for the Company has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company.

Atty. Mariel Jasmine M. Molon is the legal counsel of the Underwriter. Atty. Molon has no shareholdings or any interest, direct or indirect, in the Company.

There is no arrangement that experts shall receive a direct or indirect interest in the Company or was a promoter, underwriter, voting trustee, director, officer, or employee of Company.

CEC and CATSI

Abstract

The semiconductor industry is composed of Four major supply chain business segments.

The first is the Integrated Device Manufacturer ("IDM"), ia semiconductor company which designs, manufactures, and sells integrated circuit ("IC") products. This can be either a company that handles and manages its manufacturing in-house or a fabless semiconductor company, which outsources production to a third-party.

The second business segment is the foundry i in which semiconductor chips or wafers are fabricated to order for third party companies that sell the chip, This can be also either part of the IDM as their core competence or third party players, Third party players are usually being utilized by IDM where there is overflow of capacity or restrictions to capital expenses.

The third business segment is Assembly and Test packaging ("ATP") which is commonly used by IDMs for outsourcing. Instead of utilizing their in house manufacturing, IDMscontract these ATP as they can leverage their volume and price positioning by minimizing capital expenses for equipment and capacity expansion.

The fourth and the last segment of the semiconductor supply chain is the electronics manufacturing. This is where the components manufactured by ATP or OSAT go to create a box build or System or Muti-system Assembly.

Cirtek Electronics Corp is considered as an OSAT or ATP that competes with companies in China, Thailand, Malaysia and Taiwan.

Outlook

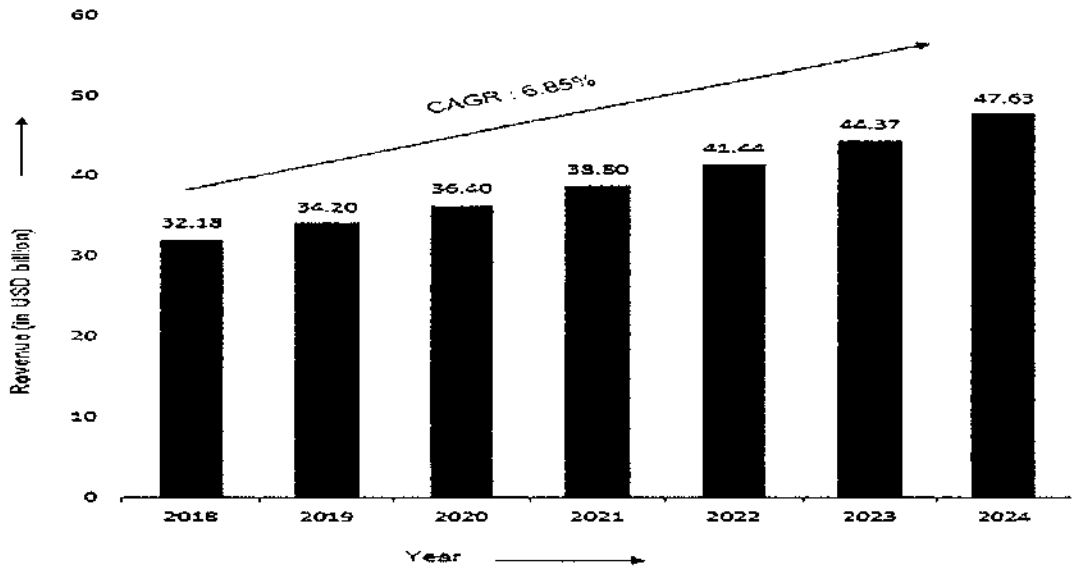
The worldwide Semiconductor Market was up 13.7% in 2018 to US$468.8 billion, an all-time high. The year 2019 is forecasted to be down 13.3% to US$406.6 billion. All geographical regions are expected to decrease.

For 2020, all regions are forecasted to grow with the overall market up 4.8%.Optoelectronics is expected to grow by 8.2%, while all other products are forecasted to grow low-to-mid single digit compared to 2019.

Global OSAT or ATP Market was valued at US$ 30,679.0 Million in 2018 and is projected to reach US$ 44,047.6 Million by 2026, growing at a CAGR of 4.65% from 2019 to 2026.

US$

Outsourcing Semiconductor Package Assembly and Test Services (OSAT) Market: Revenue in USD billion, Global, 2018-2024



Source: Mordor Intelligence

- The market was valued at US$ 32.18 billion in 2018, and is expected to reach a value of US$ 47.63 billion by 2024, at a CAGR of 6.85%, over the forecast period (2019-2024).
- By type, the packaging segment dominated the market, with 88.48% market share in 2018, while testing segment has a CAGR of 7.51% of as of 2018.
- By end user consumer electronics dominate the market with a 40.35% share of the market in 2018, while the automotive applications recorded the highest CAGR of 10.34%, followed communication applications at 8.67%.
- By region, Asia Pacific holds the highest market share of 58.34%, followed by North America with 25.26% market share. Over the forecast period, Asia-Pacific is expected to retain its position holding over 61.58% of market share by 2024.
- Also, Asia Pacific is expected to be the fastest growing market over the forecast period, growing at a CAGR of 7.82%

The OSAT industry is still seen as an appealing business, even if its growth rates are lower than the semiconductor industry as a whole. It is expected to grow by 5% per year until 2022, with growth as high as 10%% in China.

Looking forward, however, it will need to defend itself from further squeezing to maintain and increase growth rates. This is the scenario if macroeconomic conditions and growth levels in the semiconductor industry stay the same.

If the market for semiconductors worsens, as some indicators suggest, it could see a down cycle of up to 15 % and only a slow return to previous growth levels. Under a bear scenario for the semiconductor industry, OSAT companies, already feeling pressure from suppliers, new entrants, buyers and potential substitutes, will experience even more competitive rivalry in the scramble for business. The global OSAT market is mainly segmented according to type of product, application, and region. Given the industry historical behavior, is inherently more volatile than any other sectors. Competition is intense, particularly with respect to product innovation. In order to stay competitive, Manufacturing companies continuously introduce innovations to keep pace with the growing demand for lower cost with highest quality standards and reliable products. Companies in this industry constantly also have to deal with effects economic cycle, persistent peer competition, shortening product life cycle, and pressure for cost controls.

The following Companies are the Key Players in the OSAT industry; ASE Group, Amkor, JCET, Siliconware Precision Industries Co., Ltd., KYEC, Hana Micron, Orient Semiconductor, Unisem Group, Carsem group, Walton Advanced Engineering, and Powertech Technology,

Cirtek is engage and plays in the ATP or OSAT industry, There are almost 100 individual OSAT players in the world that compete in the US$40 - 50billion market for Assembly and Test Packaging service (ATP). In an emerging global competitive environment, the Global semiconductor industry is facing consistent threats for low cost solutions. Philippines is amongst the countries along with Vietnam that is considered low cost countries with limited innovative capabilities. This is one area where Cirtek is facing a fierce competition amongst the low cost countries with highly innovative capabilities such as Malaysia, Thailand, Taiwan and China. Companies in this regions are considered highly innovative capabilities that overcomes their weakness as low cost solutions.

Cirtek though low in innovation and capabilities, still being categorized as a very good alternate source low cost packaging solutions that present a very good chance of capturing special manufacturing capabilities that requires labor intensive manufacturing with special skills for customized products. Below chart deGiven the latest labor cost, Philippines still considered the lowest cost in Asia, (see below) which is being used by Cirtek to attract potential customers

LABOR RATE COMPARISSON

SOURCE : VIETNAM BRIEFING

COUNTRY	2017 Minimum Wages (Local currency/month)	2017 Minimum Wages (USD/month)	2018 Revised Minimum Wages (Local currency/month)	2018 Revised Minimum Wages (USD/month)	Status
Vietnam	2,580,000 to 3,750,000	114.29 to 166.13	2,760,000 to 3,980,000	122.27 to 176.31	In effect 1st January 2018
Philippines	7290 to 15,360	140.26 to 295.53	7680 to 9300 (only for Region I – Ilocos)|	147.76 to 178.94 (only for Region I – Ilocos)>>US$202 for Laguna	In effect 25th January 2018
Thailand	9000 to 9300	285.39 to 294.90	9240 to 9600	293 to 313.39	In effect 1st April 2018
Malaysia	920 to 1000	233.63 to 254.18	Same as 2017	Same as 2017	Government working on revised rates for 2018
Cambodia	612000	153	680000	170	In effect 1st January 2018
Indonesia	1,337,745 to 3,355,750	99.80 to 250.35	1,560,000 to 3,920,000	109.20 to 274.40	In effect 1st January 2018

- **Landscape of OSAT**

Increasing sales is important to OSAT companies. This is because higher sales allows for improved fixed cost absorption. Product innovation is also important, since consumers crave the newest offerings. Consumer discretionary items, such as cellular phones, digital televisions, and portable music players, are upgraded regularly, giving customers many options to choose from. Technological innovation results in intense pressure to bring interesting products to the marketplace in a timely manner. Additionally, consumers tend to buy advanced new products long before the old ones are dysfunctional. This is not the case in most industries. For instance, many consumers keep their refrigerators until they go on the blink, but they will upgrade their cell-phones every two years or so.

Compounding the predicament of the OSAT small players is the dynamic landscape of the OSAT today where several strategies are being worked out to capture market share, Reports says OSAT industry will be categorized into four market segments;

1. Leaders that offers large volume with advance and matured package technology combined
2. Smaller volume with specific advance package technology
3. Long Tail of Matured Technology Suppliers
4. Suppliers for EOL products with customer specific application combined - (source taken from other past reports)

The impact of the above will expect industry with fierce competition in 2020, some will be displaying intense or ferocious aggressiveness in pricing and value added services as well as extensive transformation to automation and advance packaging as an entry point to the market,

Based on the overall revenue the World's top leaders in OSAT companies are:

1. ASE Technology Holding Co., Ltd.:	US$ 11.87 Billion
2. Amkor Technology:	US$ 4.31 Billion
3. JCET (STATS ChipPAC):	US$ 3.97 Billion
4. SPIL:	US$ 2.79 Billion
5. Powertech Technology Inc.:	US$ 2.17 Billion
6. TongFu Microelectronics Co., Ltd.:	US$ 1.07 Billion
7. TianshuiHuatian Technology Co.,Ltd:	US$ 1.065 Billion
8. UTAC Holdings Ltd and its subsidiaries ("UTAC"):	US$ 0.78 Billion
9. King Yuan Electronics CO., Ltd.:	US$ 0.66 Billion
10. ChipMOS Technologies Inc.:	US$ 0.603 Billion

Quintel

Market Overview

The antenna market was valued at US$ 18.57 billion in 2018 and is expected to reach a value of US$ 27.7 billion by 2024, recording a CAGR of 6.96% over the forecast period, 2019 - 2024. Radio antennas are being extensively used as they are comparatively cheaper and are deployed on a large scale. On the other hand, RADARs are finding applications in many fields, including automobile, defense, drones, etc.

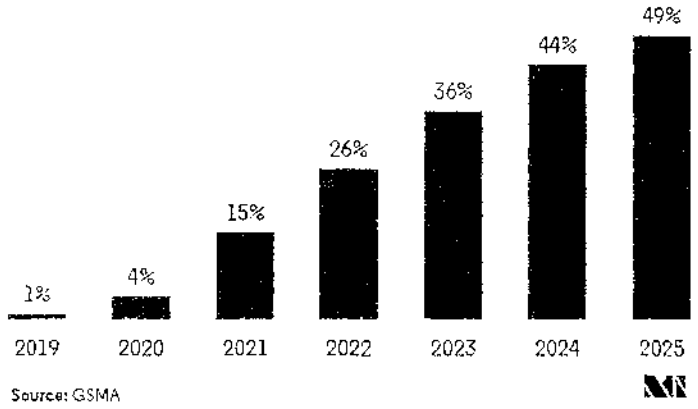
- Investments in autonomous vehicles are driving the demand for RADAR and other communication systems. Satellite communication and cellular communication are also investing heavily in improving the existing infrastructure. This is resulting in augmenting the demand for antenna systems.
- With international companies exploring the potential of the emerging nations, this sector is witnessing increasing amounts of investments. Overall, the market is expected to grow at a healthy rate over the forecast period.
- However, there is still a need for efficiency and bandwidth improvements. Due to these factors, the growth of the antennas is getting hampered.

Key Market Trends

Smart Antenna is Expected to Have a Significant Market Share

- Smart antennas are proficient in increasing the signal range, minimizing interfering signals, combating signal fading, and as a consequence enhancing the capacity of a wireless system. The increasing application of smart antennas in smartphones and the growing demand for smart antennas in wireless communication are driving the smart antennas adoption.
- Moreover, the rising need for faster data transmission in modern communication systems with optimized evolution data, high speed downloading, and web browsing has forced organizations to increase the efficiency of wireless transmission, which is favoring the market.
- Furthermore, the continuously improving network infrastructure has compelled retailers to use m-commerce and e-commerce with RFID tracking systems technology, to track the shipments. The integration of RFID technology in the IoT landscape is expected to be one of the significant trends that will gain traction and aid the adoption of smart antennas over the forecast period.
- As the telecom industry waits for 5G, antenna vendors are busy perfecting the adoption of smart antenna constructs across power values, operating distances, and frequency ranges.

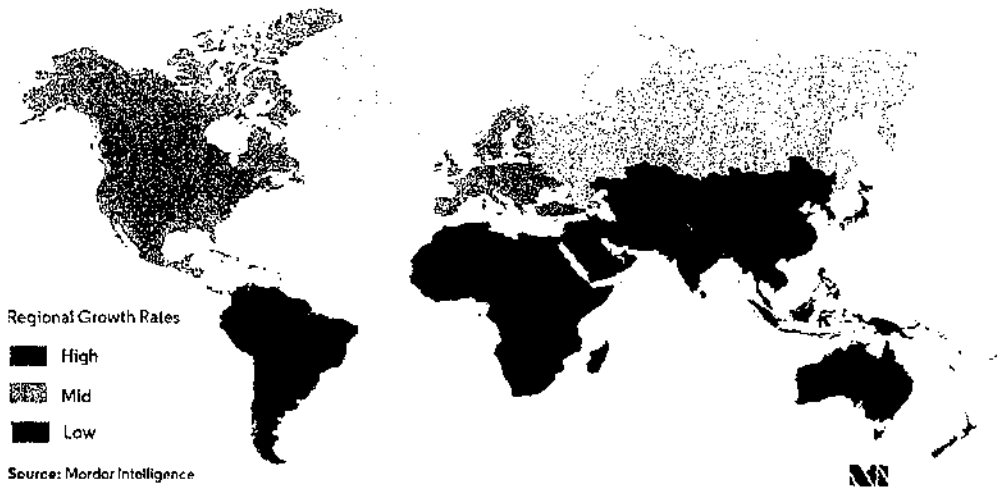
5G Adoption Forecast as Share of Mobile Connections, North America, 2019 - 2025



North America is Expected to Have a Major Market Share

- Developed communication infrastructure and increasing investments in the region for the development of new infrastructure from military and defense, satellite, and cellular communication are expected to drive the growth of the antenna market.
- Shortly, with smartphones gaining penetration in new markets and the advent of new communication technologies, such as 4G (and further advanced technologies like 5G) expected to enter the market, the demand for smart antennas seems lucrative for market prospects.
- AT&T's 5G trials are helping the company guide its 5G 3GPP standards contributions. AT&T has been testing 5G fixed wireless equipment with vendors and it showed the possibilities of millimeter wave (mmWave) radio access technology for the networks of the future.
- With international companies exploring the potential in emerging nations, this sector is witnessing increasing investments. Overall, the market is expected to grow at a healthy rate over the forecast period.
- High defense budgets of the United States and the increasing demand for economic and security issues have increased the need for RADAR systems. Additionally, technological advancements and the growing demand for ranging and detection of objects are fuelling the demand for RADAR systems.

Antenna Market - Growth Rate by Region (2019 – 2024)



Competitive Landscape

- The antenna market is highly competitive and consists of a significant amount of major players. In terms of market share, a few of the major players currently dominate the market. The manufacturers are aiming to gain a competitive advantage by adopting product differentiation.

- For instance, Honeywell announced the launch of Aspire 40, a satellite communications system. The device utilizes immediate gain or high-gain antenna which amplifies the device's capability. The system ensures more efficient and safer flights for business jets, commercial and military aircrafts by offering simultaneous connectivity to both cabin and cockpit.

THE COMPANY

Company Overview

Cirtek Holdings Philippines Corporation is a fully integrated global technology company focused on wireless communication. It is the holding company of Cirtek Electronics Corporation ("CEC") and Cirtek Electronics International Corporation ("CEIC"), (collectively the "Cirtek Group"). The Company's principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

The Company was registered in the SEC on February 10, 2011 and listed in the PSE on November 18, 2011. On 10 November 2015, the Company then proceeded with a follow on offering of 110,000,000 common shares with an offer price of PHP 20.00 per share which was 1.5 times oversubscribed and raised ₱2.2 billion. The common shares subject of the FOO were listed on the PSE on the same day. Currently, market capitalization has grown by over three times from ₱1.10 billion in 2011 to ₱3.65 billion as of September 30, 2019.

With CEC and CATSI operating for more than 33 years and 21 years, respectively, the Cirtek Group harnesses more than 54 years of combined operating track record. The Company's products cover a wide range of applications and industries, including communications, consumer electronics, power devices, computing, automotive, and industrial.

Through its Subsidiaries, the Company is primarily engaged in three (3) major activities:

1. the design, development and delivery of the wireless industry's most advanced high-efficiency, high-performance antenna solutions;
2. the manufacture of value-added, highly integrated technology products; and
3. the manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services

Quintel Solutions is a leading provider of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks. Quintel is a pioneer of multi-port, multi-frequency wireless tower antennas. These antennas support more frequencies and deliver greater bandwidth, thereby improving customer experience and creating cost-efficiencies and quicker roll-out for mobile operators.

CEIC sells integrated circuits principally in the US and assigns the production of the same to CEC. CEIC acquired Remec Broadband Wireless Inc. ("RBWI") in July 30, 2014, renamed Cirtek Advanced Technologies and Solutions, Inc, ("CATSI"), a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

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. CEC has over 64 regular customers spread out in Europe, the US and Asia.

Cirtek Delaware is a Delaware corporation which is wholly-owned by Cirtek Electronics International Corporation. Cirtek Delaware was established to implement the Agreement and Plan of Merger under which Quintel Cayman Ltd. will be a wholly- owned subsidiary of Cirtek Delaware.
Quintel Cayman Ltd is the holding corporation of Quintel Technology Limited and Quintel Usa. Inc.

Quintel Technology Limited designs, develops, and delivers antenna solutions for the wireless industry in the United States and internationally. Quintel Technology Limited is based in Rochester, New York with additional offices in North America, Europe, and Asia.

Quintel USA, Inc. is a privately held company in Rochester, New York. Quintel USA, Inc. designs, develops and delivers advanced high-efficiency, high-performance antenna solutions that help mobile operators to increase efficiency, enhance quality-of-service, slash costs and accelerate returns.

The Philippine Branch is the extension of Cirtek Advanced Technologies and Solutions, Inc. (CATSI), a BVI company. CATSI is wholly-owned by Cirtek Electronics International Corporation. CATSI, through its Philippines Branch is a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

RBW Realty and Property, Inc. is a real estate developer located in Muntinlupa, Philippines.

Cirtek Business & Technology Solutions, Inc. was established to provide wireless infrastructure solutions to large Philippine enterprises using internally-manufactured multi-gigabit, millimeterwave, high capacity wireless backhaul and access technologies.

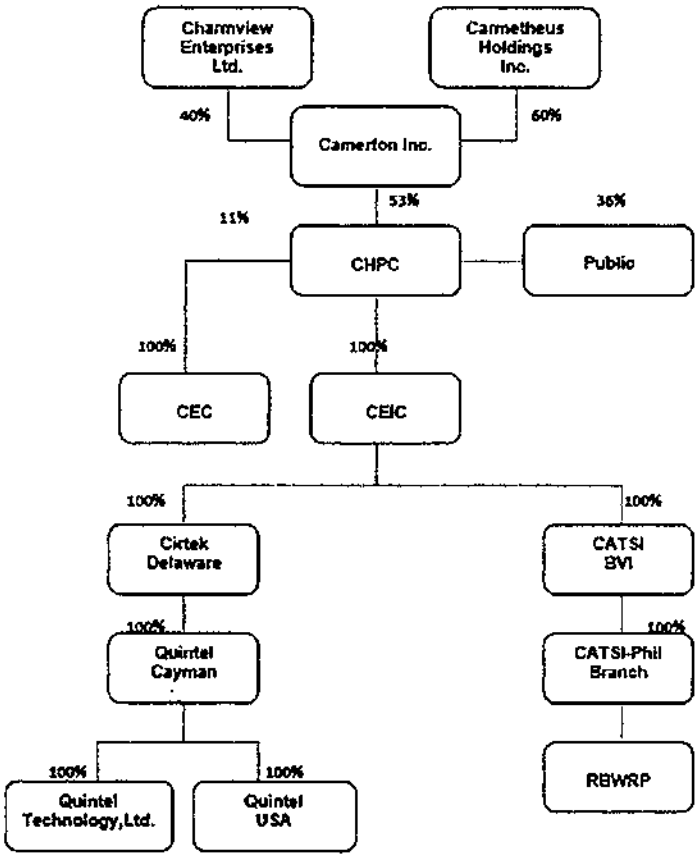
Beginning in 1984 with only three customers, the Cirtek Group has significantly grown its customer base to over 70 major and regular customers across Europe, U.S. and Asia, with the bulk of revenues contributed by customers located in Europe and the U.S.

The Cirtek Group has earned a strong reputation with its customers for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop application and customer specific packages. The Cirtek Group has been accredited and certified by several international quality institutions, such as TÜD SÜD Management Service GmbH and Defense Supply Center of Columbus for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949.

From 2016 to 2018, Cirtek Group's consolidated net sales grew from US$74.3 million to US$106.5 million at a CAGR of 19.7% while consolidated net income grew from US$7.6 million to US$8.3 million at a CAGR of 4.5%. Meanwhile, for the nine months ended 30 September 2019, the Cirtek Group reported lower consolidated net sales and consolidated net income at US$69.6 million and US$3.7 million, respectively, compared to US$88.5 million and US11.1 million for the same period in 2018.

Corporate Structure

As of the date of the Prospectus, the corporate structure of the Company and its Subsidiaries are as follows:



All of the Company's Subsidiaries are wholly owned. As of September 30, 2019, details of these Subsidiaries are as follows:

		Percentage of Ownership			
	Country of	**Sep. 30, 2019**		2018	
	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 Technology, Ltd.	United Kingdom	–	100	–	100
Quintel USA	United States of America	–	100	–	100
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	100	–	100

Shares of Cirtek Business & Technology Solutions Inc. are still in the process of being transferred to CEIC

Competitive Strengths

The Company believes that its principal strengths are the following:

Industry-leading Technology

The Company, through Quintel, designs, develops and delivers advanced high-efficiency, highperformance antenna solutions that help mobile operators to increase efficiency, enhance quality-ofservice, slash costs and accelerate ROI.

Quintel is radically transforming wireless infrastructure with feature-rich antenna technologies that make networks more efficient and more profitable. An innovator in low-impact and high-output solutions, Quintel simplifies rollout complexity with practical antenna solutions that quickly boost capacity and coverage

Reputation for High-Quality, Innovative Products

The Cirtek Group has a strong reputation for producing and delivering high-quality, innovative products to the market.

Significant Proprietary IP

The Company's proven record of innovation and over 60 years of combined experience in manufacturing and developing robust technology products are supported by 21 patent families, over 50 approved patents and patent applications worldwide.

Offers a Complete Range of Turnkey Solutions and Vertically Integrated Services

The Company, through its Subsidiaries, provides a full range of turnkey solutions. For the semiconductor business, these would 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. CATSI also offers full turnkey solutions, including product and process design and development, transitioning from R&D to full scale manufacturing, integrated manufacturing processes, and delivery to end customers.

Of particular importance to the Company, however, is its ability to adapt and adjust to the specific needs and demands of its customers through its technical capabilities. The Company's customers are given the flexibility to contract for the entire process flow, or just a portion thereof. In addition, the Company also works with its customers to develop application and customer specific packages. These have given Cirtek the ability to adapt to its customers' needs, which in turn, helps build a stronger relationship with its customers.

Furthermore, the Company's vertically integrated manufacturing solutions enable it to shorten lead times. This results in savings for Cirtek's customers for non-essential product costs and faster time to market for their products.

Global and Diversified Customer Footprint

Cirtek Group's products have multiple end-user applications that serve a diverse range of industries including telecommunications, automotive, consumer electronics, industrial, medical, satellite communication, and aerospace and defense. The table below illustrates the breakdown of the Company's revenues by industry for the year ended December 30, 2018:

Industry	**Revenue Contribution (%)**
Communication	80
Computing	7
Consumer Electronics	7
Industrial	3
Automotive	3
Total	**100**

Since its incorporation, the Cirtek Group has slowly built a global customer base of over 70 customers based in three major regions in the world, namely, Asia, Europe and the U.S. The table below shows the breakdown of revenue contribution of its customers per region for the year ended December 30, 2018:

	Revenue Contribution (%)
U.S.	49%
Europe	33%
Asia	18%
Total	**100%**

Because of the diversified revenue base of the Cirtek Group, it is not dependent on a single market or customer and is able to cope with upswings and downswings in demand.

Strong Financial Track Record

Cirtek, through its Subsidiaries, has consistently proven its ability to grow the business. Cirtek has grown its consolidated net sales from US$24 million in 2009 to US$106 million in 2018.

The Cirtek Group's ability to create shareholder value is seen in the consistent rise in its profits and EBITDA over the years. As a result, market capitalization has grown by approximately six times since its IPO in November 2011 to ₱3.65 billion as of September 30, 2019.

Highly Experienced Management Team

The Company's senior management is composed of highly experienced individuals from various semiconductor, OSAT, and RF and microwave companies. It has over 200 years of combined management and engineering expertise. It believes that because of management's extensive experience in the industry, the Company is highly equipped in dealing with, responding, and adapting to customer needs, as well as changes in the industry landscape.

Proven Execution Track Record

The Company, through its Subsidiaries, harnesses more than 54 years of combined operating track record. It has a well-established reputation in both the assembly and testing segment of the semiconductor industry and in providing complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products.

CEC is known for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop applications. It continues to be the preferred supplier of customer- and application-specific semiconductor packages. It has been in business with most of its customers for more than ten years. Moreover, its existing customer base has grown since 1984 from only three customers to over 60 customers to date.

RBWI, now known as CATSI, has over 18 years of experience in producing high quality niche PCBA and Box-build in low/medium/high volume and high-mix products for industrial and consumer applications, such as RF/microwave, emerging products of OEMs and ODMs for commercial, industrial, military and telecommunications applications, and providing related repair services. These unique capabilities and extensive experience in RF and microwave manufacturing and engineering services offer a versatile competitiveness in this field.

Quintel is a market leader in the design, development and delivery of advanced high efficiency, high performance antenna solutions that allow mobile operators to increase efficiency, enhance quality-of-service and reduce costs. The company's core technology, QTilt, which provides variable linear phase slope across the antenna array and as such, increases site output without expanding the site footprint.

The Company has, over the years, developed excellence in manufacturing. Cirtek's manufacturing practices are designed to be compliant with industry requirements and to exceed customer expectations. This is evidenced by latest quality system standards obtained by the Company, through its Subsidiaries, such as TÜD SÜD Management Service GmbH and Defense Supply Center of Columbus, for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949.

The Company's quality system has evolved from direct dealings with customers, benchmarking and learning from their experiences, and incorporating their best practices into the Company's own quality system. All these have enabled the company to garner several recognition awards from its major customers as presented in the "The Company" section on page 54.

Key Strategies

FOR QUINTEL

Expand to new geographic markets as the global market for muti-port, multi-frequency base station antennas is expanding rapidly

At present, Quintel is concentrated in North America, in particular the US as its main customers are AT&T and Verizon, the two largest telecom companies in the world.

With the sale of multiband base station antennas rising worldwide, Quintel, as a pioneer and leading provider of multi-port and multi-band antenna systems, is moving to expand its presence outside the US and in markets where available frequencies matches Quintel's product frequencies.

Expand Cirtek / Quintel's product portfolio through new product introduction, licensing and white label branding

To continue being a market leader, Quintel will continue to introduce new, innovative technologies and products to address current and emerging market opportunities as well as requirements from its customer.

Quintel will also consider strategic partnerships such as licensing and white label branding. Such strategies will generate revenue, brand recognition and expand the product and services offerings of Quintel.

Quintel will endeavor to improve gross margin through lower BOM cost, more efficient outbound logistics, better yield and better quality.

Quintel is aggressively pursuing cost reduction initiatives to improve margins and give the Company pricing flexibility in price-sensitive markets. Key areas for cost reduction include lower BOM costs by expanding its supplier base, and lower logistic costs through optimal use of air and sea freight.

FOR CEC

Focus on further expanding the semiconductor business

Improve on customer- and application- specific packages

The Company intends to constantly review and make innovations in its production and assembly techniques and capabilities to improve productivity and efficiency in its use of resources. In addition, it plans to continue to work closely with its current and potential customers to understand technology and industry trends that may have an impact on customers' products. Together with the customer, the Company will evaluate how its customer's product can evolve to meet new requirements and standards in order to stay competitive.

Furthermore, the Company will continue to aggressively offer dedicated or captive line models for assembly and test services. This involves dedicating certain capacity to fulfill a customer's mature and stable products with competitive volume break incentives. This arrangement allows customers to increase capacity quickly and minimize the need for additional capital expenditures.

Introduce new products/packages that meet customers' needs

The Company plans to continue to co-develop new technologies with its customers. It will tap into the expertise and strengths of customers in areas where developing it solely would be costly and time consuming. The cooperation with customers assures the availability of a ready market and a faster-to market introduction of products.

Strengthen presence in high-growth market segments such as wireless communication, consumer electronics, automotive sectors

The Company plans to actively pursue business opportunities in high-growth market segments such as wireless communication, consumer electronics and automotive. Demand for smart phones, tablets and gadgets remain strong. In automotives, demand is being driven by the growing number of cars, as well as the higher electronic content in vehicles as result of enhancements to convenience and safety features and environmental concerns. The internet of things (the ability to connect remote and mobile "things" or "machines" or "assets" to the Internet or corporate Intranets through the use of wireless communications and low-cost sensors/computing/storage) will significantly drive the consumer electronics market.

Expand sales network in key markets such as Europe, US and Asia

The Company is increasing its international sales force and sales representatives to establish greater geographic presence and increase its end-customer base.

FOR CATSI

Consistent growth for RF/Microwave/Milimeterwave Business by at least 20% year on year

The Company expects the demand for its RF/Microwave/Millimeterwave business to grow at a rapid rate as a result of the explosive growth in wireless data traffic and growing application of millimeterwave in imaging, telecommunication, consumer markets, defense and security.

Expand customer base RF/Microwave/Milimeterwave Business

Since it started operations, CATSI has shipped over 1.4 million products worldwide. The Company has produced the most number of millimeter wave radio links among independent manufacturers worldwide. CATSI is aggressively pursuing new customers as demand for microwave and millimeter wave in the upper frequencies increase. The Company is also in the process of increasing its sales coverage by signing up sales representatives in the US and Europe. The Asian market is covered by an in-house team.

Subsidiaries

Cirtek Electronics Corporation

CEC was incorporated with the SEC on May 31, 1984, primarily to engage as an independent subcontractor for semiconductor assembly, test and packaging services.

Prior to the Company's acquisition of CEC in 2011, CEC was majority-owned by Charmview Enterprises, Ltd. ("Charmview"), a holding company incorporated in the British Virgin Islands on November 1, 1994 and is owned by the Liu family, wherein the US$50,000 authorized capital stock is divided equally among Jerry Liu, Nelia Liu, Michael Liu, Justin Liu, and Brian Gregory Liu.

On March 24, 2008, Charmview and CHI entered into a Share Swap Agreement whereby Charmview transferred all of its interest in CEC, constituting 155,511,959 common shares, to CHI in exchange for 50,000 common shares of stock of CHI. As a result of the share swap, CEC became a subsidiary of CHI.

On March 1, 2011, CHI and the Company executed the Deed of Absolute Sale of Shares wherein CHI transferred all of its 155,511,959 shares in CEC to the Company for and in consideration of P130,000,000.00, making CEC a wholly-owned subsidiary of the Company.

CEC owns the manufacturing plants in Laguna Technopark as well as machinery such as bonder, auto test handler, optical inspection system, wafer back grinder, mold set, and other machinery necessary for the manufacture, assembly, and testing of semiconductors.

CEC was previously registered with the Board of Investments ("BOI") under Presidential Decree No. 1789, as amended by Batas Pambansa Blg. 391, as a preferred pioneer enterprise for the manufacture

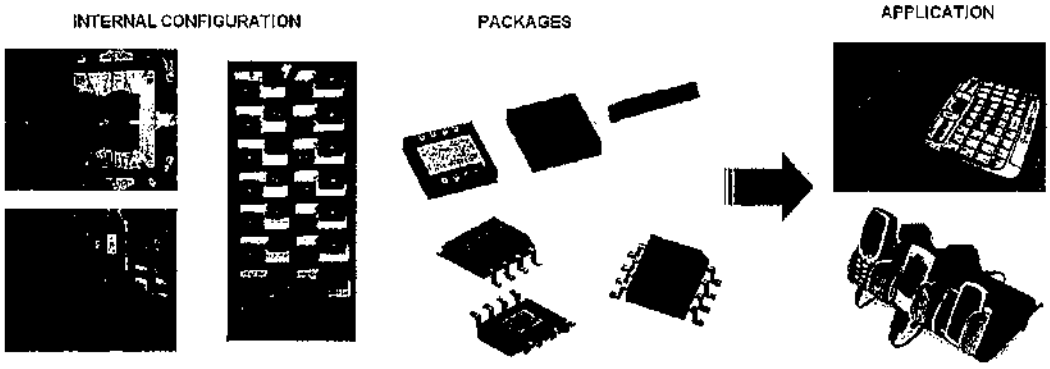
and export of integrated circuits. As a registered enterprise, CEC was entitled to certain tax and nontax incentives provided for in PD 1789.

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. Since its income tax holiday incentive expired in 2003, CEC is subject to tax at the preferential rate of 5% of its gross income in accordance with Republic Act No. 7916 as amended, the law creating the PEZA. In order to maximize the incentives granted under Republic Act No. 7916, CEC applied for the registration of its new products and was granted income tax holiday therefor from 2003 to 2005.

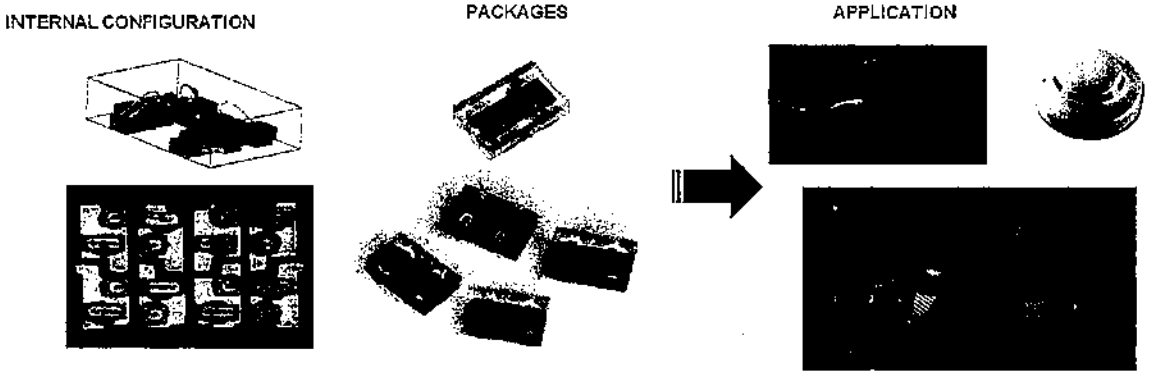
On April 27, 2011, PEZA approved CEC's application for the registration of a new project involving the manufacture of devices which will be used as components for smart phones, automotive sensor applications, battery chargers, and industrial applications.

CEC offers a broad range of products that go into various applications. The end application covers a diverse range of industries from consumer products to high reliability industrial and military products. The following are CEC's product lines:

1. Protection products - These products are designed to protect electronic devices from damaging voltage or current spikes. These are in multi-chip Small-outline Integrated Circuit ("SOIC") packages, with up to 32 diodes in a single unit.

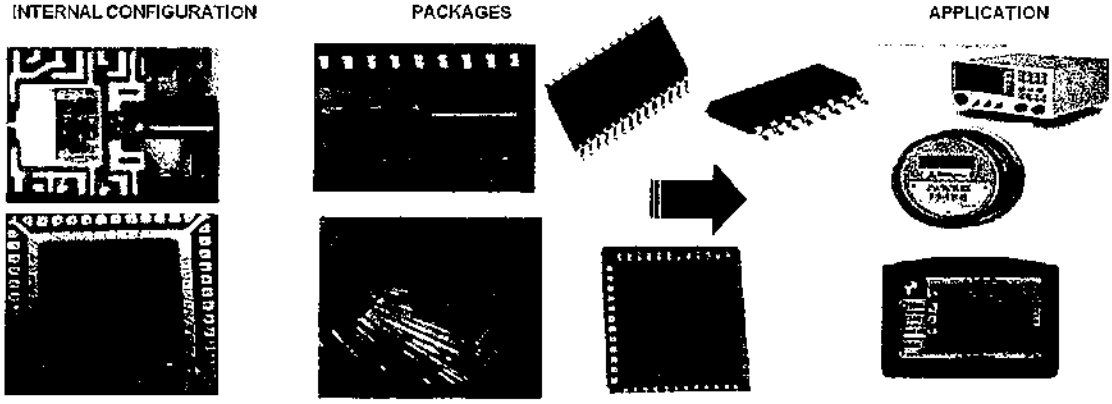


2. Light sensors - These optical devices sense the intensity of light and trigger the automatic switching on and off of headlights and the automatic adjustment of air conditioning settings in cars. The package is a transparent custom-body Quad Flat Pack Leadless Package ("QFN").



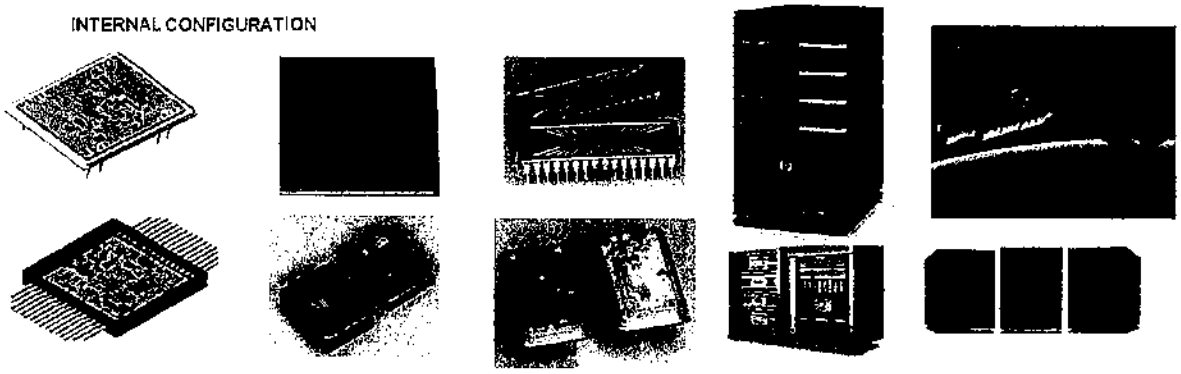
3. Real time clock - These are precision time keeping devices which contain features like calendars, time of day, trickle charger and memory functions. These devices come with tuning fork cylindrical crystals and are packaged in 16/20L SOIC 300mil body version.

INTERNAL CONFIGURATION PACKAGES APPLICATION



4. Voltage control oscillators ("VCO") - This is an electronic oscillator that is designed to be controlled in oscillation frequency by a DC voltage input. Signals may also be fed into the VCO to cause frequency modulation or phase modulation.

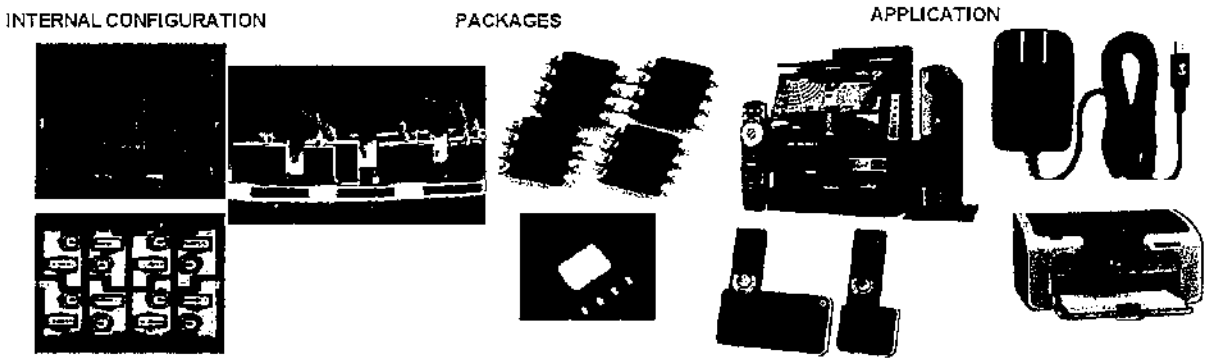
INTERNAL CONFIGURATION



5. Electronic Relays - These are opto relays that are used in controlling high voltage and high power equipment. The control is achieved through the physical isolation of high voltage output and the low voltage input side of the device protecting the circuit components and the users. These are packaged in Plastic Dual-in-line Package ("PDIP") with an LED and a driver IC coupled together, without electrical connection between them.

INTERNAL CONFIGURATION PACKAGES APPLICATION

6. Power management devices - These devices are used in a wide range of power management applications from telecommunications, industrial equipment, portable devices, computers, and networks. These are packaged in SOIC with the die pad exposed.

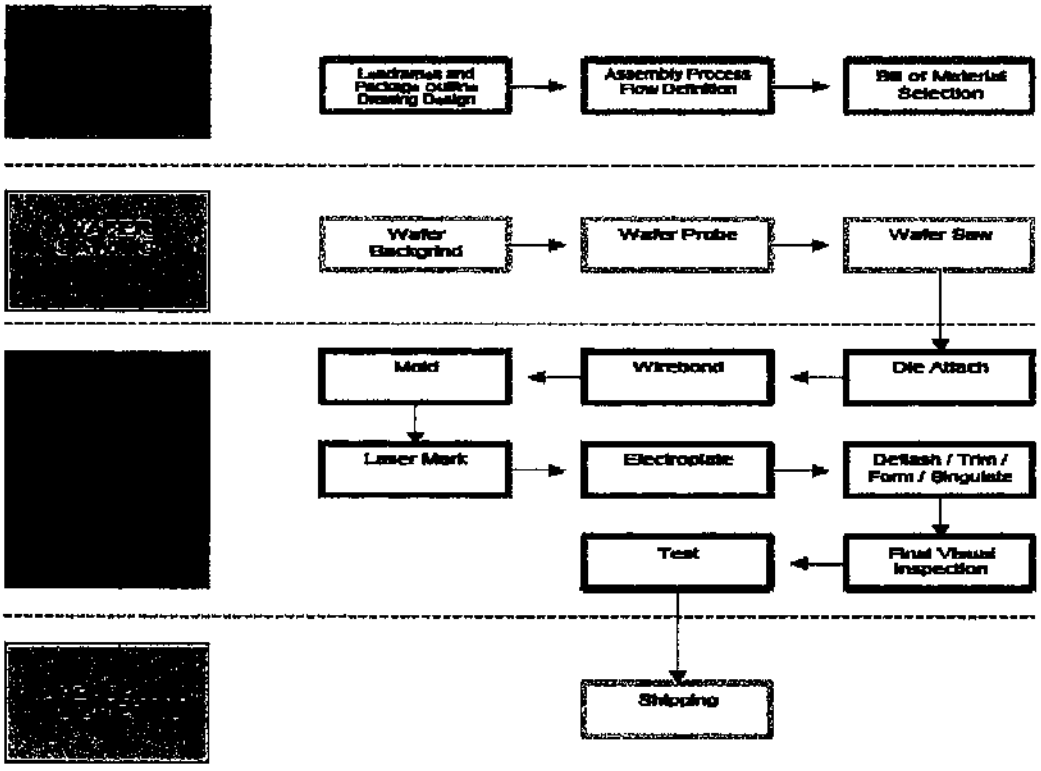


CEC Manufacturing Process Flow

The Company, through its subsidiary CEC, assembles and tests semiconductor devices at its manufacturing complex located on a 12,740 square meter property in Biñan, Laguna. CEC currently leases the property from Cirtek Land Corporation and Cayon Holdings, Inc., both of which are majority owned by Nelia T. Liu, the wife of the chairman of the Board and mother of 3 of the directors. CEC's manufacturing facility is composed of two buildings, with a total floor area of 152,000 square feet.

Process Flow

The figure below illustrates the typical manufacturing process for the back-end production of semiconductor products:



The back end semiconductor operation starts with package design and development. The design phase pertains to a) the determination of the type of package to be used that conforms to industry standards, b) the substrates that will match the intended package, and c) the material set that will be used to meet customer specifications. This is followed by tooling selection and ordering.

The development process follows a systematic approach which takes into account the standards required by the end user product. Advanced quality planning is made part of the process to ensure that the critical quality characteristics are fully understood, characterized and tested. Customers are involved as they have to approve the design and any changes that will happen later in the development stage.

The development is only deemed complete once critical processes are proven capable and qualification units and lots are produced and tested for reliability internally and or by the customers.

The fundamental package assembly process starts after the Company receives the wafer silicon from customers. Pre-assembly, the wafers are back grinded to the desired thickness, probed for electrical performance and then sawn to dice the wafers to its individual chip size following customer requirements. The individually sawn dies are then mounted on a copper substrate typically using epoxy adhesives. Other packages made by the Company however, may require other mounting adhesives for enhanced functional performance. Examples of these include, E0201 dual flat leadless package ("DFN") (used in smart phones) which requires a gold eutectic process or the Power Quad Flat No leads ("PQFN") (used in charges) which requires solder paste.

The interconnection between die to leads is normally done using gold fine wire. Power packages however use copper clips for higher electrical conductivity. The parts are then encapsulated by an epoxy moulding compound, which are usually opaque.

The parts are then electroplated for protection of the metal leads, trimmed and formed into its final shape or sawn into its final dimensions in the case of 0201 DFN, Optical Dual Flat No lead ("ODFN") and PQFN.

These assembled units are electrically tested for functional screening. The good parts are then packed per customer specifications and shipped to its intended destination.

Customers may opt to contract for the entire process flow or for portions thereof, as well require changes, subject to mutual consent to suit the customers' product needs.

CEC Customers

Beginning in 1984 with 3 customers, the Cirtek Group has significantly grown its customer base to over 50 regular customers as of September 30, 2017. Cirtek, through CEC, aims to broaden its existing customer base, as well as its geographic coverage to mitigate the volatility in the semiconductor industry. The figure below lists the CEC's major customers:

USA		EUROPE	ASIA
• Anadigics	• Macom Tech	• Aptasic	• Berex
• Analog Devices	• Maxim	• Bourns	• H3 COB
• Aeroflex	• Micrel	• Cambridge	• RFHIC
• Cardinal	• Microchip	• Cabham Tech	• Silicon Link
• DEI	• Microsemi	• EM Micro	• SSO
• Exar	• NEL	• Fagor	• Supertex
• Hittite	• Protek	• Infineon	• Vishay Siliconix
• Honeywell	• RFMD	• Micronas	• Vishay Philippines
• IDT	• Semtech	• Microcrystal	
• Intersil	• TLSI	• MicroMM GMBh	
• IR	• Vishay Thin Film	• Prema	
• Littelfuse	• Triquint	• ST Micro	
• LSI Telecoms	• Zircon		
• Linear Technology	• Zoran/CSR		

The table below illustrates the geographic distribution of customers by revenue contribution per region, for the years 2014, 2015, and 2016, 2017, and 2018.

	2014	2015	2016	2017	2018
Asia	21%	24%	20%	20%	18%
Europe	33%	40%	40%	40%	38%
U.S.	46%	36%	40%	40%	44%

The Company is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Company. The Company has no single customer contributing more than 20% of the Company's total revenues in the last three years of operations. The top customer accounts for only 12% of total revenue while the top 10 customers collectively account for less than 70% of total revenue. Neither is the Company reliant on any specific industry since its products have varied applications in different industries.

Most of the Cirtek Group's customers have been clients of the Company for more than 10 years. For most of these clients, no formal supply or manufacturing contract is executed, and the orders are governed by purchase orders which provide the specification of the products to be sold, delivery schedule and terms of payment, among others. Customers are required to submit order forecasts ranging from 3-6 months, which the Company uses to project its supply requirements. Depending on the relationship with the particular customers, payment terms can be on a cash-on-delivery basis or credit terms of between 30 to 45 days.

CEC Competition

The assembly and testing segment of the semiconductor industry is highly competitive. The Company's competitors in the semiconductor space include IDM's with their own in-house assembly and testing capabilities, and similar independent semiconductor assembly and test subcontractors, located in the Philippines and in the Asia-Pacific region. Among the Company's competitors are Amkor Technology in Korea and in the Philippines; Advanced Semiconductor Engineering, Inc. or ASE, a Taiwanese company and one of the largest OSAT companies in the world, with branches in Korea and China; Orient Semiconductor Electronics, Ltd. and Siliconware Precision Industries Co. Ltd. in Taiwan; Unisem and Carsem Semiconductor in Malaysia; Hana Microelectronics in Thailand; STATS Chip Pac Ltd. in Singapore, and other Chinese subcontractors such as Diodes, Inc. and Chiang Jiang Electronic Technology or JCET.

Aside from Cirtek Group, there are two (2) active companies in the semiconductor industry that are listed in the PSE. These are Integrated Micro-Electronics, Inc. ("IMI") and SFA Semicon Philippines Corporation ("SSP"). The table below presents a side by side comparison between and among Cirtek, PSPC and IMI of each one's relative size and financial performance (As of and for the nine months ended 30 September 2019, Amounts in US$ thousands unless as indicated):

	TECH	SSP	IMI
Market Capitalization (PHP billions)	3,645,851,171	2,208,324,593	17,738,345,720
Revenue	69,560	231,961	939,573

EBITDA	12,125	12,581	34,029
Net Income	3,688	2,862	(4,034)
Total Assets	253,025	201,559	1,051,446
Total Liabilities	139,614	85,755	604,457
Total Stockholders' Equity	113,412	115,803	446,989

Note: Market Capitalization is as of September 30, 2019

The principal areas of competition are pricing and product quality. The Company believes however, that it has an advantage over its competitors not only in the above-mentioned areas but also because of the following reasons: advanced packaging technology in multiple component products; retooling and configuration capabilities that focus on jointly developed application-specific packages; dedicated line services; and quick turnaround time on customer requirements.

Cirtek Electronics International Corporation

CEIC was incorporated under the International Business Companies Act of the British Virgin Islands on April 4, 1995. CEIC was incorporated with the primary purpose of selling integrated circuits principally in the U.S. CEIC subcontracts the production of the same to CEC.

Beginning June 8, 1995, CEIC, after securing the sales from its customers abroad, would subcontract the assembly, testing, and/or packaging of the devices to CEC, pursuant to a Master Subcontractor Agreement. Under said agreement, CEIC issues purchase orders to CEC stating therein the type of product it will require, the quantity, delivery date, and destination, together with such other instructions the former may have. In consideration for its services, CEC is paid a service fee depending on the services contracted for a particular purchase order.

Prior to the Company's acquisition of CEIC in 2011, CEIC was majority-owned by Charmview. On March 24, 2008, Charmview and CHI entered into a Share Swap Agreement whereby Charmview transferred all of its interest in CEIC, constituting 50,000 common shares, to CHI in exchange for 50,000 common shares of stock of CHI. As a result of the share swap, CEIC became a subsidiary of CHI.

On March 1, 2011, CHI and the Company executed the Deed of Absolute Sale of Shares wherein CHI transferred all of its 50,000,000 shares in CEIC to the Company for and in consideration of P130,000,000.00, making CEIC a wholly-owned subsidiary of the Company.

Acquisition of Remec Broadband Wireless International, Inc.

On July 30, 2014, CEIC entered into a sale and purchase agreement with REMEC Broadband Wireless
Holdings ("REMEC"), for the purchase of 100% of the shares of REMEC's manufacturing division, REMEC Broadband Wireless International, Inc. ("RBWI"), a Philippine-based manufacturer of value added, highly integrated technology products. Based on the terms of the sale: (i) REMEC and its remaining subsidiaries will continue to design and market its top-of-class telecommunications products globally under its "REMEC" brand;; and (ii) REMEC will enter into a manufacturing agreement with Cirtek to manufacture REMEC's products under a long term contract manufacturing relationship. CEIC acquired RBWI for a consideration of $7.5 million. CHPC funded the acquisition through a combination of available cash on hand and proceeds from a corporate notes issuance.

At the time of the acquisition, RBWI had over 18 years of experience in producing high quality niche PCBA and Box-build in low/medium/high volume and high mix products for industrial and consumer applications, such as RF/microwave, emerging products of OEMs and ODMs for commercial, industrial, military, and telecommunications applications, and providing related repair services. These unique capabilities and extensive experience in RF and microwave manufacturing and engineering services offer a versatile competitiveness in this field.

RBWI's contract manufacturing capabilities range from component level (transceivers, synthesizers, oscillators, mixers, filters switches, microwave devices), sub-system and module level (power amps, transceivers, filters, diplexers, mixers, mixed signal, PCBA), system level (spread spectrum radios, power amplifiers, repeaters, modem, Outdoor RF Radios (ODU, IP Radio), 6GHz to 42GHz, broadband radios - 60GHz to 80GHz , and indoor RF Radios (IRFU, IDU).

RBWI has shipped more than 1,000,000 finished products (ODUs, IP radios, transceivers and amplifiers) with field-proven MTBF of over 100 years, to over 30 customers globally. RBWI is also PEZA registered with 'Pioneer Status', and owns a world-class manufacturing facility (ISO 9001 and 14001 certified) located in Carmelray Industrial Park 1, Laguna. RBWI has received numerous awards from top global microwave OEMs, and recorded sales revenues worth $43 million for fiscal year 2013.

CEIC's acquisition of RBWI allows the Cirtek Group to expand its existing manufacturing capacity and capability into the high-growth wireless segment via a proven player with a strong customer base. It also allows Cirtek Group to provide customers with vertically integrated solutions that offer the Company higher margins and the customer more flexibility.

Through RBWI, the Cirtek Group will be able to cater to the strong demand for electronic products and applications, such as smartphones and media streaming in the telecommunications industry, wireless health monitors in the medical industry, and connectivity applications in the automotive industry, among others.

RBWI was renamed to Cirtek Advanced Technology Solutions, Inc. ("CATSI") on 21 November 2014 in the British Virgin Islands. On February 18, 2015, the Philippine SEC approved the change in corporate name.

Acquisition of Quintel Cayman Ltd. and its subsidiaries.

On July 31, 2017, CHPC and Trillium International I, GP, as shareholder representative of Quintel Cayman, Ltd. announced the signing of a definitive agreement under which CHPC, through its subsidiary CEIC, would acquire 100% of Quintel, a leading provider of advanced high-efficiency, high-performance antenna solutions. Upon closing, the transaction immediately gave CHPC a significant presence in the large and rapidly growing base station antenna market, estimated to be more than US$14 billion by 2020.

Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks. Among Quintel's major customers include two of the top 5 telecom carriers in North America.

Quintel recently expanded its industry-leading MultiServ™ Slimline Antennas portfolio. In addition to the 12-Port Multiband Antenna, Quintel now has 10 Port antennas, both of which come in 4, 6 and 8 foot lengths. This latest Slimline Antenna utilizes the same 12"/300mm wide form factor that all Quintel antennas use providing the industry's only "One Size Fits All" portfolio of 6, 8, 10 and 12-Port antennas in the same single form factor.

The acquisition of Quintel is consistent with the Cirtek Group's positioning to expand its business portfolio vertically and to compete in high-growth market segments, such as wireless communication.

By moving up the value chain, the Company will be able to accelerate its revenue trajectory and improve profit margins.

The transaction also complements the Group's wireless product portfolio since Cirtek's subsidiary, CATSI, is already a leading independent global manufacturer of RF, microwave, and millimeterwave radio systems, deploying over 1.5 million radio units and systems worldwide.

With the Cirtek Group as the sole Contract Manufacturer of Quintel, the acquisition will bring about significant synergies through value engineering, research and development collaboration as well as cost reduction, resulting in high-quality, reliable and cost-competitive products.

Cirtek Advanced Technologies and Solutions, Inc.

CATSI offers a broad range of microwave products that go into various applications. The end application covers microwave/wireless solutions for carrier and private data networks catering mobile backhaul, service provider, education, enterprise, government/municipalities and healthcare.

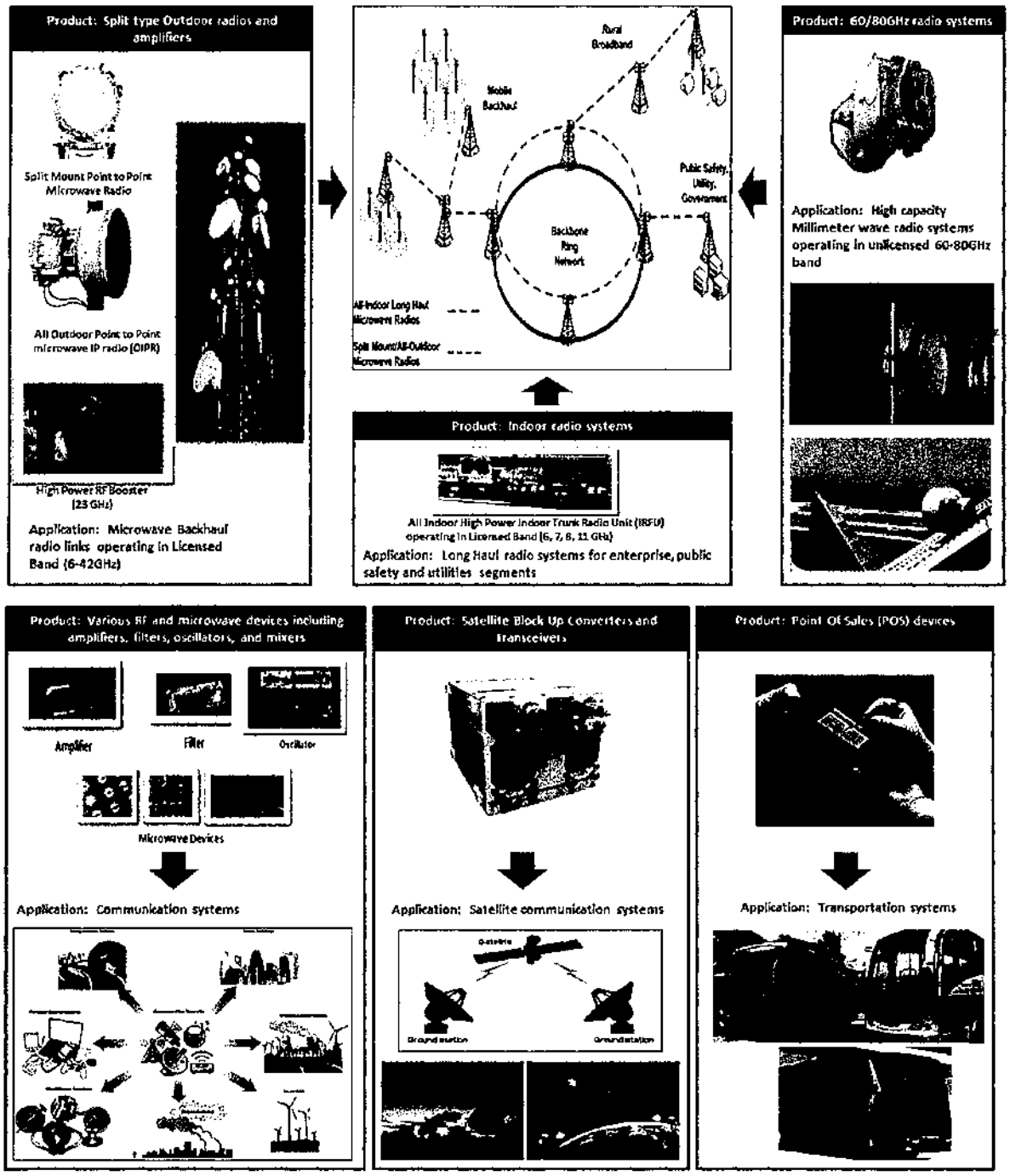
The following are CATSI' microwave products:

1. CTT Out Door Unit ("ODU") - The CTTH ODU is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The CTT ODU supports QPSK to 256QAM modulation and 7MHz to 56MHz channel bandwidth.

2. Indoor Radio Frequency Unit ("IRFU") –The IRFU is available in L6, U6, 7GHz, 8GHz, and 11GHz frequency bands. The channel spacing supported for North American ANSI rates is between 3.75 MHz and 60 MHz. The channel spacing supported for ETSI rates is between 7 MHz and 56 MHz.

3. Outdoor Internet Protocol Radio ("OIPR") - The OIPR is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The supported modulation is QPSK to 256QAM. The channel spacings supported for North American ANSI rates is between 10MHz and 50 MHz. The channel spacings supported for ETSI rates are 7MHz, 14MHz, 28-30MHz, 40MHz and 56MHz.

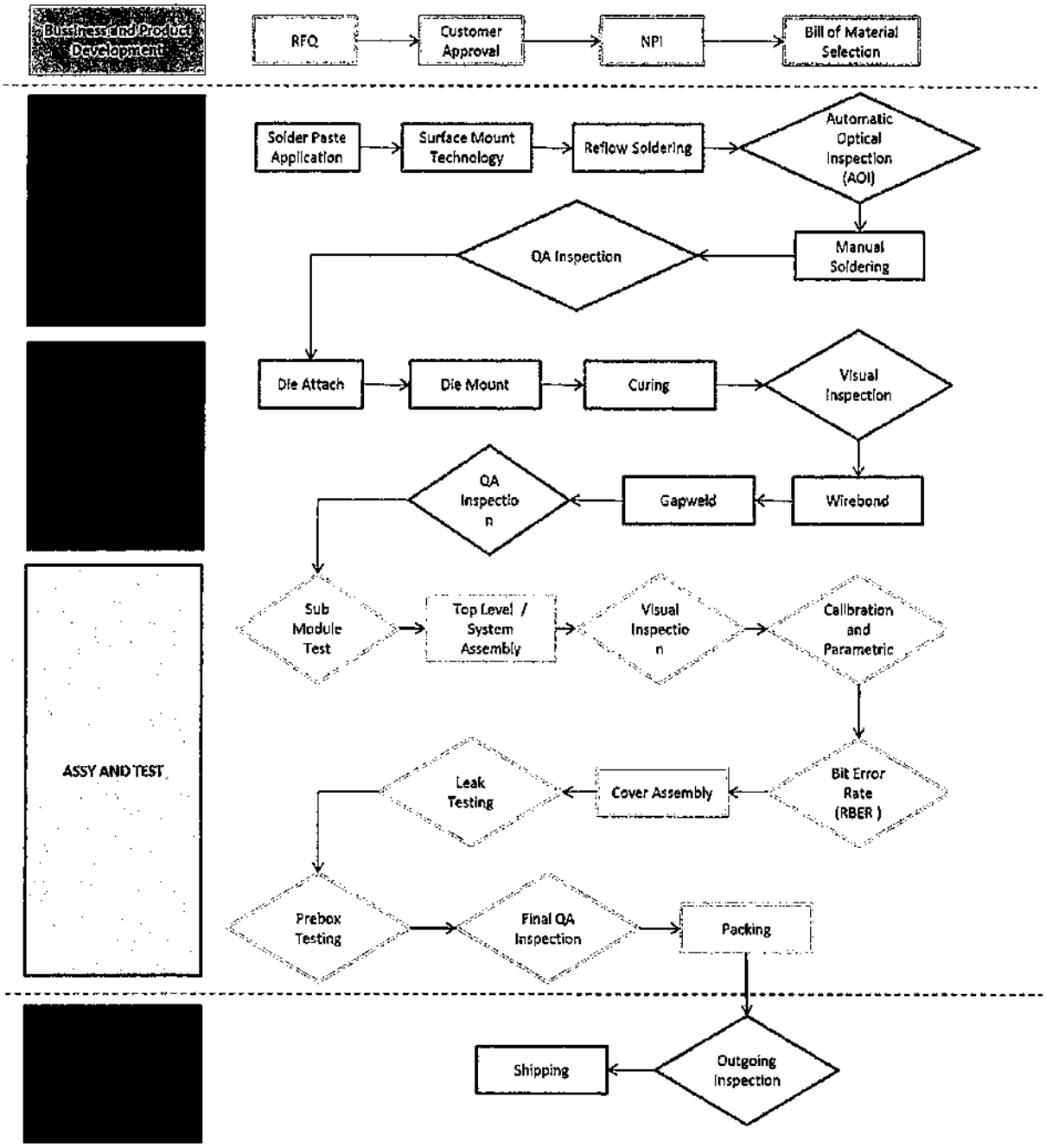
4. FLEX4G-Ultra High Availability ("UHA") - Flex4G-UHA-UHA operates in the 71-76/81-86 GHz frequency range in compliance with ECC/REC 05/07 Recommendations and is subject to use based on each EU member country's individual regulations for operation in this band. The FLEX4G-UHA uses Binary Phase Shift Keying ("BPSK") modulation and supports a maximum data rate of 1,000 Mbps in a 1,250 MHz channel.



CATSI Manufacturing Process Flow

CATSI assembles and tests microwave products at its manufacturing complex located on a 12,740 square meter property in Biñan, Laguna. It currently leases the property from Cirtek Land Corporation and Cayon Holdings, Inc., both of which are majority owned by Nelia T. Liu, the wife of the chairman of the Board and mother of 3 of the directors. The manufacturing facility is composed of two buildings, with a total floor area of 152,000 square feet.

The figure below illustrates the typical manufacturing process flow for the production of microwave products:



The manufacturing process starts with business and product development. The business development pertains to a) Request for Quote ("RFQ") from customer; and b) customer approval. Once the customer approves the quote, product development proceeds.

The product development pertains to a) New Product Introduction ("NPI") and b) bill of materials selection. During NPI, the factory will qualify the product and the process (to manufacture the product). The NPI process is considered completed once critical processes are proven capable and qualification units are produced and tested for reliability internally and or by the customers. If NPI is successful, the bill of materials is finalized. This includes the product BOM, fixtures and packaging. Mass production follows.

The fundamental assembly process starts with a Printed Circuit Board Assembly ("PCBA"). Solder paste is applied to the Printed Circuit Board ("PCB"), followed by placement of components during SMT pick and place. The populated board is then loaded to the reflow oven for

solder paste curing. After the oven reflow, the board undergoes Automatic Optical Inspection ("AOI"). All boards with reject (assembly rejects, i.e. missing components, wrong part mounted, tombstone, insufficient solder, mis-oriented, tilted, etc.) during AOI are reworked. All boards without rejects proceed to 2nd operation or manual soldering (if required).

Some modules/sub-assembly boards from PCBA undergo Microwave Integrated Circuit process ("MIC"). During this process, a component (MMIC) is attached or mounted to the board with epoxy, either manually or automated. The board is then cured to the required temperature depending on the type of epoxy used. Wirebond/gapweld is performed depending on the required assembly drawing. Inspection follows to ensure conformance to the assembly drawing.

The modules/sub-assembly boards will then undergo test and tune (if required). All passing modules are then integrated to form the ODU (final product) during Top level assembly. System level testing follows (Calibration and Parametric test, Bit Error Rate ("BER") Test, etc.). The ODUs should conform to the specifications set by the customer.

Finished products are then packed per customer specifications and shipped to the intended destination.

CATSI Customers

Most of the Cirtek Group's customers have been clients of the company for more than 10 years. For most of these clients, no formal supply or manufacturing contract is executed, and the orders are governed by purchase orders which provide the specification of the products to be sold, delivery schedule and terms of payment, among others. Customers are required to submit order forecasts ranging from 3-6 months, which the Company uses to project its supply requirements. Depending on the relationship with the particular customers, payment terms can be on a cash-on-delivery basis or credit term of between 30 to 45 days.

CATSI Competition

The Company's competitors in the RF/Satcom EMS space include large OEMs with international presence such as Benchmark Electronics, Plexus, Flextronics, and MTI Electronics. Among the Company's local competitors for certain product lines are Ionics, IMI, and ATEC.

The Company believes is competitive strength lies in its ability to provide complete turnkey solutions for complex, box build electronic and microwave products. The Company also believes it has unique RF/microwave expertise to deliver vertically integrated products from components to modules and system levels.

Quintel Corporation

Founded in 2007, Quintel designs, develops and delivers advanced high efficiency, high performance antenna solutions that allow mobile operators to increase efficiency, enhance quality-of-service and reduce costs. The company's core technology, QTilt, provides variable linear phase slope across the antenna array and as such, increases site output without expanding the site footprint. The company's corporate offices are in Rochester and New York and San Jose California and its sales office is located Bukinghamshire in the United Kingdom. Quintel's team of seasoned professionals understand tower tops better than anyone else in the industry and have pioneered some of the most advanced solutions in the marketplace today. Quintel delivers tremendous value to the industry's leading operators and OEMs, as well as a robust ecosystem of technology and channel partners, across the globe

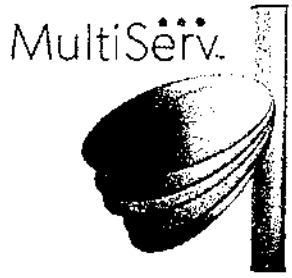
Quintel is radically transforming wireless infrastructure with feature-rich antenna technologies that make networks more efficient and more profitable. An innovator in low-impact and high-output solutions, Quintel simplifies rollout complexity with practical antenna solutions that quickly boost

capacity and coverage within diverse heterogeneous networks. Quintel's innovative MultiServ and SONwav product lines enable mobile operators to quickly and easily grow their networks and not their budgets.

The following are Quintel's antenna products lines:

1. MultiServ - Single Antenna - Multiple Frequency Bands

Under the MultiServ brand, Quintel sells Multi-Band/ Multi-Port Antennas which are designed to maximize site utilization without compromising site design and network optimization freedoms. This product offers independent tilt for different bands for different arrays while supporting up to 4x4 MIMO at high-bands. The technology of Multiserv also minimizes Passive Intermodulation interference and supports different access technologies (4G, LTE, 3G, 2G).



Space Efficient Tower Solutions

PIM Efficient Solutions

Key Highlights of MultiServ product line:

- Smallest form factor (12" wide x 4' / 6' / 8' lengths)
- Advanced aerodynamic design reduces wind loading
- Field proven best-in-class azimuthal roll-off (C/I) RF performance
- Independent tilt-per-band eliminates band combiners
- Most reliable / all internal "Direct Connect" Remote Electrical Tilt ("RET") design
- Highest quality in the industry – used at both tier-1 U.S. carriers nationally ④ AISG over RF capability
- Broad portfolio with Hexports and Octoports in 65º and 45º and 10 / 12 port antennas ④ World's only 12 port antenna 12" wide x 72" or 96" length with 6' high-band arrays

2. SONWav - Directional Antenna – Passive Real-Time Beamforming

Through its SONWav brand, Quintel provides Passive Real-Time Elevation Beamforming Antennas which increases throughput and spectral efficiency at low spectrum bands in a single slimline antenna. This product also offers route to double MIMO freedoms.

Spectrally Efficient Tower Solutions

Key Highlights of MultiServ product line:

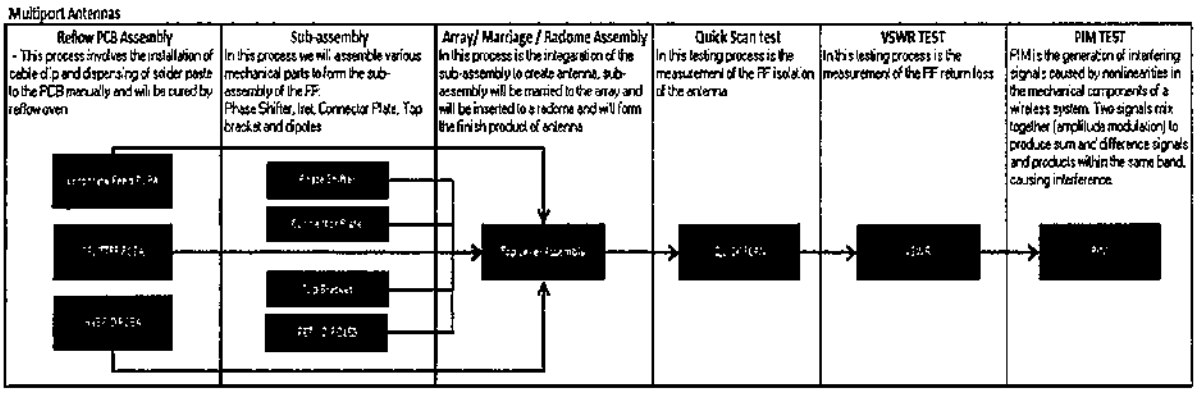
- SONWav technique designed for Low-Band Serice 700, 800, 850MHz
- Allows Downlink to be Tilt optimized with Power Limited Uplink Services (VoITE)

- Mitigates Uplink Interference when using IRC in Baseband
- Maximizes Uplink MCS, SINR, CQI and Throughput
- SonWav also has 4x1695-2400MHz Ports (as 2x independent Tilts)
- Optimized Azimuth Patters as per MultiServe Family
- Optimized Rodome&Windload as MultiServe Family

Quintel Manufacturing Process Flow

Cirtek assembles and tests antenna products at its manufacturing complex located in Laguna Technopark in Biñan, Laguna. The manufacturing facility is composed of three buildings, with a total floor area of 22,300 square feet.

The figure below illustrates the typical manufacturing process flow for the production of antenna products:

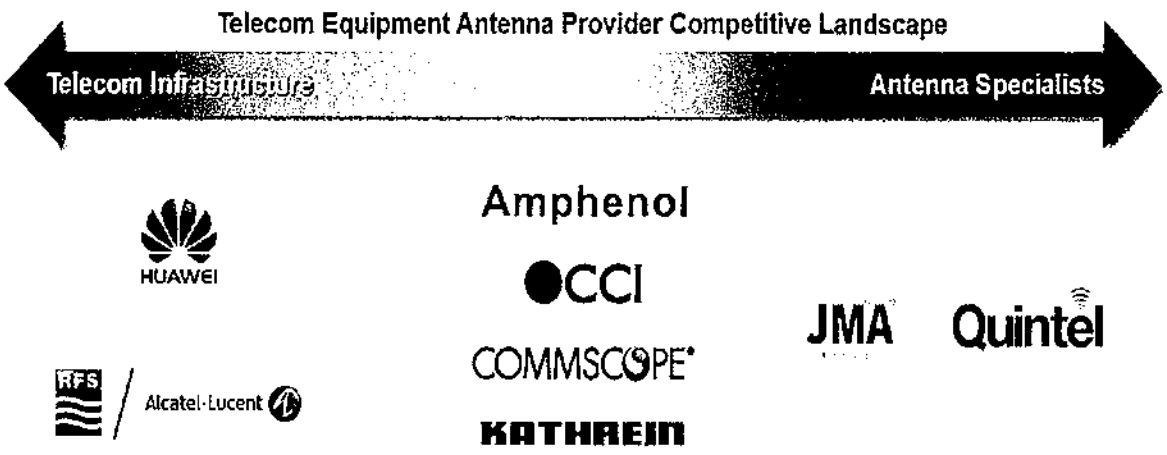


Quintel Customers

Quintel's current customers are AT&T and Verizon, large telecommunication corporations operating in North America. In order to reduce the concentration risk of a few major customers, Quintel has been actively seeking business opportunities with new potential customers wherein the initial focus will be on large customers in North America and Europe. The company eventually wants to penetrate the Asian market and provide its products to telecommunication companies in countries such as Singapore and the Philippines.

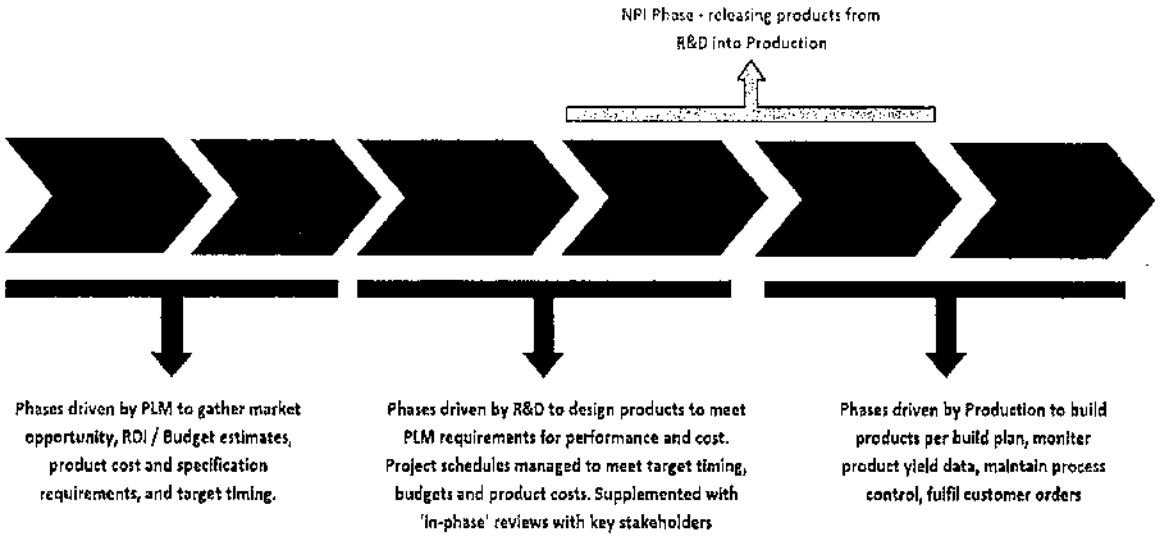
Quintel Competition

Quintel's competitors in the Antenna space are made of up of a number of well-known companies, most of which sell multiple products directly or indirectly to carriers. These competitors are either diversified telecom infrastructure and service companies, telecom system and component vendors or pure-play antenna makers. Below is a diagram of the competitive landscape of the industry:



Quintel Product Development (Research and Development)

The figure below illustrates the New Product Development process within Quintel:



New Products

The Company and its Subsidiaries do not have any publicly-announced new products or services as of the date of this prospectus.

Risks related to CEIC, CATSI and Quintel

For a more detailed discussion of the major risks pertaining to CEIC, CATSI and Quintel, please refer to the section on "Risk Factors".

Operating Segments Contribution to Revenue

Financial information on the Group's business segments as of September 30, 2019 and December 31, 2018 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the nine months ended September 30, 2019:

	CEC	CATS – Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$29,569,,746	$16,409,285	$23,581,045	$–	$ 69,560,076
Inter-segment	–	–	–	–	–
Total net sales	$29,569,,746	$16,409,285	$23,581,045	$–	$ 69,560,076
Segment depreciation and amortization	$2,764,171	$ 547,282	$ 115,473	$–	$ 3,426,925
Segment interest income	14,022	1,056	134	–	15,212
Segment interest expense	4,577,749	–	66,344	–	4,644,093
Segment profit before income tax	3,718,440	2,404,469	2,179,859	(4,233,998)	4,068,770
Segment provision for (benefit from) income tax	298,468	58,082	24,308	–	380,858
Segment profit after income tax	$3,419,971	$2,346,387	$ 2,155,551	($4,233,998)	$ 3,687,912

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

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

For the nine months ended September 30, 2018:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$35,329,134	$5,648,057	$47,497,919	$–	$88,475,110
Inter-segment	–	34,160,049	–	(34,160,049)	–
Total net sales	$35,329,134	$39,808,106	$47,497,919	($34,160,049)	$88,475,110
Segment depreciation and amortization	$2,364,414	$413,799	$336,440	$600,000	$3,714,653
Segment interest income	26,232	8,170	–	–	34,403
Segment interest expense	3,122,250	–	633,382	–	3,755,632
Segment profit before income tax	3,789,613	6,165,491	260,057	1,083,541	11,298,702
Segment provision for (benefit from) income tax	329,265	61,602	31,428	(210,000)	212,295
Segment profit after income tax	$3,460,348	$6,103,889	$228,629	$1,293,541	$11,086,407

Credit Policy

The Company has clear guidelines that set the pre-qualification procedures, credit term, and credit limit approval requirements for supplying goods, credit ratings, and credit policy on how to handle collections and delinquent accounts.

For pre-qualification, a customer must apply for a credit line by filling up and signing a Credit Application subject to approval by the CFO and/or President in accordance to their limits of authority. Aside from a Customer Information Sheet, other attachments that the Marketing Department must secure are the company profile, two-year financial statements, and a copy of the General Information Sheet as submitted to the SEC. The application would then be evaluated to determine the credit rating, credit limit, terms and other information pertinent to the line being granted. Once finalized, the system would be updated by the Document Controller and AR Finance Staff to reflect the approved terms so as to automatically track sales through the system and apply a "credit hold" whenever possible.

Within eight (8) working days from month-end closing, the AR Staff is required to send the Statement of Account ("SOA") reviewed by the Senior Supervisor to the customers. Delinquent notices shall be sent to customers as follows:

1-60 days past due	Delinquent notice in a form of e-mail, phone call follow up. Set meeting/s if necessary.
61-120 days past due	E-mail, phone calls, meeting/s, written demand from company officers acknowledged by the customer's representative.
121 days & Over	Demand letter from the company lawyer (for non-affiliated companies),except when the overdue amount does not exceed 20% of its total outstanding balance, in which case, a written demand from a company officer is advisable. If the debtor is an affiliate company, apply offsetting. The company has the option to hold the delivery in case of pre-meditated failure or gross neglect to settle the account. In case of a non-affiliated company, the credit line shall be revoked. All deliveries to customers will be on a cash basis until the account is settled.

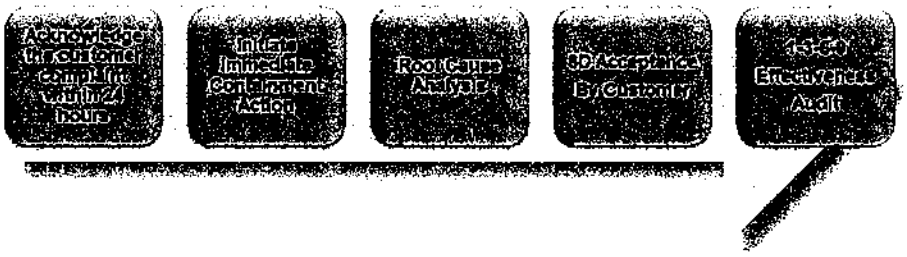
Furthermore, the guidelines mandate the Finance Senior Supervisor shall review and submit a credit rating to the CFO and VP for Marketing & Sales within five (5) working days from the end of the quarter (fiscal year basis).

One point demerit will be given per quarter for accounts with outstanding balance exceeding 120 days of no more than 20% of the total accounts receivable. Any customer/s receiving four (4) demerits for one fiscal period will be subject to a final credit review with Finance and Marketing.

The final review of the customer's credit standing shall be initiated by the Finance Senior Supervisor. If the final review reveals gross neglect on the part of the customer, a demand letter to settle the outstanding receivable within thirty (30) days from the receipt of written notice will be issued. Failure to settle the overdue shall automatically revoke the approved credit line granted to a customer. Sales will be on a cash or COD basis.

Policy on Customer Complaints

The section below lays out the Company's procedure in handling customer complaints. Per policy, TECH uses the 8D discipline whereby problem solving shall lead to root cause identification and then elimination. A corrective action is required to eliminate the cause of non-conformities in order to avoid reoccurrence.



More specifically, as shown on the figure above, a complaint is acknowledged within 24 hours of its receipt. An 8D Team would then be formed that shall be composed of a champion, a team leader, and its members – thatwill evaluate per the aforementioned discipline. Within the 24-hour window also, immediate containment action shall commence that would cover the inventories, machines, process, and shipped materials.

Around the same time, the 8D report would be finalized and subsequently presented to the customer by the assigned team. The report outlines the root cause analysis and validation that was done in connection to the complaint as well as the corrective and preventive actions that the Company had taken or is taking.

Finally, these actions would undergo an implementation and effectiveness audit via a 1.) 10 lot monitoring and 2.) 1-3-6-9 month audit. Once the analysis yields a satisfactory outcome, an 8D closure with the customer will be done.

Awards and recognition

The Cirtek Group has been presented with several awards by its customers. The table below lists some of the awards and certifications garnered by the Cirtek Group in recent years:

Award	Awarding Body	Year
For Cirtek Electronics Corporation		
Outstanding Assembler	Gan Systems	2018
Outstanding Achievement	Gan Systems	2017
Outstanding Achievement	Gan Systems	2016
Semiconductor Assembly and Test Supplier of the Year	Bourns, Inc	2016
Best New Product Introduction	Cambridge Semiconductor ("Camsemi")	2013
Plaque of Appreciation Success on New Product Introduction	Camsemi	2012
Technology Partner Award	Camsemi	2010
Most Improved Subcontractor Award	Supertex, Inc.	2009
Top Ranking Subcontractor	Triquit Semiconductor	2008
Excellent Partner Award	Sunpower Corp.	2008
Excellence in Delivery and Service Award	WJ Communications	2008
Delivery and Service Award	International Rectifier	2006
For CATSI		
Silver Core Partner Award	Huawei Technologies Co. Ltd	2011
Gold Core Partner Award	Huawei Technologies Co. Ltd	2010
Silver Core Partner Award	Huawei Technologies Co. Ltd	2009

Marketing

The Company appoints exclusive and non-exclusive sales agents around the globe to promote its products and services. These agents help promote and maintain strong relationships by working closely with customers to address and resolve quality issues and communicate timely responses to specific requirements and delivery issues. The Company through its Subsidiaries currently maintains a sales director in the USA and sales agents in the USA, Europe and Asia.

Cirtek also performs marketing research for technology development by working closely with its customers through collaboration, conducting surveys and gathering market trends to keep the Company abreast of new packaging techniques and product introductions.

Suppliers

Direct materials used by the Company in the manufacturing process are lead frames, molding compound, wires (gold and copper) and epoxy adhesives. Silicon wafers are provided by Cirtek's customers.

These direct materials are sourced abroad, mainly from Hongkong, Singapore, Malaysia and Korea. Shipment is mostly by air, except for the molding compound, which is by sea because of its weight. In order to mitigate the risk of shortage of these direct materials, the Company has at least two suppliers for each material. The table below lists the Company's major suppliers for each direct material as of the date of the Prospectus:

CEC

Local

Product	Name of supplier and their business address
Production and Office Supplies	**Tuborg Trading** 170 Corazon De Jesus St,, San Juan City
Gases	**Air Liquide** Lot 37 DBP Ave., FTI Complex, Taguig Metro Manila
Building Materials	**Atlas Copco** North Main Ave., Lot 12 Blk 2 Laguna Technopark Incorporated Biñan Laguna
Chemical Supplies	**Quimicos Chemical Solution** B14 L8 Jeremiah St., Pillar Executive Village. Almanza Uno, Las Piñas City 1750
Production Supplies	**Gaintech Corporation** 90-F National Road, Putatan, Muntinlupa City

Foreign

Product	Name of supplier and their business address
Leadframe	**ASM Technology Singapore Pte Ltd** 2 Yishun Avenue 7 Singapore 768924
Bonding Wire	**Heraeus Oriental Hitec Co Ltd** 587-122 Hakik -Dong Nam Ku Incheon 402-040 South Korea
Die Attach Epoxy	**Sumitomo Bakelite Singapore** 10 Shenton Way No.11-03 MAS Bldg Singapore
Die Attach Epoxy	**Henkel Corporation**

	20021 Susana Road Rancho Dominguez CA 90221
Leadframe	**QPL Limited**
	QPL Industrial Bldg., 2/F--6/F, 138 Texaco Road, Tsuen Wan, New Territories, Hongkong

CATSI

Product	Name of supplier and their business address
Metal (stripline, bracket, etc.)	**Suzhou Dongshan Precision Mfg. Co., Ltd.**
	8 Fenghuangshan Road, Dongshan Industrial Park, Wuzhong District, Jiangsu Province, Suzhou
Build Antenna	**Leadtone Communication Technologies Co., Ltd.**
	No. 8 Xinhua Rd, Xinwu District, Wuxi, Jiangsu, 2141714, P.R. China
Cables	**Changzhou Amphenol Fuyang Comm Equip Co. Ltd.**
	No. 6 Fengqi Rd, Wujin Hi-Tech District Laguna
Diplexer	**SiYuan Telecommunication Technology (Suzhou) Co., Ltd.**
	# 6 DongZhuang Road, Wuzhong District, Suzhou City
Cables	**Changzhou Heatron Conduction Technology Co., Ltd.**
	Block 2, No. 198, Xiahe Road, Hutang Town, Wuin District

QUINTEL

Product	Name of supplier and their business address
Antenna	**Caytron International, Limited**
	Hongkong
Antenna	**Cirtek Advanced Technologies & Solutions Inc.**
	Biñan Laguna, Philippines

The Company is not dependent on one or a limited number of suppliers for essential raw materials, energy or other items.

Employees

As of September 30, 2019, the Cirtek Group's manpower complement numbered at 1,428.

Position	Total
Managers and Executives	53
Engineers	79
Administration	61

Other Support Groups	128
Rank and File	1,107
Sub-Total	**1,428**

Contractual employees of the Company are primarily involved in mechanical functions in the production lines. Employees holding critical or highly technical functions such as management and oversight of the production process, which include engineers and key managers, are regular employees of the Company.

The Company is expecting an additional 70 manpower on Q4 of 2019 for the captive line of two new customers.

Management-Employee Relations

The Cirtek Group is not unionized. However, to foster better employee-management relations, the Cirtek Group has a Labor Management Council ("LMC") composed of committees with representatives from both labor and management. These committees include the committee on employee welfare and benefit, employee cooperative committee, employee discipline committee and sports and recreation committee, among others.

LMCs are established to enable the workers to participate in policy and decision-making processes in establishment, in so far as said processes will directly affect their rights, benefits, and welfare, except those which are covered by collective bargaining agreement or are traditional areas of bargaining. The scope of the council/committee's functions consists of information sharing, discussion, consultation, formulation, or establishment of programs or projects affecting the employees in general or the management.

There is an existing agreement between CEC and the United Cirtek Employees Association pertaining to minimum salary, benefits, emoluments, security of tenure, and other terms and conditions of employment. CATSI does not have a similar agreement with its employees.

Employees of Cirtek's Contractors

As of September 30, 2019, the Group's contractors have assigned 889 direct employees to perform contracted work and services for the Group. These personnel comprise approximately 38% of the Cirtek Group's workforce. They are entitled to all the statutory employment rights and privileges vis-à-vis their direct employer, the contractor/agency.

As of the date of this prospectus, the Company is in compliance with all relevant labor laws including laws on permissible job contracting.

Properties

The Company, through its Subsidiary, owns the manufacturing plants in the Laguna Technopark as well as machinery such as bonder, auto test handler, optical inspection system, wafer back grinder, mold set, SMT equipment, MIC epoxy dispense, die attach, high-speed wire bonders, automated test stations, and other machinery necessary for the manufacture, assembly and testing of semiconductors and broadband wireless products. All of these properties are free and clear of liens, encumbrances, and other charges, and are not subject of any mortgage or other security arrangement.

CHPC does not own land. Thus, on January 1, 2011, CEC entered into a lease arrangement with CLC and Cayon to lease the land where the manufacturing facility is located. The manufacturing facility is composed of two buildings, with a total floor area of 152,000 square feet and is shared by CEC and CATSI.

The CEC lease agreement with CLC includes the land where CEC's Building 1 is located. The agreement calls for a P640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties, subject to such new terms and conditions as they may then be mutually agreed-upon.

CEC's lease agreement with Cayon includes the land where CEC's Building 2 is located. The agreement calls for an annual rental of P582,144 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.

The leases with CLC and Cayon will expire in 2021 and the Company does not anticipate any issues with the lease renewals.

The Company does not expect to acquire new properties or enter into new leases in the next twelve months.

For a more comprehensive discussion on the leases, please refer to the sub-sections under "Related Party Transactions - Transactions with CLC and Cayon" on page 172 of the Prospectus.

Intellectual Property

Through its subsidiary Quintel, the Company has an Intellectual Property Portfolio a summary of which can be seen below:

Patents

Patent Family	Family ID	Country	Relation Type	Application #	Filing Date	Patent #	Grant Date	Status
P7	QUIN/P7240US	(US)	ORIGINAL	10/551,798	25/03/2004	7,400,296	15/07/2008	GRANTED
P7	QUIN/P7240USCON	(US)	CONTINUATION	12/111,901	29/04/2008	7,868,823	11/01/2011	GRANTED
P8	QUIN/P7243US	(US)	ORIGINAL	10/553,308	10/05/2004	7,450,066	11/11/2008	GRANTED
P8	QUIN/P7243MX	(MX)	ORIGINAL	PA/a/2005/011801	10/05/2004	250524	19/10/2007	GRANTED
P9	QUIN/P7315US	(US)	ORIGINAL	10/577,206	29/10/2004	7,420,507	02/09/2008	GRANTED
P9	QUIN/P7155USCON	(US)	CONTINUATION	12/201,688	29/08/2008	8,185,161	22/05/2012	GRANTED
P10	QUIN/P7386US	(US)	ORIGINAL	11/632,233	07/07/2005	8,208,962	26/06/2012	GRANTED
P16	QUIN/P7511US	(US)	ORIGINAL	12/280,813	10/08/2007	8,269,668	18/09/2012	GRANTED
P21	QUIN/P2100EP	(EP)	ORIGINAL	12765944.9	23/03/2012	2689493	31/01/2018	GRANTED
P21	QUIN/P2100US	(US)	ORIGINAL	13/429,042	23/03/2012	8,879,997	04/11/2014	GRANTED
P22	QUIN/P2200US	(US)	ORIGINAL	13/589,121	18/08/2012	9,344,176	17/05/2016	GRANTED
P22	QUIN/P2200KR	(KR)	ORIGINAL	10-2014-7004092	18/08/2012	10-1969701	11/04/2019	GRANTED
P22	QUIN/P2200CN	(CN)	ORIGINAL	201280050976.9	18/08/2012	201280050976.9	27/04/2016	GRANTED
P23	QUIN/P2300US	(US)	ORIGINAL	14/186,524	21/02/2014	9,438,278	06/09/2016	GRANTED
P23	QUIN/P2300DE	(DE)	ORIGINAL	14753700.5	21/02/2014	2959710	20/03/2019	GRANTED
P23	QUIN/P2300FR	(FR)	ORIGINAL	14753700.5	21/02/2014	2959710	20/03/2019	GRANTED
P23	QUIN/P2300GB	(GB)	ORIGINAL	14753700.5	21/02/2014	2959710	20/03/2019	GRANTED
P23	QUIN/P2300IT	(IT)	ORIGINAL	14753700.5	21/02/2014	2959710	20/03/2019	GRANTED
P23	QUIN/P2300ES	(ES)	ORIGINAL	14753700.5	21/02/2014	2959710	20/03/2019	GRANTED
P23	QUIN/P2300CN	(CN)	ORIGINAL	20140022268.3	21/02/2014	ZL20140022268.3	11/12/2018	GRANTED

P23	QUIN/P2300EP	(EP)	ORIGINAL	14753700.5	21/02/2014	2959710	20/03/2019	GRANTED
P24	QUIN/P2400EP	(EP)	ORIGINAL	15765512.7	16/03/2015			FILED
P24	QUIN/P2400CN	(CN)	ORIGINAL	201580014482.9	16/03/2015			FILED
P24	QUIN/P2400KR	(KR)	ORIGINAL	10-2016-7025212	16/03/2015			FILED
P24	QUIN/P2400	(US)	ORIGINAL	14/659,123	16/03/2015	9,960,500	01/05/2018	GRANTED
P26	QUIN/P2600US	(US)	ORIGINAL	14/610,987	30/01/2015	10,069,213	04/09/2018	GRANTED
P26	QUIN/P2600CON	(US)	CONTINUATION	16/117,212	30/08/2018			FILED
P26	QUIN/P2600CN	(CN)	ORIGINAL	201580017564.9	30/01/2015			FILED
P26	QUIN/P2600EP	(EP)	ORIGINAL	15743325.1	30/01/2015			FILED
P27	QUIN/P2700US	(US)	ORIGINAL	15/050,312	22/02/2016	9,979,079	22/05/2018	GRANTED
P27	QUIN/P2700USCON	(US)	CONTINUATION	15/983,708	18/05/2018			FILED
P27	QUIN/P2700CN	(CN)	ORIGINAL	201680023077.8	22/02/2016			FILED
P27	QUIN/P2700PH	(PH)	ORIGINAL	1-2017-501531	22/02/2016			FILED
P29	QUIN/P2900	(US)	ORIGINAL	15/632,443	26/06/2017			FILED
P29	QUIN/P2900-1CN	(CN)	ORIGINAL	201780057272.7	18/07/2017			FILED
P29	QUIN/P2900-1EP	(EP)	ORIGINAL	17831705.3	18/07/2017			FILED
P31	QUIN/P3100	(US)	ORIGINAL	16/158,876	12/10/2018	10,340,583	02/07/2019	GRANTED
P31	QUIN/P3100PCT	PCT	ORIGINAL	PCT/US2018/055613	12/10/2018			FILED
P32	QUIN/P3200	(US)	ORIGINAL	16/409,532	10/05/2019			FILED
P32	QUIN/P3200PCT	PCT	ORIGINAL	PCT/US2019/031846	10/05/2019			FILED
P33	QUIN/P3300	(US)	ORIGINAL	16/526,426	30/07/2019			FILED
P33	QUIN/P3300PCT	PCT	ORIGINAL	PCT/US2019/044136	30/07/2019			FILED
P34	QUIN/P3400	(US)	ORIGINAL	16/526,476	30/07/2019			FILED
P34	QUIN/P3400PCT	PCT	ORIGINAL	PCT/US2019/044149	30/07/2019			FILED

Note: A patent is generally granted for 20 years from the date the patent application is filled.

Trademarks Registered

Trademark	***Description***
Quintel	Registered Trademark (USA and European Community)
Multiserv	Trademark of Quintel Technology Limited
QTilt	Trademark of Quintel Technology Limited
SONWav	Trademark of Quintel Technology Limited
New Dimensions in Wireless	Trademark of Quintel Technology Limited

Research and Development

Research and development work is performed by a team of over 100 experienced engineers with skills developed internally and learned from previous work experiences. Skills are brought in through hiring when necessary while training is a continuing concern to hone the skills of the technical staff.

The Company, through CEC and CATSI, has successfully cooperated with customers on many projects, co-developing with them new technology that are customer specific that will ensure continuing engagement by the customers. This approach ties up customer with the Company over a long period of time generating revenues from a captive market.

The Company's technology roadmap covers material development and process improvement to improve on cost and to help maintain the margins. The latest materials are identified to meet ever increasing demand for higher quality and lower cost. These are product-application specific that are jointly codeveloped with the customers bringing benefits to both parties.

Although the Company engages in research and development activities, the expenses incurred by the Company incurred in connection with these activities are not material. Expenses related to research and development are usually 2% of the total sales per year.

Government Approval and Permits

All government approvals and permits issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of the Company, were obtained by the Company and are in full force and effect as certified by Atty. Rachel P. Follosco of Follosco Morallos & Herce in her tax opinion issued on October 21, 2019.

The list of the permits and licenses of the Company and its Subsidiaries are set out below:

Issuing Agency	**Title of Permit /License**	**Date of Issuance**	**Validity/ Expiration Date**	**Status/Remarks**
For Cirtek Holdings Philippines Corporation				
SEC	Certificate of Incorporation	February 10, 2011	Valid for the entire corporate term	Valid and subsisting

LGU of Binan, Laguna	Business Permit	January 16, 2019	December 31, 2019	Pending renewal

Issuing Agency	Title of Permit /License	Date of Issuance	Validity/ Expiration Date	Status/Remarks
BIR	Certificate of Registration	March 11, 2011	None stated	Valid and subsisting
For Cirtek Electronics Corporation				
SEC	Certificate of Incorporation	May 31,1984	Valid for the entire corporate term	Valid and subsisting
BIR	Certificate of Registration	May 20, 1987	None stated	Valid and subsisting
PEZA	Certificate of Registration	March 24, 1998	None stated	Valid and subsisting
PEZA	Certification of 5% Gross Income Tax Incentive	February 12, 2019	December 31, 2019	Pending renewal
PEZA	Certificate of Income Tax Holiday	March 1, 2019	December 31, 2019	Pending renewal
LGU of Binan, Laguna	Business Permit	January 16, 2019	December 31, 2019	Pending renewal
DOLE	Approved Application for Registration	February 4, 2003	None stated	Valid and subsisting
SSS	Certificate of Membership	January 20, 1999	None stated	Valid and subsisting
PhilHealth	Certificate of Registration	March 11, 2011	None sated	Valid and subsisting
HDMF	Certificate	March 24, 2011	None stated	Valid and subsisting
DENR-EMB Regional Office IV	Environmental Compliance Certificate	August 31, 2017	None stated	Valid and subsisting

LLDA	Clearance for Development Plan/ Program/Project in the Laguna de Bay Region	February 08, 2018	None stated	Valid and subsisting (covers Cirtek Advanced Technologies and Solutions, Inc.)
LLDA	Discharge Permit	January 3, 2017	January 15, 2020	Pending renewal
Bureau of Customs	Certificate of Registration	July 30, 2019	July 29, 2020	Valid and subsisting
DENR-EMB	Permit to Operate Air Pollution Source and Control Installations	August 31, 2019	October 29, 2021	Valid and subsisting
DENR-EMB	Permit to Operate (Air Pollution Source & Control Installations)	August 31, 2017	April 29, 2020	Valid and subsisting
DENR- EMB Region IV	Hazardous Waste Generator Registration Certificate	December 21, 2015	N/A	Valid and Subsisting
For Cirtek Advanced Technologies and Solutions, Inc.				
SEC	Certificate of Incorporation	February 18, 2015	Valid for the entire corporate term	Valid and subsisting
BIR	Certificate of Registration	February 6, 2018	None stated.	Valid and subsisting
PEZA	Certificate of Registration	March 16, 2015	None stated.	Valid and subsisting
Issuing Agency	**Title of Permit /License**	**Date of Issuance**	**Validity/ Expiration Date**	**Status/Remarks**
PEZA	Certificate No. 2019-0480-5% GIT Incentive	January 29, 2019	December 31, 2019	Pending renewal
PEZA	Certificate No. 2019-0658-ITH Incentive	January 29, 2019	December 31, 2019	Pending renewal
LGU of Binan, Laguna	Business Permit	January 11, 2019	December 31, 2019	Pending renewal

DOLE Regional Office IV-A	Registry of Establishment	May 22, 2015	None stated	Valid and subsisting
SSS	Certificate of Membership	August 27, 2015	None stated	Valid and subsisting
PhilHealth	Certificate of Registration	April 30, 2016	None stated	Valid and subsisting
HDMF	Certification	July 10, 2015	None stated	Valid and subsisting
DENR-EMB Regional Office IV	Environmental Compliance	August 13, 2015	None stated	Valid and subsisting
DENR-EMB	Permit to Operate Air Pollution Source and Control Installations	October 17, 2016	October 25, 2021	Valid and subsisting

Legal Proceedings

There are no pending legal cases against the Company, its Subsidiaries, and their respective management that will have immediate material effect on the financial position and operating results of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The incumbent Directors and Executive Officers of the Company are as follows:

Position	Name	Age	Citizenship
Chairman	Jerry Liu	71	Taiwanese
Vice Chairman, President, and Chief Executive Officer	Jorge Aguilar	61	Filipino
Director Vice President and Corporate Information Officer	Justin T. Liu	37	Filipino
Director Executive Vice-President and Chief Financial Officer	Brian Gregory Liu	32	Filipino
Director	Michael Stephen T. Liu	34	Filipino
Independent Director	Ernest Fritz Server	76	Filipino
Independent Director	Hector Villanueva	84	Filipino
Independent Director	Corazon P. Guidote	59	Filipino
Independent Director	Bernardino Ramos	75	Filipino
Corporate Secretary	Everlene O. Lee	42	Filipino
Assistant Corporate Secretary	Nelia T. Liu	69	Filipino

Board of Directors and Executive Officers of the Issuer

The overall management and supervision of the Company is vested in its Board of Directors. The Company's officers and management team cooperate with its Board by preparing relevant information and documents concerning the Company's business operations, financial conditions and results of operations for its review and action. At present, the Board consists of nine members, including four independent directors in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. All the Directors of the Company were elected at the Company's annual stockholders' meeting held on May 23, 2019 and will continue to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

The Officers were elected by the Board of Directors at the organizational meeting of the Board on May 31, 2019. The Board also elected during the said meeting the chairman and members of the Audit Committee, the Nominations Committee, and the Compensation Committee.

The following are the business experience/s of the company's Directors for the last Five (5) years (or more):

Jerry Liu, 71 years old was elected as the Corporation's Chairman and President on 25 May 2012. He is currently the Chairman of the Corporation. He is also concurrently Chairman of CEC, Director of Cirtek Land and Cayon Holdings, Inc. and Chairman of Silicon Link, Inc., Mr. Liu holds a Bachelor of Science degree in Physics from Chung Yuan University of Taiwan and an MBA from the University of the East.

Jorge Aguilar, 61 years old, was elected as Director, Vice-Chairman and President on 10 May 2019. Mr. Aguilar served as a director of the Company from 2011 until 2015. He joined CEC in 1985 and is concurrently EVP/General Manager of CEC, a position he has held since 2004. Mr Aguilar has a Bachelor of Science degree in Mechanical engineering from the Manuel L. Quezon University and an MBA from the Collegio de San Juan de Letran.

Justin T. Liu, 37 years old, was elected as Vice President and Corporate Information Officer on February 01, 2019. He is also a President and Director of Figaro Coffee Systems, Inc. Mr. Liu graduated from the De La Salle University with a Bachelor of Science in Business Management and earned his Masters in Finance from the University of San Francisco in 2006.

Brian Gregory Liu, 32 years old, is the Executive Vice-President and Chief Financial Officer.He was formerly the Assistant Corporate Secretary of TECH from March 2011 to 11 October 2018. He was first elected as Director on 11 May 2015. He is concurrently a stockholder in Cirtek Electronics Corporation, Cirtek Land Corporation and Turbog Trading. Mr. Liu trained as an Operations Trainee in Dominos Pizza from 2001 to 2002, then as an Analyst in Evergreen Stockbrokerage & Securities Inc. from 2003 to 2005. He obtained his degree in Management in Financial Institutions from the De La Salle University in 2009.

Michael Stephen T. Liu, 34 years old, is the Director of Cirtek Holdings Philippines Corporation and currently the EVP&Corporate Secretary of Cirtek Advanced Technology and Solutions (CATSI) a Cirtek company catering to the telecom and wireless broadband space. He was first elected as Director on 11 May 2015. Mr. Liu obtained his degree in Electronics and Communications Engineering from De La Salle University in 2007 and is a licensed Electrical Engineer.

Ernest Fritz Server, 76 years old, was elected as an Independent Director of the Corporation on 17 February 2011 and shall serve as such for one year or until his successor is elected and qualified. Mr. Server serves as the President of Multimedia Telephony Inc., Vice Chairman of RFM Corporation, Chairman of Arrakis Holdings, Inc., President of Seacage Industries, Inc., President of West Properties, Inc., President of Superior Las Pinas, Inc., a director of ABS CBN Convergence, Inc. and a director of BJS Development Corp. Previously, Mr. Server served as Vice Chairman of the Commercial Bank of Manila, Consumer Bank and Cosmos Bottling Corporation, President of Philippine Home Cable Holdings, Inc. and Philam Fund, and a director of Philippine Township, Inc.. Mr. Server graduated from the Ateneo de Manila University in 1963 with degree in Bachelor of Arts degree in Economics and holds an MBA Major in Banking and Finance from the University of Pennsylvania, Wharton Graduate School.

Hector Villanueva, 84 years old, has held senior positions in both private and public sectors. He was Chairman of the Board of First Metro Philippine Equity Exchange Traded Fund, Inc., Chairman, Postmaster General & CEO of Philippine Postal Corporation, Member of the Advisory Board, First Metro Investment Corporation, and Publisher and Editor-in-Chief, Sun Star Manila. Mr. Villanueva was also Cabinet Secretary from 1995-1998. Mr. Villanueva obtained a Bachelor of Science degree in Economics from the London School of Economics and Political Science, and post-graduate studies from Royal Institute of Bankers, United Kingdom.

Corazon P. Guidote, 59 years old, has held executive positions in companies such as Senior Vice-President for Investor Relations and Corporate Communications at SM Investments Corporation, Chief Operations Officer at ABN AMRO Asia Securities Philippines, Group Vice President at Metro Pacific Corporation, Managing Director and Head of Philippine Equities at UBS Securities (East Asia) Ltd. and Vice-President and Managing Director at Citibank, N.A. She also served in public office as the

Presidential Consultant for Investor Relations at the Office of the President and as Executive Director at the Bangko Sentral ng Pilipinas. Ms. Guidote is a Certified Public Accountant from the University of Sto. Tomas. She got her Masters in Applied Business Economics at the University of Asia and the Pacific. As a Chevening Fellow, she studied Government Economic Reform and Regulation at Bradford University, United Kingdom.

Bernardino Ramos, 75 years old, is a Certified Public Accountant and has a Bachelor of Science degree in Business Administration Major in Accounting from the Far Eastern University and a Manager's Secondment/ On-the-Job Training at Ernst & Young (Formerly Ernst &Whinney) – Chicago, USA. He served as Partner in SGV& Co. (Affiliated with Arthur Andersen & Co. from 1985 to 2001, & Ernst & Young from 2002 to 2005), including almost 7 years as Partner/Advisor of DrsUtomo& Co., SGV Group. He was previously a Technical advisor of PSALM (Power Sector Assets and Liabilities Management Corporation), and also been a Member, Board of Directors and Board Committees of PSI Technologies Inc., Sony Life Philippines, Inc. and Philippine Primark Properties, Inc. At present he is an Independent financial consultant, primarily on: company/ business acquisitions and advisory on accounting/ financial matters, and also a Chairman of the Board of Directors of GB Distributors, Inc. and Member, Board of Directors and Board Committees of private companies including PSI Holdings, Inc., State Investment Trust, Inc. (SITI) , State Properties, Inc. and PILAC, Inc., to name a few.

Key Officers

Everlene O. Lee, 42 years old, was elected as the Company's new Corporate Secretary on February 01, 2019. Atty. Lee is a partner at the Angara Abello Concepcion Regala & Cruz Law Offices. Atty. Lee obtained her Bachelor of Laws degree from the University of the Philippines in 2009 and was part of the top twenty of her graduating class. She completed her degree in Behavioral Studies from the University of the Philippines, where she graduated cum laude in 1999. She also took up her Masters in Industrial Relations from the School of Labor and Industrial Relations of the University of the Philippines and completed 18 units.

Nelia T. Liu, 69, is the Assistant Corporate Secretary of Cirtek Holdings Philippines Corporation. She is currently the Corporate Secretary of Cirtek Electronics Corporation, President of Cirtek Land and Cayon Holdings, Inc. and Treasurer of Camerton, Inc. and Carmetheus, Inc.. She is also Department Chairman of the Department of Pathology and Laboratory of the Lung Center of the Philippines, Cardinal Santos Medical Center and Perpetual Help Medical Center and an associate Professor of the College of Medicine of the University of the Philippines-Philippine General Hospital. Ms. Liu graduated from the University of the Philippines College of Medicine in 1975

Gina B. Gillen, 52 years old, was appointed as the Company's Acting Chief Financial Officer and Deputy Corporate Information Officer on February 01, 2019. Ms. Gillen has a Bachelor degree in Accounting at Lyceum of the Philippines. She was the Senior Accounting Supervisor and Junior Auditor at Pancake House Group. She has been in the Cirtek Group since 2007. She held an Accounting Manager Position in Cirtek Electronics Corporation, Business Group II Director at Figaro Coffee Systems, and Comptroller- Corporate Audit Head-VP at Mercantile Insurance Company.

Carlos M. Gacusana Jr., 33 years old, was appointed as the Company's Deputy Chief Financial Officer on February 18, 2019. Prior to joining the corporation, Mr. Gacusana was Finance Manager of Sanden International Philippines, Inc. Mr. Gacusana also held management and/ senior officer positions in ST Microelectronics, South Luzon Tollway Corporation, Toyota Motor Philippines Corporation and Toshiba Storage Device Philippines Corporation respectively. He obtained his Bachelor's degree in Accounting at Lyceum of the Philippines – Laguna as a Regina P. Laurel academic scholar and was part of the top 5 of his graduating class in 2007.

Ma. Lourdes C. Laraño, 28 years old, was appointed as the Company's new Chief Compliance Officer on February01, 2019. Ms. Laraño has been in the Finance Department of the Company as an

accounting analyst since 2013 .She obtained her Bachelor's degree in Accounting at Polytechnic University of the Philippines.

Significant Employees

The Company is not highly dependent on the services of any one key personnel. Thus, it does not expect that any single person would make a contribution to the business whose significance would necessitate arrangements to assure that he or she will remain with the Company and not compete upon any termination.

Family Relationships

As of the date of this Prospectus, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's officers are as follows:

Jerry Liu, Chairman of the Board of Directors and the Chief Executive Officer, is the husband of Nelia T. Liu, Assistant Corporate Secretary. He is also the father of Justin T. Liu, Vice-President and Corporate Information Officer; Michael Stephen T. Liu, Director; and Brian Gregory T. Liu, Executive Vice-President and Chief Financial Officer. Apart from the foregoing, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among the directors or officers of the Company.

Executive Compensation

The aggregate compensation during the last fiscal year and to be paid in the ensuing fiscal year to the company's 4 most highly compensated officers and to its officers and directors as a Cirtek Group unnamed is as follows:

Name & Position	Year	Salary	Bonus
x Jerry Liu (Chairman) x Roberto Juanchito Dispo (President) x Rolando Enriquez (Vice President, CATSI) x Jorge Aguilar (President, CEC) x Michael Lie (President, Quintel) x Brian Liu (EVP/CFO)	FY 2019(estimated)	₱ 36.3 million	₱20k
x Jerry Liu (Chairman) x Roberto Juanchito Dispo x Anthony Buyawe (CFO) x Rolando Enriquez (Vice President CATSI) x Jorge Aguilar (President CEC)	FY 2018	₱ 49.0 million	₱ 40k
x Aggregate compensation paid to all officers and directors as a group unnamed		₱49 million	₱40k
x Aggregate compensation paid to all officers and directors as a group unnamed	FY 2017	₱ 42.0 million	₱ 8.4 million

Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among

directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Standard Arrangements and Other Arrangements

There are no other arrangements for compensation either by way of payments for committee participation or special assignments.

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by the Company's Chief Executive Officer, other officers and/or directors.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The Cirtek Group has executed employment contract with some of its key officers. Such contracts provide the customary provision on job description, benefits, confidentiality, non-compete, and non-solicitation clauses. There are no special retirement plans for executives. There is also no existing arrangement for compensation to be received by any executive officer from the Company in the event of change in control of the Company.

Warrants and Options

There are no outstanding warrants and options held by any of the Company's directors, executive officers or any other third person.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Company's directors, nominees for election as director, or executive officers have, in the five year period prior to the date of this Prospectus: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

Corporate Governance

The Corporation is committed to the ideals of good corporate governance. In compliance with the SEC requirement, the Corporation is studying best practices in good corporate governance to further improve the current corporate governance practices of the Corporation and to develop an efficient and effective evaluation system to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

Corporate governance rules/principles were established to ensure that the interest of stakeholders are always taken into account; that directors, officers and employees are conducting business in a safe and sound manner; and that transactions entered into between the Corporation and related interests are conducted at arm's length basis and in the regular course of business. There are no incidences of deviation from the Corporation's Manual of Corporate Governance.

The Corporation has sufficient number of independent directors that gives the assurance of independent views and perspective.

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited financial statements, including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

The summary financial data as of September 30, 2019 and 2018 and December 31, 2018, 2017, and 2016 were derived from the Company's unaudited and audited consolidated financial statements, including the notes thereto, which are included in this Prospectus.

The financial statements as of December 31, 2018, 2017 and 2016 were audited by SyCip, Gorres, Velayo & Co. and were prepared in accordance with the PFRS. The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 VERSUS SEPTEMBER 30, 2018

RESULTS OF OPERATIONS

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

	For the Nine Months Ended September 30	
In US$ Thousand except EPS	**2019 (Unaudited)**	2018 (Unaudited)
REVENUE FROM CONTRACTS WITH CUSTOMERS	**$69,560**	**$88,475**
COST OF SALES	**(54,367)**	**(62,742)**
GROSS PROFIT	**15,193**	**25,734**
NET INCOME	**3,688**	**11,086**
Basic/Diluted EPS	**$0.001**	**$0.010**
EBITDA	**$12,125**	**$18,611**

Revenue from Contracts with Customers

The Company recorded consolidated revenue of US$69.6 million for the nine months ending September 30, 2019, a decrease of 21% from US$88.5 million for the same period in 2018. The

decrease accounted for was mainly due to 50% decrease in revenue contribution of Quintel, a US-based product and R&D company acquired in August 2017.

Revenue contribution from Quintel for the nine month period ending September 30, 2019 amounted to US$ 23.6 million.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the nine months ending September 30, 2019 amounted to US$16.4 million, a 59% decrease compared to the US$39.8 million for same period in 2018. After elimination of intercompany sales during consolidation, revenues to external customers amounted to US$69.6 million

Revenues from the semiconductor business amounted to US$ 29.6 million compared to US$35.3 million for the same period in 2018, equivalent to a 16% decrease.

Disaggregated Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers as of September 30, 2019.

Product	Revenue Contribution
8 PORT	$16,244,980
6 PORT	10,018,125
12 PORT	6,253,428
NEW PRODUCT	6,220,974
IC	5,937,455
DISCRETE	5,823,826
PLASTIC	5,702,996
Remec Manufacturing Services	4,868,172
DFN/QFN	4,643,973
HERMETICS	1,240,521
Others	1,087,558
Indoor Radio Frequency Unit	652,690
BRACKET	405,857
10 PORT	160,585
Cougar	153,709
Outdoor Unit	114,605
12 PORT DD	18,277
Bridgewave	12,344
TOTAL	$69,560,076

Contract Balances

The Group's trade receivables amounted to $21.5 million and $14.9 million as at September 30, 2019 and December 31, 2018, respectively.

The Group has no contract assets as at September 30, 2019 and December 31, 2018.

The Group's contract liabilities pertain to advanced payments from customers amounting to $1.8 million and $2.0 million as at September 30, 2019 and December 31, 2018, respectively, which are included in "Trade and other payables" account.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and others. The Company's cost of sales decreased by 13% to US$54.4 million for the nine months ending September 30, 2019 from US$62.7 million for the same period in 2018. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories decreased by 16% to US$37.2 million for the nine months ending September 30, 2019 from US$44.5 million for the same period in 2018.
- Salaries, wages and employees' benefits decreased by 17% to US$ 6.9 million for the nine months ending September 30, 2019, from US$8.4 million for the same period in 2018.
- Depreciation and amortization decreased by 6% to US$ 3.1 million for the nine months ending September 30, 2019, from US$3.3 million for the same period in 2018.
- Freight and duties increased by 9% to US$3.1 million for the nine months ending September 30, 2019 from US$2.8 for the same period in 2018.
- Utility expenses amounted to US$2.9 million for the nine months ending September 30, 2019, from US$3.2 million for the same period in 2018, a decrease of 9%

The Company's gross margin was 22% for the nine months ending September 30, 2019, seven (7) percentage points lower than the gross margin recorded for the same period in 2018.

Operating Expenses

The Company's operating expenses for the nine months ending September 30, 2019 amounted to US$7.1 million, 54% lower compared to the US$15.2 million recorded during the same period in 2018. The significant decrease is due to:

- Professional fees decreased by 55% to US$0.8 million for the nine months ending September 30, 2019, from US$1.8 million for the same period in 2018. 2018 professional fees included Quintel's legal expenses to secure the settlement in Huawei litigation.
- Salaries and wages decreased by 64% to US$3.3 million for the nine months ending September 30, 2019, from US$9.2 million for the same period in 2018.
- Taxes and licenses decreased by 90% to US$0.1 million for the nine months ending September 30, 2019 from US$1.3 million for the same period in 2018.
- Research and development cost decreased by 100% to NIL for the nine months ending September 30, 2019, from US$1.3 million for the same period in 2018.

Income Before Income Tax

For the nine months ending September 30, 2019, the Company recorded a net income before income tax of US$4.1 million, a decrease of 64% compared with US$11.3 million recorded for the same period in 2018.

Provision for / Benefit from Income Tax

Provision for income tax for the nine months ending September 30, 2019 amounted to US$380 thousand, 79% higher compared with a provision for income tax of US$212thousand for the same period in 2018.

Net Income After Tax

The Company's net income after tax for the nine months ending September 30, 2019 amounted to US$ 3.7 million, a decrease of 67% compared with US$11.1 million for the same period in 2018.

FINANCIAL CONDITION

Assets

The Company's cash and cash equivalent for the nine months ending September 30, 2019 amounted to US$ 15.5 million, compared with US$17.4million for the period ending December 31, 2018, a decrease of US$1.9million or 11%.

Trade and other receivables for the nine months ending September 30, 2019 amounted to US$ 27 million, compared with US$14.7 million for the period ending December 31, 2018, an 83% increase.

Inventory levels for the nine months ending September 30, 2019 amounted to US$ 28 million, 1% lower compared with US$28.3 million for the period ending December 31, 2018.

Amounts owed by related parties for the nine months ending September 30, 2019 amounted to US$29.9 million compared to US$57 million for the period ending December 31, 2018, a 47% decrease.

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

Non-current assets, comprised of Available-for-sale (AFS) financial asset, Held-To-Maturity ("HTM") investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the nine months ending September 30, 2019 amounted to US$149.1 million compared with US$144.48 million for the period ending December 31, 2018, an increase of 3%.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, and income tax payable. For the nine months ending September 30, 2019, current liabilities were at US$75.2million, compared with US$82.6 million the period ending December 31, 2018, a decrease of 9%.

For the nine months ending September 30, 2019, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$ 64 million compared with US$68 million for the period ending December 31, 2018, a 5% decrease.

Equity

The Company's shareholders' equity for the nine months ending September 30, 2019 amounted to US$ 113.4 million compared with US$113.8 million for the period ending December 31, 2018.

Liquidity and Capital Resources

For the nine months ending September 30, 2019, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its corporate notes issuances, and proceeds from its follow-on offering. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

The following table sets out the Company's cash flows for the nine months ending September 30, 2019 and the same period in 2018.

In US$ Thousands	**For the nine months ending September 30**	
	2019	**2018**
Net cash flows provided by/ (used for) operating activities	2.768	(23,374)
Net cash flows provided by/ (used for) investing activities	(9,098)	(7,277)
Net cash flows provided by/ (used for) financing activities	4,398	700
Net increase (decrease) in cash equivalents	1,932	(29,950)

Net Cash Flows from Operating Activities

Net cashflow used from operating activities was US$2.8 million for the nine months ending September 30,2019, compared with net cash inflow of US$23.4 million for the same period in 2018.

This was mainly due to increase in accounts receivables, and increase in accounts payables.

Investing Activities

Net cash outflow from investing activities amounted to (US$9.1) million for the nine months ending September 30, 2019. Investing activities mainly involved increase in intangible assets and PPE.

Financing Activities

Net cash flow from financing activities for the nine months ending September 30, 2019 amounted to US$4.4 million. Major financing activities involved proceeds from availment of short-term loans, less acquisition of parent company shares by subsidiary, payment of cash dividends, payment of interest, payment of short-term and long-term loans, and net movement in amounts owed by and owed to related parties. For the same period in 2018, net cash flow from financing activities amounted to US$700 thousand.

On the approval of cash dividends, the Parent Company's BOD approved the declaration of cash dividends of 0.015313 (US$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 of US Dollars One Million Twenty Five Thousand Nine Hundred Thirty Seven and Fifty Cents (US$1,025,937.50), for payment and distribution on the following dates:

a. For payment and distribution on March 8, 2019 to shareholders of record as of June 6, 2019;

b. For payment and distribution on June 10, 2019 to shareholders of record as of June 6, 2019;

On May 24, 2019, the Parent Company's BOD approved the declaration of cash dividends of US$0.002365902 per share for each of the Four Hundred Nineteen Million Sixty-Three Thousand Three Hundred Fifty Three (419,063,353) fully paid and issued common shares amounting to an aggregate sum of US Dollars Nine Hundred Ninety One Thousand Four Hundred Sixty Two and 99/100 (US$991,462.99), for payment and distribution on June 28, 2019 to shareholders of record as of June 11, 2019. The cash dividend shall be paid in Philippine Pesos at the BSP exchange rate one day prior to payment date.

Material Changes to the Company's Unaudited Income Statement as of September 30, 2019 compared to the Unaudited Income Statement as of September 30, 2018 (increase/decrease of 5% or more)

- 21% decrease in net sales
  -Decrease in revenue contribution of Quintel

- 13% decrease in cost of sales
  - Decrease in raw materials inventory purchases and direct labor

- 54% decrease in operating expenses
  - Consolidation of operating expenses of Quintel, decrease in taxes and licenses

- 64% decrease in Income Before income Tax
  -Lower revenue, and decrease in other income

- 67% decrease in Net Income After Tax
  -Lower revenue, and decrease in other income

Material Changes to the Company's Unaudited Balance Sheet as of September 30, 2019 compared to the Unaudited Balance Sheet as of December 31, 2018 (increase/decrease of 5% or more)

- 11% decrease in Cash and Cash Equivalent
  -Increase in net cash flow from investing and financing activities

- 83% increase in Trade and Other Receivables – Net
  -Longer collection period for certain major customers

- 47% decrease in Amounts Owed by Related Parties
  -Collection from Camerton, Inc. advances

- 59% Decrease in Other Noncurrent Assets
  - Lower advances to major suppliers due to negotiated terms and loans to employees

- 16%increase in Trade and Other Payables
  -Negotiated longer terms with trade suppliers

- 10% decrease in Short-term Loans
  -Repayment of short-term loans

- 40%Decrease in Current Portion of Long-term Debt

-Repayment of maturing long term credit facilities

- 79%Decrease in Income Tax Payable
  -Payment of income tax due

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2017 Full year**	**2018 Full year**	**2019 Nine Months**
EBITDA		10,697	20,452	12,125
EBITDA Margin		12%	19%	17%
Sales Growth		19%	20%	(21%)
Current Ratio (x)		1.41x	1.45x	1.38x
Earnings per share (US$)		0.008	0.011	0.001

Note:
*Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2019 and 2018
**Earning per share was calculated less dividends for preferred shares which has a fixed amount per quarter

- EBITDA and EBITDA Margin

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

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

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

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

	For the years ended December 31		**For Nine Months Ended September 30**
In US$ 000	**2017**	**2018**	**2019**
Net income	3,150	8,334	3,688
Add back:			
Interest expense/income-net	3,320	4,805	4,629
Provision for / Benefit from income tax	101	1,452	381
Depreciation and amortization	4,126	5,861	3,427
EBITDA	**10,697**	**20,452**	**12,125**

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

	For the years ended December 31		For Nine Months Ended September 30
In US$ 000	**2017**	**2018**	**2019**
EBITDA	10,697	20,452	12,125
Deduct:			
Interest expense/income-net	(3,320)	(4,805)	(4,629)
Provision for / Benefit from income tax	(101)	(1,452)	(381)
Depreciation and amortization	(4,126)	(5,861)	(3,427)
Net Income	**3,150**	**8,334**	**3,688**

- Sales growth

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

- Current ratio

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

- Earnings per share

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

FINANCIAL RISK DISCLOSURE

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

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

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

The Company has spent US$2.4 Million for capital expenditure for the nine-month period ending September 30, 2019.

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

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

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

FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	September 30, 2019	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	**1.38**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.81**	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.86**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.23**	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**2.61**	4.22
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.22**	0.21
Net Profit Margin	Net Income/Revenues	**0.05**	0.08
EBITDA Margin	EBITDA/Revenues	**0.17**	0.19
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.03
Return on Equity	Net Income/Total Equity[3]	**0.03**	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 September 30, 2019 and December 31, 2018

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018 VERSUS DECEMBER 31, 2017

RESULTS OF OPERATIONS

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

	Years Ended December 31		
In US$ Thousands except EPS	2018	2017(As restated)	2016
REVENUE FROM CONTRACTS WITH CUSTOMERS	106,475 -	$- 88,710	$- 74,322

NET SALES			
COST OF SALES	84,624	70,430	61,566
GROSS PROFIT	21,851	18,280	12,756
NET INCOME	8,334	3,150	7,608
Basic/Dilutes EPS	US$0.010	US$0.007	US$0.018
EBITDA	20,435	10,697	11,862

Revenue

The Company achieved another record year of consolidated revenues withUS$106.47 million for the 12 months ending December 31, 2018, an increase of 20 % from US$88.7 million for the same period in 2017. The increase was attributable to the growth of the Antenna systems businesses and the full year revenue contribution of Quintel, a US-based product and R & D company acquired in August 2017.

Revenues from the semiconductor business amounted to US$44.2 million compared to US$43.3 million for the same period in 2017, a 2%increase.

Revenues from the RF/MW/maw and antenna manufacturing business before consolidation amounted to US$43.0 million, a 6% decrease compared to 2017. After elimination of inter-company sales during consolidation, revenues amounted to US$ 7.6 million.

Revenue contribution from the newly acquired entity Quintel amounted to US$ 54.6million (ending 31 December 2018 an increase of 192% compared to US$19.0 million (for five months ending December 31, 2017). The increase was due to the full year operation as compared to five months in 2017.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and changes in finished goods and work in process inventories. The Company's cost of sales increased by 20% to US$84.6 million in the 12 months ending December 31, 2018 from US$70.4 million for the same period in 2017. The increase was mainly due to the increase of sales.

Raw materials, spare parts, supplies and other inventories grew by 22% to US$53.98 million for the 12 months ending December 31, 2018 from US$44.3 million for the same period in 2017.

- Salaries, wages and employees' benefits increased by 1% to US$12.82 million for the 12 months ending December 31, 2018, from US$12.7 million for the same period in 2017.
- Freight and duties increased by 32% to US$8.15 million for the 12 months ending December 31, 2018 from US$5.4 million for the same period in 2017.
- Utility expenses amounted to US$4.5 million for the 12 months ending December 31, 2018, from US$4.0 million for the same period in 2017, an increase of 13%
- Depreciation and amortization increased by 29% to US$5.2 million for the 12 months ending December 31, 2018, from USUS$4.0million for the same period in 2017.

The Company's gross margin was 21% for the 12 months ending December 31, 2018, same percentage of the gross margin recorded for the same period in 2017.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2018 amounted to US$15.6 million, 28% higher compared to the US$12.2 million recorded during the same period in 2017.

Income Before Income Tax

For the 12 months ending December 31, 2018, the Company recorded a net income before income tax of US$9.8 million, an increase of 201% compared with US$3.3 million recorded for the same period in 2017.

Provision for / Benefit from Income Tax

Benefit from income tax for the 12 months ending December 31, 2018 amounted to US$1.5 million compared with a provision for income tax of US$101,000.00 for the same period in 2017.

Net Income

The Company's net income for the 12 months ending December 31, 2018 amounted to US$8.3 million, an increase of 165% compared with US$3.2 million for the same period in 2017.

Total Comprehensive Income

The Company's total comprehensive income for the 12 months ending December 31, 2018 amounted to US$ 8.6 million, compared to US$3.3 million for the same period in 2017, an increase of 159%.

FINANCIAL CONDITION

Assets

The Company's cash and cash equivalent for the 12 months ending December 31, 2018 amounted to US$17.4million, compared with US$37.2 million for the period ending December31 2017, a decrease of US$19.8 million or 53%.

Trade and other receivables for the 12 months ending December 31, 2018 amounted to US$14.7 million, compared with US$13.0 million for the period ending December 31, 2017, a 13% increase.

Inventory levels for the 12 months ending December 31, 2018 amounted to US$28.3million, 27% lower compared with US$39 million for the period ending December 31, 2017.

Amounts owed by related parties amounted to US$57.0 million compared to US$50.4 million in the previous year.

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

Non-current assets comprised of Available-for-sale (AFS) financial asset, HTM investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2018 amounted to US$144.5 million compared with US$128.6 million for the period ending December 31, 2017, an increase of 12%.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, and income tax payable. For the 12 months ending December 31, 2018, current liabilities were at US$82.8million compared with US$109 million for the period ending December 31, 2017, a 24% decrease.

For the 12 months ending December 31, 2018, the Company's non-current liabilities comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$67.9million, a 74% increase.

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2018 amounted to US$113.8million compared with US$134.0million for the period ending December 31, 2017, a 15% decrease.

Liquidity and Capital Resources

For the 12 months ending December 31, 2018, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its 5-year corporate notes issuances, and proceeds from its follow-on offering. The Company met its working capital, capital expenditure, dividend payment and investment requirements for the 12 month period ending December 31, 2018 primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations.

The following table sets out the Company's cash flows for the 12 months ending December 31, 2018 and the same period 2017:

In US$ Thousands	**For the 12 months ending December 31**	
	2018	**2017**
Net cash flows provided by/ (used for) operating activities	2,991	11,024
Net cash flows provided by/ (used for) investing activities	(10,074)	(87,720)
Net cash flows provided by/ (used for) financing activities	(12,643)	89,433
Net increase (decrease) in cash equivalents	(19,726)	12,711

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$3.00 million for the 12 months ending December 31, 2018, compared with US$11.02 million for the same period in 2017.

For the 12 months ending December 31, 2018, net income before tax was US$9.79 million. After adjustments for depreciation, interest income/expense, operating net unrealized foreign exchange gains, income before change in working capital was US$18.27 million. Changes in working capital decreased operating income to US$14.78 million. This was mainly due to decrease in trade and other payables amounting to US$23.61 million.

Investing Activities

Net cash outflow from investing activities amounted to US$10.07 million for the 12 months ending December 31, 2018. Investing activities in 2017 mainly involved increase in PPA and acquisition of a new subsidiary, Quintel.

Financing Activities

Net cash inflow from financing activities for the 12 months ending December 31, 2018 amounted to US$12.64 million. Major financing activities involved proceeds from availment of short-term loans, proceeds from issuance of US dollar denominated preferred shares, sale by subsidiary of Parent Company shares less payment of cash dividends, payment of short-term and long-term loans, interest, acquisition by subsidiary of Parent Company Shares, stock issue cost, and net movement in amounts owed by and owed to related parties. For the same period in 2017 net cash outflow financing activities amounted to US$89.43 million.

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

- 20% increase in net sales
  Sales growth of Quintel
- 20% increase in cost of sales
  Increase in net sales
- 28% increase in operating expenses
  Higher operating expenses to support expansion of operations and full year operations of Quintel
- 201% increase in Income Before income Tax
  Higher sales, higher other income
- 1,340% increase in Provision for Income Tax
  Higher taxable income for CEC and CATSI
- 165% increase in Net Income After Tax
  Increase in net sales and operating income before tax

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

- 53% decrease in Cash and Cash Equivalent
  Increase in working capital, Investments in PPE, purchase by subsidiary of parent company shares
- 13% increase in Trade and Other Receivables – Net
  Shorter payment term for certain key and/ new customers
- 27% decrease in inventories
  Longer lead times for certain raw materials and high level of slow moving FG inventory in Quintel
- 12% increase in Non-current Assets
  Change in accounting treatment of Remec CIP 1 plant from Noncurrent assets held for sale to Investment properties, increase in PPE and other noncurrent assets
- 24% decrease in Current Liabilities
  Decrease in trade and other payables and restructuring of short-term loans to long-term loans
- 75% increase in Noncurrent Liabilities
  Increase in long-term loans and deferred tax liabilities
- 15% decrease in Total Equity
  Investment by a subsidiary in parent company shares

KEY PERFORMANCE INDICATORS

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

Amounts in thousands US$, except ratios, and where indicated		**2016**	**2017**		**2018**
EBITDA		12,057	10,697		20,452
EBITDA Margin		16%	12%		19%
Sales Growth		25%	19%		20%

Current Ratio (x)		1.5x	1.41x		1.45x
Earnings per share (US$)		0.018	0.008		0.011

Note:

***Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2016, 2017 and 2018*

- EBITDA and EBITDA Margin

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

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

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

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

	For the years ended December 31		
In US$ 000	**2016**	**2017**	**2018**
Net income	7,608	3,150	8,334
Add back:			
Interest expense/income-net	995	3,320	4,805
Benefit from income tax	547	101	1,452
Depreciation and amortization	2,907	4,126	5,861
EBITDA	**12,057**	**10,697**	**20,452**

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

	For the years ended December 31		
In US$ 000	**2016**	**2017**	**2018**
EBITDA	12,057	10,697	20,452
Deduct:			
Interest expense/(income)	(995)	(3,320)	(4,805)
Benefit from income tax	(547)	(101)	(1,452)
Depreciation and amortization	(2,907)	(4,126)	(5,861)
Net Income	**7,608**	**3,150**	**8,334**

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

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

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

FINANCIAL RISK DISCLOSURE

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

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

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

The Company has allocated up to US$4.5Million for capital expenditure for full year 2018 from the proceeds of the Corporate Notes Issuances and cash flows from operations.

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

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

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

OTHER REQUIRED DISCLOSURES

There are no restrictions on title and no property, plant and equipment are pledged as security for liabilities.

For CEC, the cost of fully depreciated property, plant and equipment still used in operations amounted to $16.92 million and $16.69 million as of December 31, 2018 and 2017, respectively. For CATSI, fully depreciated assets costing $2.60 million as of December 31, 2018 is still being used in operations.

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 VERSUS DECEMBER 31, 2016

RESULTS OF OPERATIONS

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

	Years Ended December 31		
In US$ Thousand except EPS	**2017**	2016	2015
NET SALES	**88,710**	74,322	59,549
COST OF SALES	**70,274**	61,566	49,982
GROSS PROFIT	**18,435**	12,756	9,567
NET INCOME	**4,296**	7,608	5,121
Basic/Dilutes EPS	**US$0.009**	US$0.018	US$0.013
EBITDA	**10,697**	11,862	8,768

Revenue

The Company achieved another record year of consolidated revenues with US$88.7 million for the 12 months ending December 31, 2017, an increase of 19% from US$74.3 million for the same period in 2016. The increase was accounted for by the growth of the Antenna Systems businesses and the 5-month revenue contribution of Quintel, a US-based product and R&D company acquired in August 2017.

Revenues from the semiconductor business amounted to US$43.3 million compared to US$43.7 million for the same period in 2016, a 9% decline.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation amounted to US$45.7 million, a 207% increase compared to the four months in 2016 (change in accounting period). After elimination of intercompany sales during consolidation, revenues amounted to US$26.7 million

Revenue contribution from the newly acquired entity Quintel amounted to US$19.0 million (for the five months ending 31 December 2017). In August 2017, the Company acquired 100% of Quintel, a US-based developer of leading-edge base station antennas used for cellular wireless networks.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and changes in finished goods and work in process inventories. The Company's cost of sales increased by 14% to US$70.3 million in the 12 months ending December 31, 2017 from US$61.6 million for the same period in 2016. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, higher salaries and wages, depreciation, and increase in inward freight and duties.

- Raw materials, spare parts, supplies and other inventories grew by 5% to US$44.3 million for the 12 months ending December 31, 2017 from US$42.4 million for the same period in 2016.
- Salaries, wages and employees' benefits increased by 20% to US$12.7 million for the 12 months ending December 31, 2017, from US$10.5 million for the same period in 2016.
- Freight and duties increased by 136% to US$5.4 million for the 12 months ending December 31, 2017 from US$2.3 million for the same period in 2016.

- Utility expenses amounted to US$4.0 million for the 12 months ending December 31, 2017, from US$3.5 million for the same period in 2016, an increase of 14%
- Depreciation and amortization increased by 37% to US$3.9 million for the 12 months ending December 31 2017, from US$2.8 million for the same period in 2016.

The Company's gross margin was 21% for the 12 months ending December 31, 2017, four percentage points higher than the gross margin recorded for the same period in 2016.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2017 amounted to US$12.2 million, 181% higher compared to the US$4.4 million recorded during the same period in 2016.

Income Before Income Tax

For the 12 months ending December 31, 2017, the Company recorded a net income before income tax of US$3.4 million, a decrease of 58% compared with US$8.2 million recorded for the same period in 2016.

Provision for / Benefit from Income Tax

Benefit from income tax for the 12 months ending December 31, 2017 amounted to US$889 thousand compared with a provision for income tax of US$547 thousand for the same period in 2016.

Net Income

The Company's net income for the 12 months ending December 31, 2017 amounted to US$4.3 million, a decrease of 44% compared with US$7.6 million for the same period in 2016.

Total Comprehensive Income

The Company's total comprehensive income for the 12 months ending December 31, 2017 amounted to US$4.4 million, compared to US$7.1 million for the same period in 2015, a 37% decrease.

FINANCIAL CONDITION

Assets

The Company's cash and cash equivalent for the 12 months ending December 31, 2017 amounted to US$37.2 million, compared with US$24.5 million for the period ending December 31, an increase of US$12.7 million or 52%.

Trade and other receivables for the 12 months ending December 31, 2017 amounted to US$13 million, compared with US$23.2 million for the period ending December 31, 2016, a 44% decrease.

Inventory levels for the 12 months ending December 31, 2017 amounted to US$39 million, 155% higher compared with US$15.3 million for the period ending December 31, 2016.

Amounts owed by related parties amounted to US$55 million compared to US$12.4 million in the previous year.

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

Non-current assets, comprised by Available-for-sale (AFS) financial assets, HTM investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2017 amounted to US$128.9 million compared with US$32.7 million for the period ending December 31, 2016, an increase of 294%.

Liabilities

The Company's current liabilities were comprised by trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, and income tax payable. For the 12 months ending December 31, 2017, current liabilities were at US$109 million compared with US$58.5 million for the period ending December 31, 2016, an 86% increase.

For the 12 months ending December 31, 2017, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$38.3 million, a 1% decrease.

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2017 amounted to US$139.6 million compared with US$25.2 million for the period ending December 31, 2016, a 454% increase.

Liquidity and Capital Resources

For the 12 months ending December 31, 2017, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its 5-year corporate notes issuances, and proceeds from its follow-on offering. The Company met its working capital, capital expenditure, dividend payment and investment requirements for this 12 month period primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations.

The following table sets out the Company's cash flows for the 12 months ending December 31, 2017 and the same period 2016:

In US$ Thousands	**For the 12 months ending December 31**	
	2017	**2016**
Net cash flows provided by/ (used for) operating activities	11,024	(1,582)
Net cash flows provided by/ (used for) investing activities	(87,720)	11,390
Net cash flows provided by/ (used for) financing activities	89,433	(14,915)
Net increase (decrease) in cash equivalents	12,711	(5,265)

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$11,024 million for the 12 months ending December 31, 2017, compared with (US$1,582) million for the same period in 2016.

For the 12 months ending December 31, 2017, net income before tax was US$3.4 million. After adjustments for depreciation, interest income/expense, operating net unrealized foreign exchange gains, income before change in working capital was US$10.9 million. Changes in working capital

increased operating income to US$11 million. This was mainly due to decrease in trade and other receivables.

Investing Activities

Net cash outflow from investing activities amounted to US$87.7 million for the 12 months ending December 31, 2017. Investing activities in 2017 mainly involved increase in PPA and acquisition of a new subsidiary, Quintel.

Financing Activities

Net cash inflow from financing activities for the 12 months ending December 31, 2017 amounted to US$89.4 million. Major financing activities involved proceeds from availment of short-term loans, proceeds from issuance of US dollar denominated preferred shares, sale by subsidiary of Parent Company shares less payment of cash dividends, payment of short-term and long-term loans, interest, acquisition by subsidiary of Parent Company Shares, stock issue cost, and net movement in amounts owed by and owed to related parties. For the same period in 2016 net cash outflow financing activities amounted to US$14.9 million.

Material Changes to the Company's Audited Income Statement as of December 31, 2017 compared to the Audited Income Statement as of December 31, 2016 (increase/decrease of 5% or more)

- 19% increase in net sales
  Sales growth for CATS and consolidation of Quintel
- 14% increase in cost of sales
  Increase in net sales
- 181% increase in operating expenses
  Higher operating expenses to support expansion of operations and consolidation of significant operating expenses of Quintel
- 58% decrease in Income Before income Tax
  Consolidation of net loss of Quintel and other adjustments as a result of intercompany transactions
- Benefit From Income Tax
  Reduction in income tax as a result of change in tax rates arising from the Tax Act, income tax holiday and non-taxable income
- 44% reduction in Net Income After Tax
  Consolidation of net loss of Quintel and other adjustment as a result of intercompany transaction

Material Changes to the Company's Audited Balance Sheet as of December 31, 2017 compared to the Audited Balance Sheet as of December 31, 2016 (increase/decrease of 5% or more)

- 52% increase in Cash and Cash Equivalent
  Increase in operating and financing cash flows.
- 44% decrease in Trade and Other Receivables – Net
  Shorter collection period
- 155% increase in inventories
  Longer lead times for certain raw materials and high level of FG inventory in Quintel
- 294% increase in Non-current Assets
  Recognition of intangible assets arising from the acquisition of Quintel
- 86% increase in Current Liabilities

Increase in trade and other payables and short-term loans; the short-term loans were utilized as bridge funding for the acquisition of Quintel; of the short-term loans, US$40 million has been converted to long-term corporate notes.

- 454% increase in Total Equity
  Issuance of Preferred Shares, sale by subsidiary of Parent Company shares, increase in retained earnings

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2015**	**2016**		**2017**
EBITDA		8,767	11,862		10,697
EBITDA Margin		15%	16%		12%
Sales Growth		15%	25%		19%
Current Ratio (x)		3.1 x	1.5x		1.41x
Earnings per share (US$)		0.013	0.018		0.009

Note:
***Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2015, 2016 and 2017*

- EBITDA and EBITDA Margin

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

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

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

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

	For the years ended December 31		
In US$ 000	**2015**	**2016**	**2017**
Net income	5,121	7,608	4,296
Add back:			
Interest expense/income-net	941	995	3,320
Benefit from income tax	516	547	(889)
Depreciation and amortization	2,190	2,712	3,970
EBITDA	**8,768**	**11,862**	**10,697**

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

	For the years ended December 31		
In US$ 000	**2015**	**2016**	**2017**
EBITDA	8,768	11,862	10,697
Deduct:			
Interest expense/(income)	(941)	(995)	(3320)
Benefit from income tax	(516)	(547)	889
Depreciation and amortization	(2,190)	(2,712)	3,970
Net Income	**5,121**	**7,608**	**4,296**

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

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

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

FINANCIAL RISK DISCLOSURE

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

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

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

The Company has allocated up to US$8 Million for capital expenditure for full year 2017, from the proceeds of the Company's Initial Public Offering, Follow-one Offering, Corporate Notes Issuances and cash flows from operations.

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

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

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016 VERSUS DECEMBER 31, 2015

RESULTS OF OPERATIONS

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

	Years Ended December 31		
In US$ Thousand except EPS	**2016**	2015	2014
NET SALES	**74,322**	59,549	51,792
COST OF SALES	**61,566**	49,982	44,251
GROSS PROFIT	**12,756**	9,567	7,541
NET INCOME	**7,608**	5,121	5,844
Basic/Dilutes EPS	**US$0.018**	US$0.013	US$0.017
EBITDA	**11,862**	8,768	9,558

Revenue

The Company recorded consolidated revenues of US$74.3 million for the 12 months ending December 31, 2016, an increase of 25% from US$59.1 million for the same period in 2015. The increase was accounted for by the growth of both the Company's semiconductor and Antenna Systems businesses.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and changes in finished goods and work in process inventories. The Company's cost of sales increased by 23% to US$61.6 million in the 12 months ending December 31, 2016 from US$50 million for the same period in 2015. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, higher salaries and wages, depreciation, and increase in inward freight and duties.

- Raw materials, spare parts, supplies and other inventories grew by 38% to US$42.4 million for the 12 months ending December 31, 2016 from US$35.0 million for the same period in 2015.
- Salaries, wages and employees' benefits increased by 28% to US$10.5 million for the 12 months
  ending December 31, 2016 from $8.2 million for the same period in 2015.
- Utility expenses amounted to US$3.5 million for the 12 months ending December 31, 2016, from US$3.7 million for the same period in 2015, a decrease of 6%,
- Depreciation and amortization increased by 24% to US$2.6 million for the 12 months ending December 31, 2016, from US$2.1 million for the same period in 2015.

- Freight and duties increased by 176% for the 12 months ending December 31, 2016 from US$899 thousand for the same period in 2015.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2016 amounted to US$4.4 million, one percentage higher compared to the US$3.8 million recorded during the same period in 2015.

Income Before Income Tax

For the 12 months ending December 31, 2016, the Company recorded a net income before income tax of US$8.2 million, an increase of 45% compared with US$5.6 million recorded for the same period in 2015.

Provision for / Benefit from Income Tax

Provision for income tax for the 12 months ending December 31, 2016 amounted to US$547 thousand compared with US$516 thousand for the same period in 2015, an increase of 6%.

Net Income

The Company's net income for the 12 months ending December 31, 2016 amounted to US$7.6 million, an increase of 49% compared with US$5.1 million for the same period in 2015.

Total Comprehensive Income

The Company's total comprehensive income for the 12 months ending December 31, 2016 amounted to US$7.1 million, compared to US$5.3 million for the same period in 2015, a 34% increase.

FINANCIAL CONDITION

Assets

The Company's cash and cash equivalent for the 12 months ending December 31, 2016 amounted to US$24.5 million, compared with US$29.8 million for the period ending December 31, 2015, a decrease of US$5.3 million or 18%. The decrease was mainly due to the increase in trade receivables and inventories.

Trade and other receivables for the 12 months ending December 31, 2016 amounted to US$23.2 million, compared with US$13.7 million for the period ending December 31, 2015, a 69% increase. The increase was mainly due to increase in sales and longer AR days for certain key customers.

Inventory levels for the 12 months ending December 31, 2016 amounted to US$15.3 million, 166% higher compared with US$5.7 million for the period ending December 31, 2015. The increase was mainly due to longer lead times for certain major raw materials and ramp up of product volume runners.

Financial assets at fair value through profit and loss refer to short-term investments of the Company. For the 12 months ending December 31, 2016, the Company sold its short-term investments in UITF and RCBC senior notes.

The Company's HTM investments pertain to government bonds which were purchased by the Philippines Branch of CATS in compliance with the Corporation Code for foreign companies to maintain securities with the SEC. Other current assets for the 12 months ending December 31, 2016 totaled US$2.6 million, compared with US$2.5 million for the period ending December 31, 2015, an increase of 3%. The change was mainly due to advances to suppliers.

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

Non-current assets, comprised of Property, plant and equipment (PPE), Available-for-sale (AFS) financial asset, deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2016 amounted to US$32.7 million compared with US$26.9 million for the same period ending December 31, 2015, an increase of 21%. The increase was mainly due to increase in PPE and non-current assets.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, deferred revenue, income tax payable, and provision for warranty. For the 12 months ending December 31, 2016, current liabilities were at US$58.5 million compared with US$30.1 million for the period ending December 31, 2015, a 192% increase. This can be mainly attributed to increase in trade and other receivables, short-term loan, current portion of long-term debt, income tax payable, and provision for warranty.

For the 12 months ending December 31, 2016, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$38.8 million, a 100% increase compared to US$19.3 million for the period ending December 31, 2015. The increase was mainly due to increase in long-term debt and increase in retirement benefit obligation.

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2016 amounted to US$25.2 million compared with US$71.3 million for the period ending December 31, 2015, a 65% decrease. The decrease in equity was due to acquisition of parent company shares by a subsidiary.

Liquidity and Capital Resources

For the 12 months ending December 31, 2016, the Company's principal sources of liquidity was cash from sales of its products, IPO proceeds, bank credit facilities, proceeds from its 5-year corporate notes issuances, and proceeds from its follow-on offering. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's Initial Public Offering, proceeds of the Company's corporate notes issuance, short-term credit facilities and cash flow from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

The following table sets out the Company's cash flows for the 12 months ending December 31, 2016 and the same period 2015:

In US$ Thousands	**For the 12 months ending December 31**	
	2016	**2015**
Net cash flows provided by/ (used for) operating activities	(1,582)	16,996
Net cash flows provided by/ (used for) investing activities	11,390	(28,900)
Net cash flows provided by/ (used for) financing activities	(14,915)	29,019
Net increase (decrease) in cash equivalents	(5,265)	17,174

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$(1.6) million for the 12 months ending December 31, 2016, compared with US$17.6 million for the same period in 2015.

For the 12 months ending December 31, 2016, net income before tax was US$8.2 million. After adjustments for depreciation, unrealized foreign exchange gain/losses, interest income/expense, and excess of the fair value of net assets acquired over the aggregate consideration transferred, operating income before change in working capital was US$11.6 million. Changes in working capital decreased operating income to US$1.6 million. This was mainly due to increase in inventories and receivables, and increase in trade and other payables.

Investing Activities

Net cash outflow from investing activities amounted to US$11.4 million for the 12 months ending December 31, 2016. Investing activities in 2016 mainly involved disposal of financial assets at FVPL, increase in PPA, and increase in other noncurrent assets and acquisition of property, plant and equipment and AFS financial asset.

Financing Activities

Net cash inflow from financing activities for the 12 months ending December 31, 2016 amounted to US$14.9 million. Major financing activities involved proceeds from availment of short-term loans, proceeds from issuance of corporate notes, less payment of cash dividends, payment of short-term and long-term loans, interest, acquisition by subsidiary of Parent Company shares, stock issue cost, and net movement in amounts owed by and owed to related parties. For the same period in 2015, financing activities amounted to US$29 million and mainly involved proceed from short-term loans, proceeds from FOO, less payment of cash dividends, interest payments, payments of short term and long term loan and net movement in amounts owed by and owed to related parties.

Material Changes to the Company's Audited Income Statement as of December 31, 2016 compared to the Audited Income Statement as of December 31, 2015 (increase/decrease of 5% or more)

- 25% increase in net sales
  Sales growth for both CEC and CATS
- 23% increase in cost of sales
  Increase in net sales
- 14% increase in operating expenses
  Higher operating expenses to support expansion of operations
- 45% decrease in Income Before income Tax
  Higher sales, higher gross margins, higher operating margins
- 6% increase in Provision For Income Tax

Higher taxable income for CEC and CATS

- 49% increase in Net Income After Tax
  Consolidation of net loss of Quintel and other adjustment as a result of intercompany transaction

Material Changes to the Company's Audited Balance Sheet as of December 31, 2016 compared to the Audited Balance Sheet as of December 31, 2015 (increase/decrease of 5% or more)

- 18% increase in Cash and Cash Equivalent
  Increase in working capital, investments in PPE, investment, purchase by subsidiary of parent company shares

- 69% increase in Trade and Other Receivables – Net
  Longer payment term for certain key customers
- 166% increase in inventories
  Longer lead times for certain raw materials
- 100% decrease in Financial assets at fair value through profit or loss
  Sale of short-term investments
- 21% increase in Non-current Assets
  Increase in PPE and other non-current assets
- 94% increase in Current Liabilities
  Increase in trade and other payables, short-term loans, current portion of long-term debt, income tax payable, provision for warranty
- 97% increase in Non-current Liabilities
  Increase in long-term debt and retirement benefit obligation
- 65% decrease in Total Equity
  Investment by a subsidiary in parent company shares

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated	**2014**	**2015**	**2016**
EBITDA	9,558	8,767	11,862
EBITDA Margin	18%	15%	16%
Sales Growth	18%	15%	25%
Current Ratio (x)	3.5 x	3.1 x	1.5x
Earnings per share (US$)	0.017	0.013	0.018

Note:
***Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2015, 2016 and 2017*

- EBITDA and EBITDA Margin

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

  The EBITDA margin shows earnings before interest, tax, depreciation and amortization as a percentage of revenue. It is a measure of how efficiently revenue is converted into EBITDA. EBITDA and EBITDAR Margin are not measures of performance under PFRS, and investors should not consider EBITDA and EBITDA Margin in isolation or as alternatives to net income as an indicator of our Company's operating performance or to cash flow from operating, investing

and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA and EBITDA Margin calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

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

	For the years ended December 31		
In US$ 000	**2014**	**2015**	**2016**
Net income	5,844	5,121	7,608
Add back:			
Interest expense/income-net	519	941	995
Benefit from income tax	79	516	547
Depreciation and amortization	2,901	2,190	2,712
EBITDA	**9,558**	**8,768**	**11,862**

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

	For the years ended December 31		
In US$ 000	**2014**	**2015**	**2016**
EBITDA	9,558	8,768	11,862
Deduct:			
Interest expense/(income)	(519)	(941)	(995)
Benefit from income tax	(79)	(516)	(547)
Depreciation and amortization	(2,901)	(2,190)	(2,712)
Net Income	**5,844**	**5,121**	**7,608**

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

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

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

FINANCIAL RISK DISCLOSURE

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

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

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

The Company has allocated up to US$8 Million for capital expenditure for full year 2017, from the proceeds of the Company's Initial Public Offering, Follow-one Offering, Corporate Notes Issuances and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

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

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

Summary of Significant Accounting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies for the first time PFRS 16, Leases, applying the modified retrospective approach which does not require restatement of previous financial statements. As required by PAS 34, the nature and effect of these changes are disclosed below.

PFRS 16, Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-ofuse asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group applied PFRS 16 using the modified retrospective (alternative2) transition approach with the date of initial application of January 1, 2019. Under this approach, the lease liability is also measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by lease basis:

The Group did not reassess whether its contracts contain a lease at the date of initial application and applied PFRS 16 to contracts previously identified as leases.

If applicable, it:

- applied a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- Adjusted the right-of-use asset for any recognized onerous lease provisions, instead of performing an impairment review.
- Applied a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use asset
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. When performing its hindsight assessment, an entity should consider events and circumstances that occurred up to the effective date of the new leases standard (January 1, 2019).

The effect of the adoption of PFRS 16 at 1 January 2019 follows:

Consolidated Balance Sheets

		Increase/ (Decrease)
Assets		
Right-of-use assets	$	415,572
Liabilities		
Lease liabilities	$	415,572

The adoption did not have a material impact on the Group's financial performance, financial position and operating, investing and financing cash flows.

The nature of the adjustments as at January 1, 2019 and the reasons for the significant changes in the consolidated balance sheet as at September 30, 2019 and the consolidated statement of income for the nine months ended September 30, 2019 are described below:

The Group has various lease agreements in respect of parcels of land, factory/warehouse building, and office premises. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Accounts payable and accrued expenses, respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases where it is the lessee, except for short-term leases and leases of low-value assets.

The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective (alternative 2) transition approach, the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application.

The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application. Accordingly, the comparative information in the interim condensed consolidated financial statements were not restated.

Right-of-use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

After the commencement date, the Group measures the right-of-use asset applying a cost model. To apply a cost model, a lessee shall measure the right-of-use asset at cost: (a) less any accumulated depreciation and any accumulated impairment losses; and (b) adjusted for any remeasurement of the lease liability.

The Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of -use asset or the end of the lease term. However, If the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e., a change in the scope of a lease, or the consideration for a lease that was not part of the original terms and conditions of the lease) that is not accounted for as a separate contract and when there are changes in the following: a) lease term; b) option to purchase assessment; c) change in amounts for residual value; and d) change in future payments due to index/rate. Lease modifications would be accounted as separate lease when rights are added to the lease contract to use one or more underlying assets and the consideration increase is commensurate with the stand-alone price for the increase in scope.

Amendments to PFRS 9, Prepayment Features with Negative Compensation

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact to the Group.

Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Adoption of these amendments did not have significant impact on the Group's interim condensed consolidated financial statements.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its interim condensed consolidated financial statements.

Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatmentsinvolves uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately;

The assumptions an entity makes about the examination of tax treatments by taxation authorities;

How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

How an entity considers changes in facts and circumstances

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

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

Annual Improvements to PFRS 2015-2017 Cycle

Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

Amendments to PFRS 3, Definition of a Business

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments will apply on future disclosures of the Group.

Effective beginning on or after January 1, 2021

PFRS 17, Insurance Contracts

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

A specific adaptation for contracts with direct participation features (the variable fee approach)

A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

PFRS 17 is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Fair Value Measurement

The Group measures certain financial instruments and nonfinancial assets at fair value at each balance sheet date. Also, the Group discloses the fair values of financial instruments measured at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consoled mated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. 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.

Financial Instruments - Effective January 1, 2018

Financial assets

Initial recognition and measurements

Financial assets are classified as financial assets measured at amortized cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient a remeasured at the transaction price determined under PFRS 15 (refer to the Revenue Recognition policy).

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at amortized cost - This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
    - The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss, when the asset is derecognized, modified or impaired.

As at December 31, 2018, this category includes the Group's cash and cash equivalents, trade and other receivables, amounts owed by related parties, investment in Philippine government securities, rental and security deposits, loans to employees and miscellaneous deposits.

- Financial assets designated at FVTOCI (equity instruments) - Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

  The Group elected to classify irrevocably its non-listed equity investments under this category.

  As at December 31, 2018, this category includes the Group's investment in unquoted shares.

- Financial assets designated at FVTOCI (debt instruments) - The Group measures debt instruments at FVTOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

  For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

  As of December 31, 2018, the Group has no debt instruments classified as financial assets designated at FVTOCI.

- Financial assets at FVTPL - Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value presented as "Unrealized mark-to-market gain" (positive net changes in fair value) or "Unrealized mark-to-market loss" (negative net changes in fair value) in profit or loss.

As of December 31, 2018, this category includes the Group's investment in Unit Investment Trust Fund (UITF).

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either the Group (a) has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, amounts owed to related parties, dividend payable and long-term debts.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below.

- Financial liabilities at FVTPL - Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVTPL.

- Loans and borrowings - This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the amortization process.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets - Effective January 1, 2018

Beginning January 1, 2018, upon adoption of PFRS 9, the Group recognizes an allowance for ECLs for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables that do not contain significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

For financial assets at amortized costs being individually assessed for ECLs, the Group applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments - Effective Prior to January 1, 2018
Financial assets
Initial recognition

Financial assets within the scope of PAS 39 are classified as either financial assets at FVTPL, loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, financial assets at FVTPL, HTM investments, AFS financial asset, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or purchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with gains or losses recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL.

Financial assets designated as FVTPL are designated by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2017, the Group designated its investment in UITF as financial asset at FVTPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method, less impairment. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Assets in this category are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As of December 31, 2017, the Group has designated as loans and receivables its cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

HTM investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold it to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017, the Group has HTM investments in Philippine government securities.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or change in market conditions.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in OCI until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in profit or loss.

As of December 31, 2017, the Group's AFS financial asset pertains to investment in unquoted equity shares.

Financial liabilities

Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities not at FVTPL, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, long-term debt and amounts owed to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in profit or loss.

The Group does not have a financial liability at FVTPL as of December 31, 2017.

Other financial liabilities
Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2017, the Group's other financial liabilities includes trade and other payables, short-term loans, amounts owed to related parties and long-term debt.

Impairment of Financial Assets - Effective Prior to January 1, 2018
The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in profit or loss.

The Financial assets carried at amortized costs
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower between cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials, spare parts, supplies and other	- purchase cost on a first-in, first-out (FIFO) basis;
Finished goods and work-in-process inventories	cost of direct materials and labor and a proportion of manufacturing overhead cost. Costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. They are regularly reviewed and, if necessary, revised in light of current conditions.

NRV of finished goods and work-in-process inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts, supplies and others is the current replacement cost.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing cost when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in profit or loss as incurred. Land is carried at cost less any impairment in value.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents property under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	Number of Years
Machinery and equipment	7-15
Buildings and improvements	5-25
Facility and production tools	5-8
Furniture, fixtures and equipment	2-5
Transportation equipment	5-7

Depreciation ceases at the earlier of the date that the item is classified as held for sale (included in a disposal group) in accordance with PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations, and the date the asset is derecognized.

The property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts until these are no longer in use. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Noncurrent Assets Held for Sale

Property, plant and equipment are classified as held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year from the date of classification, rather than through continuing use. Noncurrent assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification, unless the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

The Group shall measure a noncurrent asset that ceases to be classified as held for sale at the lower of its:

a. carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been classified as held for sale; and
b. recoverable amount at the date of the subsequent decision not to sell or distribute.

If the Group has classified an asset as held for sale, but the criteria for held for sale classification are no longer met, the Group shall cease to classify the asset as held for sale.

The Group shall recognize any required adjustment to the carrying amount of a noncurrent asset that ceases to be classified as held for sale in profit or loss in the period in which the criteria are no longer met.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee (IVSC).

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Foreign currency exchange differences are included in the determination of borrowing costs to be capitalized, but only to the extent that they are an adjustment to the interest cost on the borrowing.

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 as 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 ("contractual-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.

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 or 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.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. The Group has designated as nonfinancial assets its prepaid expenses, advances to suppliers, property, plant and equipment, intangible assets, project development costs and other assets. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial asset's or CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its estimated recoverable amount, the nonfinancial asset is considered impaired and is written down to its estimated recoverable amount. In assessing VIU, 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 nonfinancial asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock, which consists of common stock and preferred stock, is measured at par value for all shares issued. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

Subscription Receivable

The unpaid portion of the subscribed shares is deducted from capital stock and is measured at subscription price for all shares subscribed.

Deposit for Future Stock Subscription

Deposit for future stock subscription represent the amount received that will be applied as payment in exchange for a fixed number of the Parent Company's own shares of stock. When the Parent Company does not have sufficient unissued authorized capital stock but the BOD and stockholders have approved for a proposed increase in authorized capital stock that has been presented for filing or has been filed with the Philippine SEC as of the balance sheet date, the deposit for future stock subscription is presented in the equity section of the consolidated balance sheet. Otherwise, this is presented in the liability section of the consolidated balance sheet.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

The Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Equity Reserve

Equity reserve represents the effect of the application of the pooling-of-interests method and the difference of carrying amount and consideration of reissued Parent Company shares held by a subsidiary.

Parent Company Shares Held by a Subsidiary

These shares represent the Parent Company's common shares acquired by its subsidiary. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the consideration, if reissued, is charged or credited to Equity Reserve.

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group includes net changes in fair values of financial assets at FVTOCI and AFS financial assets, and remeasurements on retirement benefit obligation.

Revenue Recognition - Effective January 1, 2018

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of goods

Revenue from sale of goods is recognized at the 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.

Revenue is measured based on the transaction price the Group expects to be entitled to. The Group's contracts with customers generally provide customers with discounts. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Variable considerations include discounts and right of return. Discounts and returns are not significant to the Group.

Contract balances

- *Contract assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

- *Trade receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under Financial Assets and Financial Liabilities - Financial assets at amortized cost (debt instruments).

- *Contract liability.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue Recognition - Effective Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns, rebates and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Sale of goods

Revenue from the sale of goods (including scrap) is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, net of discounts and returns. Discounts and returns are not significant to the Group.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Costs and Expenses Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of sales

Cost of sales is recognized when the related sale has met the criteria for recognition.

Operating expenses

Operating expenses are recognized in the period in which they are incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangements is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Retirement Benefits Costs
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.

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 recognised 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.

Foreign Currency-denominated Transactions
The consolidated financial statements are presented in US dollars, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Income Taxes
Current income tax
Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial reporting date. Current income tax for the current and prior periods, shall, to the extent unpaid, be recognized as a liability in the consolidated balance sheet. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and be presented as part of "Other current assets" in the consolidated balance sheet.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference 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, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to offset current tax assets against current tax liabilities exist and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered. Subsidiaries file income tax returns on an individual basis. Thus, the deferred income tax assets and deferred income tax liabilities are offset on a per entity basis.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, adjusted for the effects of shares held by subsidiaries and with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Operating Segments

The Group operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses. The segments are segregated as follows: (a) manufacture and sale of semiconductor packages based in the Philippines through CEC, (b) manufacture and sale of radio frequency, microwave, and millimeter-wave products based in the Philippines through CATS - Philippine Branch, and (c) sale of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks based in the U.S. through Quintel. The Group operates and derives its revenue from its domestic operation and from its operation in the U.S. through Quintel.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at apre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's debt, shareholders' equity and capitalization as at 30 September 2019, and as adjusted to reflect the sale of the Preferred Shares at the Offer Price of US$1.00 per Preferred B-2 Share (Amounts in US$).

A. Short-term Loans:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Rizal Commercial Banking Corporation (RCBC)	**$25,610,000**	$25,610,000
China Banking Corporation (CBC)	**12,750,000**	11,000,000
Security Bank Corporation (SBC)	**9,900,000**	10,000,000
BDO Unibank, Inc. (BDO)	**–**	5,400,000
Metropolitan Bank and Trust Company (MBTC)	**–**	1,700,000
	$52,210,000	$53,710,000

B. Long-term Loans:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Principal	**$ 65,250,000**	$73,790,000
Less deferred financing costs	**345,881**	443,329
	64,904,119	73,346,671
Less current portion - net of deferred financing costs	**6,644,496**	11,045,751
	$ 58,259,623	$62,300,920

C. Capital:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
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 (loss)	**(1,255,830)**	(1,225,830)
Retained earnings	**24,770,469**	25,144,690
Parent company shares held by a subsidiary	**(26,812,680)**	(26,812,680)
	$113,412,148	$113,816,369

The table below shows the estimated Current and Debt-to-Equity ratios of the Company assuming that a) no commericial papers would be issued and b) the full issue size amounting to two billion pesos of CPs would be issued.

Without CP Issuance							
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Current Ratio	1.45	1.59	2.10	3.10	2.74	2.38	3.22
Debt / Equity	1.33	0.85	0.78	0.51	0.49	0.53	0.36

With CP Issuance							
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Current Ratio	1.45	1.44	1.98	2.73	2.51	2.25	3.01
Debt / Equity	1.33	1.03	0.83	0.55	0.54	0.57	0.39

MATERIAL CONTRACTS AND AGREEMENTS

The financing and credit facility agreements discussed below are subject to representations and warranties, covenants and events of default standard for similar agreements. A comprehensive discussion of the agreements below is provided in the Company's consolidated financial statements and related notes. Outstanding principal balances disclosed below are exclusive of interest payable and deferred financing costs.

1. Agreements with Metropolitan Bank & Trust Company ("Metrobank")

Long-term Debt

On December 18, 2014, the Company entered into a US$10 million Note Facility Agreement with Metrobank as Initial Noteholder, Metrobank – Trust Banking Group as Facility Agent and Paying Agent, and First Metro Investment Corporation as Arranger (the "Notes"). The Notes were first issued on December 22, 2014 (the "Issue Date") with an interest rate of 3.75%. The maturity date is on November 26, 2019. As of September 30, 2019, the outstanding principal balance of the Notes is US$1.75 million.

The Company will repay 30% of the loan in 12 equal consecutive quarterly installments in the amount equivalent to 2.50% of the Notes, commencing at the end of the 5th quarter until the end of the 16th quarter from the Issue Date. The Company will repay the remaining 70% of the Notes in four equal consecutive quarterly installments in the amount equivalent to 17.50% of the loan commencing at the end of the 17th quarter from the Issue Date until the Maturity Date.

The Company used the net proceeds of the issuance of the Notes to finance acquisition of RBWI and other general corporate requirements.

Under this Notes Facility Agreement, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5
- 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.

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

Short Term Loan

The Company has a revolving loan facility with Metrobank, evidenced by a promissory note, which has a payment term of 180 days. The facility is unsecured and charged an interest of 3.88% per annum paid quarterly. As of September 30, 2019, the outstanding principal balance of the revolving loan facility is nil.

The revolving loan facility was used for the working capital requirements and other general corporate requirements of the Company.

2. Agreements with the Bank of the Philippine Islands ("BPI")

Long-term Debt

On September 20, 2016, the Company entered into a US$30 million Note Facility Agreement with BPI as Initial Noteholder, BPI – Asset Management and Trust Group as Facility Agent and Paying Agent, and BPI Capital Corporation as Arranger (the "Notes"). The Notes were

issued on September 21, 2016 with an interest rate of 3.60%. The Maturity Date is on August 26, 2021. As of September 30, 2019, the outstanding principal balance of the Notes is US$24.00 million.

The Company will repay 30% of the Notes in 12 equal consecutive quarterly installments in the amount equivalent to 2.50% of the Notes, commencing at the end of the 5th quarter until the end of the 16th quarter from the issue date. The Company will repay the remaining 70% of the Notes in four (4) equal consecutive quarterly installments in the amount equivalent to 17.50% of the Notes commencing at the end of the 17th quarter from the issue date until the Maturity Date.

The net proceeds of the issuance of the Notes were used by the Company to refinance capital expenditures, working capital requirements, and partially finance the acquisition of Quintel.

Under this Notes Facility Agreement, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5
- 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.

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

Long Term Loan

On July 31, 2017, BPI extended a bridge loan facility amounting to US$20 million, with a term of 360 days. The facility is unsecured and charged an interest of 3.60% per annum paid quarterly. As of September 30, 2019, the outstanding principal balance of the bridge loan facility of US$20 million was already converted to long term loan under a new Note Facility Agreement dated April 12, 2018.

Under this Notes Facility Agreement, 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 the relevant testing date, be less than 1.15x; and
- the current ratio shall not, at any time, be less than 1.10x.

The Company, under the 2018 NFA, shall pay 30% of the loan outstanding on issue date in 24 equal consecutive quarterly payments commencing at the end of the first year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding shall be paid in a single balloon payment at maturity date. As of September 30, 2019, the outstanding carrying amount of the loan amounts to $19.75 million.

The bridge loan facility was used to partially refinance debt and partially finance the acquisition of Quintel.

Short Term Loan

The Company had a revolving loan facility with BPI, evidenced by various promissory notes issued on different dates, which have payment terms of 180 days. The facility is unsecured and charged an interest of 1.80% per annum paid quarterly. As of September 30, 2019, the revolving loan facility was already fully paid.

The revolving loan facility was used for the working capital requirements and other general corporate requirements of the Company.

3. Agreement with Security Bank Corporation ("Security Bank")

Short Term Loan

The Company has a revolving loan facility with Security Bank, evidenced by various promissory notes issued on different dates, which have payment terms of 180 days. The facility is unsecured and charged an interest of 4.75% to 5.00% per annum paid quarterly. As of September 30, 2019, the outstanding principal balance of the revolving loan facility is US$9.90 million.

The revolving loan facility was used for the working capital requirements and other general corporate requirements of the Company.

4. Agreements with Union Bank of the Philippines ("Unionbank")

Short Term Loan

The Company had a revolving loan facility with Unionbank, evidenced by a promissory note, which has a payment term of 90 days. The facility is unsecured and charged an interest of 4.50% per annum paid quarterly. As of September 30, 2019, the principal balance of the revolving loan facility is already fully paid.

The revolving loan facility was used to partially fund the acquisition of Quintel.

5. Credit Facility Agreements with Rizal Commercial Banking Corporation ("RCBC")

Long Term Loan

On April 12, 2018, the Company entered into a Note Facility Agreement with RCBC as Noteholder which provided for the conversion of the outstanding balance of CHPC's short-term bridge loan facilities amounting to $20.0 million into long-term credit facilities through the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly.

Under the NFA, the Company shall pay 30% of the loan outstanding on issue date in 24 equal consecutive quarterly payments commencing at the end of the first year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding shall be paid in a single balloon payment at maturity date. As of September 30, 2019, the outstanding carrying amount of the loan amounts to $19.75 million.

Moreover, under this 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 the relevant testing date, be less than 1.15x; and
- the current ratio shall not, at any time, be less than 1.10x.

The proceeds of the pertinent issuance was used to refinance the bridge loan facilities used to acquire 100% ownership of Quintel.

Short Term Loan

The Company has a revolving loan facility with RCBC, evidenced by various promissory notes issued on different dates, which have payment terms of 284 to 360 days. The facility

is unsecured and charged an interest of 3.45% to 4.00% per annum paid quarterly. As of September 30, 2019, the outstanding principal balance of the revolving loan facility of US$25.61 million was already converted to long term loan under a new Note Facility Agreement.

The revolving loan facility was used for working capital requirements and to partially fund the acquisition of Quintel.

6. Credit Facility with China Banking Corporation ("Chinabank")

Short Term Loan

The Company has a revolving loan facility with China Bank, evidenced by various promissory notes issued on different dates, which have payment terms of 180 days. The facility is unsecured and charged an interest of 5.00% per annum paid quarterly. As of September 30, 2019, the outstanding principal balance of the revolving loan facility is US$12.75 million.

The revolving loan facility was used for the working capital requirements of the Company and to partially finance the acquisition of Quintel.

7. Quintel Acquisition Agreement and Plan of Merger

On July 31, 2017, the Company entered into an Agreement and Plan of Merger under which the Company, through its subsidiary CEIC and the latter's subsidiary Cirtek Corporation, a Delaware corporation ("Cirtek Delaware"), will acquire 100% of Quintel Cayman Ltd. ("Quintel Cayman").

The transaction was structured as a reverse triangle merger whereby the Company established Cirtek Cayman Ltd. to merge with Quintel Cayman, with the latter as the surviving corporation. Pursuant to the transaction, all outstanding shares, warrants, and stock options in Quintel Cayman were converted to a right to receive the consideration from the Company and Cirtek Delaware. As a result of the merger, Quintel Cayman will be a wholly-owned subsidiary of Cirtek Delaware. The memorandum of association and articles of association of Quintel Cayman as surviving company shall be amended to conform to the organizational documents of Cirtek Cayman Ltd.

The Company acquired Quintel for at least US$ 77 million, subject to the adjustments in the pre- and post- closing statements, setting forth the different amounts comprising the total consideration, prepared by Quintel Cayman and the Company, which statements will be finalized within 60 to 90 days from July 31, 2017.

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.

Debt Covenants

Other than what were discussed above, the Company does not maintain any other financial covenants under its loan facilities.

Loan Collateral

None of the Company's loans are secured by a collateral.

Philippine Economic Zone Authority

The PEZA is an attached agency to the Department of Trade and Industry and is tasked to promote investments, extend assistance, register, grant incentives to, and facilitate the business operations of investors in export-oriented manufacturing and service facilities located inside selected areas throughout the country proclaimed by the President of the Philippines as PEZA Special Economic Zones. It oversees and administers incentives to developers/operators and locators in Special Economic Zones.

Entities registered with the PEZA are entitled to fiscal and non-fiscal incentives. Fiscal Incentives include income tax holiday; tax and duty free importation of raw materials, capital equipment, machineries and spare parts; VAT zero rating; exemption from payment of local government imposts, fees, licenses, and taxes; and exemption from expanded withholding tax. Non-fiscal incentives include simplified import-export procedures; and special non-immigrant visa with multiple entry privileges for certain officers and employees. PEZA also extends visa facilitation assistance to foreign nationals and their spouses and dependents.

PEZA registered entities are required to maintain distinct and separate books for its operations inside the Special Economic Zones and are mandated to submit financial and other reports/documents to PEZA. Below are some of the periodic reports/documents required to be submitted to PEZA and their respective due dates:

Types of Report	Due Date
Economic Zone Monthly Performance Report	every 20th day of the following month
Annual Report (For Developer/Operator Enterprises)	90 days after the end of the accounting period
Audited Financial Statements ("AFS") (For Developer/Operator Enterprises)	30 days after filing with BIR
Quarterly Income Tax Returns (For Developer/Operator Enterprises)	15 days after filing with BIR
Annual Income Tax Returns ("ITR") (For Developer/Operator Enterprises)	30 days after filing with BIR
Annual Tax Incentives Report- Income Tax Based Incentives	30 days from statutory deadline for filing of Final Adjustment Return for Income Tax and payment of tax due thereon
Annual Tax Incentives Report- VAT, Excise Tax and Duty-based Incentives	15 March of the succeeding year
Breakdown/Schedule of Sales per Activity	Together with AFS & Annual ITR

Breakdown/Schedule of Other Income	Together with AFS & Annual ITR
Data on Revenues and Taxes Paid	Together with AFS & Annual ITR
Change of Corporate Name & Equity Ownership	30 days after the said change

As PEZA-registered entities, CEC and CATSI are required to submit the periodic reports described above to PEZA. They are also required to submit quarterly, semi-annual and annual reports to the DENR as part of their ECC requirements. The failure to comply with these reports and with any other requirements or regulations of these government agencies could expose CEC and CATSI to penalties and the revocation of their respective registrations.

CEC and CATSI ensure compliance with these requirements by assigning dedicated personnel to monitor, prepare the necessary filings and liaise with the relevant government agencies.

Environmental Laws

Presidential Decree No.1586 established the Environmental Impact Statement ("EIS") System which is concerned primarily with assessing the direct and indirect impacts of a project or undertaking to the quality of the environment and ensures that these impacts are addressed by appropriate environmental protection and enhancement measures. The EIS system successfully culminates in the issuance of an Environmental Compliance Certificate ("ECC").

The ECC serves as a government certification based on the representations of the proponent that: (i) the proposed project or undertaking will not cause a significant negative environmental impact; (ii) that the proponent has complied with all the requirements of the EIS system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, Initial Environmental Examination ("IEE"). The ECC also contains specific measures and conditions that a project proponent must undertake before, during, and in some cases, at the abandonment of a project.

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a pre-requisite for the issuance of an ECC, an environmentally critical project must submit an EIS to the EMB while a project in an environmentally critical area is generally required to submit an IEE to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The Initial Environmental Examination refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration, and assessment of the effects of any project on the quality of the physical, biological, and socio-economic environment as well as the design of appropriate preventive, mitigating, and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government

certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property, and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

CEC and CATSI incur expenses for complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

CEC is required to obtain the following environmental certifications and permits from the Department of Environment and Natural Resources Environmental Management Bureau for its operations:

Permit	Issuance	Expiration
Permit to Operate (Air Pollution Source & Control Installations)	Aug. 31, 2017	Apr. 29, 2020
Environmental Clearance Certificate (ECC)[2]	Mar. 15, 2017	N/A
Permit to Operate (Air Pollution Source & Control Installations)	Oct. 17 2016	Oct. 29, 2021
Hazardous Waste Generator Registration Certificate	Dec. 21, 2015	N/A

CATSI is required to obtain the following environmental permits for its operations:

Permit	Issuance	Expiration
Environmental Clearance Certificate (ECC)	Aug. 13, 2015	N/A
Permit to Operate (Air Pollution Source & Control Installations)	Oct 17, 2016	Oct. 25, 2021

All development projects, installations, and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay region are also required to obtain a discharge permit from the

[2] An Environmental Clearance Certificate (ECC) expressly states that it is a planning tool and not a permit. It remains in effect provided the company complies with conditions stipulated under the ECC, and therefor has no expiration date. The DENR/EMB monitors the company/project periodically to ensure compliance with stipulations in the ECC.

Laguna Lake Development Authority (LLDA). CEC's current discharge permit will be valid until January 15, 2020 .

Toxic Substances, Hazardous and Nuclear Wastes Control Act

The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 ("R.A. No. 6969") mandates control and management of the import, manufacture, process, distribution, use, transport, treatment and disposal of toxic substances and hazardous and nuclear wastes. R.A. No. 6969 is primarily enforced by the DENR, with the assistance of the Inter-Agency Technical Advisory Council. It seeks to protect public health and the environment from unreasonable risks posed by these substances. Persons (natural or juridical) who generate or produce hazardous wastes, through any commercial, industrial or trade activities, are required to register with the EMB Regional Office having jurisdiction over the location of the waste generator. A DENR I.D. Number shall be issued upon registration. This is a one-time permit unless there is a change in the hazardous wastes produced.

In addition, waste generators are required to (1) notify the DENR of the type and quantity of waste generated in accordance with the form and in a manner approved by the DENR and pay the prescribed fee; (2) provide the DENR, on a quarterly basis, with certain information including the type and quantity of the hazardous waste generated, produced or transported outside in a form approved by the DENR; (3) continue to own and be responsible for the hazardous waste generated or produced in the premises until the hazardous waste has been certified by the waste treater as adequately treated, recycled, reprocessed or disposed of; (4) prepare and submit to the DENR comprehensive emergency contingency plans that conform with DENR guidelines to mitigate spills and accidents involving hazardous wastes; and (5) train and inform personnel and staff on (a) the implementation of the emergency contingency plan, and (b) the hazards posed by the improper handling, storage, transport, and use of hazardous waste and their containers.

Aside from R.A. No. 6969, those involved in hazardous waste management are also required to comply with the requirements of other specific environmental laws, such as Presidential Decree No. 984 (National Pollution Control Decree of 1976), Presidential Decree No. 1586 (Environmental Impact Statement System Law), RA 8749 (Philippine Clean Air Act of 1999) and RA 9003 (Ecological Solid Waste Management Act of 2000) and their implementing rules and regulations.

Philippine Clean Air Act

The Philippine Clean Air Act of 1999 ("R.A. No. 8749") focuses primarily on pollution prevention and provides for a comprehensive management program for air pollution. Consistent with the policies of R.A. No. 8749, all planned sources of air pollution that have the potential to emit 100 tonnes per year or more of any regulated air pollutant, or when required under the ECC, must secure an Authority to Construct and Permit to Operate from the EMB prior to commencement of construction or operation. The Authority to Construct is a one-time permit while the Permit to Operate must be renewed at least 30 days before its expiration date.

Philippine Clean Water Act

The Philippine Clean Water Act of 2004 ("R.A. No. 9275") focuses primarily on water quality management in all water bodies and the abatement and control of pollution from land based sources. All owners or operators of facilities that discharge regulated effluents pursuant to this Act are required to secure a permit to discharge. The discharge permit shall be the legal authorization granted by the DENR to discharge wastewater.

The DENR, as part of the permitting procedure, also urges the adoption of waste minimization and waste treatment technologies when such technologies are deemed cost effective. The DENR also develops procedures in relation to the current water quality guideline or the projected water quality guideline of a given receiving water body with total pollution loadings from various sources, so that

effluent quotas can be properly allocated in the discharge permits. Effluent trading may be allowed in each management area.

For compliance with R.A. No. 9275, fiscal and non-fiscal incentives are provided such as the inclusion in the investment priorities plan and tax and duty exemption of donations, legacies and gifts for the support of waste management programs.

Nationality Restrictions

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40% where the condominium corporation owns the land where the condominium development is located.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Eleventh Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

The Company does not currently own real estate. However, if the Company acquires real estate in the future, it would be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals. The term "Philippine National" as defined under the R.A.No. 7042, as amended, shall mean a citizen of the Philippines, a domestic partnership or association wholly owned by citizens of the Philippines or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

Labor Code and Other Labor Legislation

The Labor Code recognizes subcontracting arrangements, whereby a principal (i.e. CEC or CATSI, as the case may be) puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the Department of Labor and Employment ("DOLE") issued DOLE Department Order No. 174-17 or *Rules Implementing Articles 106 to 109 of the Labor Code, As Amended* ("D.O. No 174-17"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a

principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System ("SSS"). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits, and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act created the National Health Insurance Program ("NHIP") to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. pThe NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The Home Development Fund Law (R.A. No. 9679) or the Pag-IBIG Fund Law, created the Home Development Mutual Fund ("HDMF"), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. The Pag-IBIG Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

Philippine Competition Act

R.A. No. 10667, or the Philippine Competition Act ("PCA"), is the primary competition policy of the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

1. Anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other

analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

2. Practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrictor lessen competition; and

3. Merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

Moreover, the parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the Philippine Competition Commission ("PCC"), the agency responsible for the implementation of the PCA, within 30 days from signing the definitive agreement and before consummating the transaction where:

1. In a merger or acquisition of assets, the value of the transaction exceeds Two Billion Pesos, Two Hundred Million (₱l2200,000,000.00), and the gross revenue or assets in the Philippines of the ultimate parent entity of one of the parties to the transaction exceeds P5,600,000,000.00; or

2. Where as a result of a proposed acquisition of voting shares of a corporation or of an interest in a non- corporate entity, the acquiring entity, together with its affiliates, would own thirty-five percent (35%) of the voting shares or shares entitled to profits, or increase the said shareholdings to fifty percent (50%) and the value of the assets of the target or its gross revenues in or into the Philippines exceeds Two Billion Pesos, Two Hundred Million (₱2,200,000,000.00);

3. In a notifiable joint venture transaction, if either (i) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds Two Billion Two Hundred Million Pesos (₱2,200,000,000.00) or (ii) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed Two Billion Two Hundred Million Pesos (₱2,200,000,000.00).

An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction.

Laws on Importation

Republic Act No. 1937 ("R.A. No. 1937") or the "Tariff and Customs Code of the Philippines" provides that all articles, when imported from any foreign country into the Philippines, shall be subject to duty upon each importation, even though previously exported from the Philippines, except as otherwise specifically provided for in this Code or in other laws.

In 2014, the Department of Finance issued DO No. 12-2014 requiring importers to secure an Importer Clearance Certificate ("ICC") from the BIR as a pre-requisite for accreditation with the Bureau of Customs ("BOC"). This is the first stage of the accreditation process that will enable the importers to import and transact business with the BOC. Importers will then present the BIR ICC to the BOC as a final requirement for accreditation and to be able to enter the customs premises.

The BIR then issued Revenue Memorandum Order No. 10-2014 ("RMO 10-2014"), which provides for the requirements and guidelines for ICC applicants, and required ICC applicants to establish a physical and legitimate presence in the Philippines and to demonstrate compliance with existing tax laws and regulations.

Under BOC Memorandum Order No. 26-2019 in furtherance of CMO No. 19-2019 on "Decentralizalizing the CPRS Activation of Entities Accredited by other Government Agencies and the Renewal of Accreditation of Customs Brokers to the District Collectors', all PEZA locators that have already been registered and approved by PEZA through the Client Profile Registration System (*"CPRS"*) shall be activated immediately by the BOC-Management Information System and Technology Group (*"MISTG"*) after presentation of the BOC official receipt showing payment of the application fee and the copy of the CPRS notification from the PEZA. The memorandum order was issued with the objective of promoting an effective and efficient customs management by streamlining and simplifying the BOC accreditation procedure for PEZA locators, thereby creating a more business and investor-friendly environment.

GENERAL CORPORATE INFORMATION

INCORPORATION

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the SEC on February 10, 2011.

ARTICLES OF INCORPORATION AND BY-LAWS

The Articles of Incorporation of the Company was approved by the SEC on February 10, 2011. The latest amended Articles was approved by the SEC on September 29, 2017.

The By-Laws of the Company was registered with the SEC on February 10, 2011. The latest amended By-Laws was approved by the SEC on July 23, 2015.

PRIMARY PURPOSE

Under the Articles, the Company's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, hypothecate, exchange, or otherwise dispose real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor, stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stock, bonds, debentures, contracts, or obligations, to guarantee obligations, debts, or loans of a subsidiary related to the foregoing and to receive, collect and dispose of the interest, dividends, and income arising from such property, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership.

CORPORATE TERM

The Company is authorized to exist for a term of 50 years from the date of its incorporation. This term may be renewed through an amendment to the Articles approved by the SEC.

FISCAL YEAR

The business year of the Company begins on the first day of January and ends on the last day of December of each year.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Articles of Incorporation and By-laws are available for inspection at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the SEC as well as the Company's website: *cirtekholdings.com.*

PHILIPPINE TAXATION

Following is a general description of certain Philippine tax aspects of investment by prospective CP Holders. This discussion is based upon Philippine tax laws, in particular the Tax Code, its implementing regulations and rulings in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective CP Holders.

The tax treatment of a prospective CP Holder may vary depending on such CP Holder's particular situation and certain prospective CP Holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a prospective CP Holder.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of investment in the CPs and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the CPs under applicable tax laws of other jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the CPs in such other jurisdictions.

EACH PROSPECTIVE CP HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH CP HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE CPs, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation which is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (the "**TRAIN Law**") took into effect. The TRAIN Law amended provisions of the Tax Code including provisions on Documentary Stamp Tax, tax on interest income and other distributions, Capital Gains Tax on the sale and disposition of securities, Estate Tax, and Donor's Tax.

Taxation of Interest Income

Interest income/Discount earned by individuals

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax.

As a general rule, interest income earned or yield or any other monetary benefit from the CPs realized by individual citizens of the Philippines, resident aliens and non-resident aliens engaged in trade or business in the Philippines is subject to a final withholding tax at the rate of 20% based on the gross amount of the interest.

Transfers or assignments of the CPs by the CP Holders are subject to a final tax on the interest income already earned by the transferor CP Holder which shall be borne by the CP Holder.

Interest income received by non-resident aliens not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%. However, such tax rate may be reduced under an applicable tax treaty force between the Philippines and the country of residence of the non-

resident CP Holder. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment or perform in the Philippines professional services from a fixed base and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment or fixed base.

Interest income/Discount earned by corporations

Interest income earned or yield or any other monetary benefit derived by domestic and resident foreign corporations from the CPs shall be subject to a final withholding tax of 20% of such interest income based on the gross amount of the interest.

On the other hand, interest income received by a non-resident foreign corporation shall be subject to 30% final withholding tax. This rate may also be reduced under an applicable tax treaty. The said income tax is withheld at source and constitutes a final settlement of Philippine income tax liability with respect to such interest

Interest income/Discount earned by trusts

A trust is generally taxed in the same way as an individual pursuant to the Tax Code which provides that the tax imposed upon individuals shall apply to the income of any kind of property held in trust (except qualifying employee's trust considered tax-exempt). Accordingly, since trusts are, for tax purposes, treated as an individual, interest income earned by trusts are likewise subject to the 20% final withholding tax.

Tax-exempt persons

All sums payable by the Issuer to tax-exempt persons shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission to the Registrar by the CP Holder claiming the exemption of reasonable evidence of such exemption. CP Holders who are subject to a lower rate of final withholding tax may avail of such preferential rate by submitting the necessary documents.

Said CP Holders shall submit the following requirements, in form and substance prescribed by the Issuer, to the Registrar or to the Underwriter or selling agents (together with their completed Application) who shall then forward the same to the Registrar: (i) a copy of the current and valid original tax exemption certificate, ruling or opinion (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) issued by the BIR, addressed to the applicant confirming the exemption, and certified by an authorized officer of the applicant as being a true copy of the original on file with the applicant; (ii) a duly notarized undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the applicant purchases the Commercial Papers for its account, or (ii.b) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Commercial Papers pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same CP Holder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent (a) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificates or preferential rate entitlement; (b) if there are any material changes in the factual circumstances of the CP Holder including but not limited to its character, nature and method of operation, which are inconsistent with the basis for its income tax exemption; or (c) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Commercial Papers being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential rate, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and (iii) such other documentary requirements as may be reasonably

required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include, (a) for initial interest due, duly accomplished and filed Certificate of Residence for Tax Treaty Relief (CORTT) Form or the prescribed certificate of residence of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No. 8- 2017 and/or a duly notarized and consularized, if executed outside of the Philippines, Special Power of Attorney executed by the CP Holder in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the CP Holder is not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) for subsequent interests due, three originals of Part II (D) of the CORTT Form shall be submitted by the CP Holder/Registrar to the Issuer no later than the first day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto and (iv) such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities; provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the CP Holder on the interest payments to such CP Holder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the CP Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

DOCUMENTARY STAMP TAXES

The Tax Code imposes a documentary stamp tax on all debentures, certificates of indebtedness, due bills, bonds, loan agreements, deposit substitute debt instruments at the rate of P1.50 on every P200, or fractional part thereof, of the face value of such securities; Provided, that for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days. The Company has undertaken to pay the documentary stamp tax on the issuance of the CPs.

No documentary stamp tax is imposed on the subsequent sale or disposition of the CPs, provided that the subsequent sale or disposition does not constitute a renewal or entail a change in the maturity date of the CPs.

VALUE-ADDED TAX AND GROSS RECEIPTS TAX

At issuance, no VAT shall be imposable upon the CPs. Subsequent transfers shall similarly be free of VAT, unless the CP Holder is a dealer in securities. In that instance, the CP Holder shall be liable to pay 12% VAT on the gross income derived from the trading of the CPs.

Under Republic Act No. 9238, services rendered in the Philippines by, among others, banks, non-bank financial intermediaries, quasi-banks, finance companies, and other financial intermediaries not performing quasi-banking functions (excluding insurance companies) are exempted from the coverage of the VAT. The exemption, which took effect retroactively on 1 January 2004, reverts to the application of the GRT regime on services rendered by banks, non-bank financial intermediaries, quasi-banks, finance companies, and other financial intermediaries not performing quasi-banking functions (excluding insurance companies). Rates of GRT shall be as follows:

(1) Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions:
   (a) On interest, commission and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:
      Maturity period is five years or less – 5%
      Maturity period is more than five years – 1%
   (b) On dividends and equity shares in net income of subsidiaries – 0%
   (c) On royalties, rentals of real or personal property, profits from exchange and all other items treated as gross income under the Tax Code – 7%
   (d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments – 7%
(2) Other Non-Bank Financial Intermediaries:

(a) On interest, commission, discounts and all other items treated as gross income under the Tax Code – 5%

(b) On interest, commission and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less – 5%

Maturity period is more than five years – 1%

TAXATION ON SALE OR OTHER DISPOSITION OF THE COMMERCIAL PAPERS

CP Holders may transfer their PDEx-listed Commercial Papers at any time, regardless of tax status of the transferor vis-à-vis the transferee. Transfers taking place in the Register of CP Holders after the CPs are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction provided the same are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing CP Holder claiming tax-exempt status is required to submit the following documents to the Issuer, within three (3) Business Days from settlement date: (i) a written notification of the sale or purchase, including the tax status of the selling or buying party, and (ii) an indemnity agreement wherein the new CP Holder undertakes to indemnify the Issuer for any tax that may later on be assessed from the Issuer on account of such transfer.

Income Tax

Ordinary asset – Any gain realized from the sale, exchange or retirement of CPs will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 20-35% effective January 1, 2018 until December 31, 2022and 15%-35% effective January 1, 2023 for individuals or 30% for domestic and foreign corporations, as the case may be.

For non-resident alien not engaged in trade or business in the Philippines, the gain shall be subject to the 25% final withholding tax.

Gross income derived by non-resident foreign corporations on the sale or other disposition of the CPs is subject to a 30% income tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the CPs may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Value-added Tax

Gross receipts arising from the sale of the CPs in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the CPs sold.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

ESTATE AND DONOR'S TAX

The transfer of the CPs by a decedent to his heirs, whether or not such decedent was residing in the Philippines, will be subject to an estate tax taxes at a fixed rate of 6%
which is levied on the net estate of the deceased.

Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of

CPs at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

The estate tax, as well as the donor's tax in respect of the CPs, shall not be collected if: (a) the deceased at the time of his death or donation was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of non-resident CP Holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations for such non-resident holders under laws other than those of the Philippines.

MARKET INFORMATION AND DIVIDENDS ON THE COMPANY'S COMMON SHARES AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's Common Shares are traded on the PSE under the symbol "TECH".

The following table sets out, for the periods indicated, the high and low sales prices for the Company's Common Shares, as reported on the PSE:

In PhP	High	Low
2015		
1st Quarter	29.09	16.40
2nd Quarter	32.09	24.50
3rd Quarter	27.60	25.75
4th Quarter	26.50	20.05
2016		
1st Quarter	20.75	17.20
2nd Quarter	19.98	16.12
3rd Quarter	25.00	16.24
4th Quarter	23.70	22.85
2017		
1st Quarter	24.00	22.30
2nd Quarter	26.70	22.80
3rd Quarter	40.95	26.30
4th Quarter	45.00	40.65
2018		
1st Quarter	56.70	46.50
2nd Quarter	51.90	45.90
3rd Quarter	44.00	28.50
4th Quarter	39.00	32.50
2019		
1st Quarter	31.80	28.30
2nd Quarter	21.20	19.20
3rd Quarter	9.20	8.60

On January 10, 2020, the closing price of TECH Common Shares on the PSE was PhP 7.49.

Holders

Members of the Liu family, through their control of Camerton, Inc., a private holding company incorporated in the Philippines, are the majority shareholders of and effectively control the Company. As of September 30, 2019, Camerton, Inc. holds or owns 49.85% of the outstanding common shares and 100% of the outstanding voting Preferred A Shares of the Company.

As of September 30, 2019, Cirtek's other principal shareholders was PCD Nominee Corporation at 49.42%.

The table below summarizes the security ownership of certain records and beneficial owners of more than 5% as of September 30, 2019.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Camerton, Inc.	Same as Record Owner	Filipino	208,888,558	49.85
Common	PCD Nominee Corporation	Same as Record Owner	Filipino	207,118,319	49.42

The following are the top 20 registered holders of the Company's securities as of September 30, 2019:

	Stockholder's Name	Class of Securities	No. Shares	% of Total	Nationality
1.	Camerton, Inc.	Common	208,888,558	49.85%	Filipino
2.	PCD Nominee Filipino	Common	207,118,319	49.42%	Filipino
3.	PCD Nominee Non-Filipino	Common	2,985,407	0.71%	Others
4.	Beant Singh Grewal	Common	37,000	0.01%	Indian
5.	Anna Loraine M. Mendoza	Common	17,500	0.00%	Filipino
6.	Raymond Alvin M Mendoza	Common	13,100	0.00%	Filipino
7.	Myra P. Villanueva	Common	2,000	0.00%	Filipino
8.	Eduardo P. Lizares	Common	1,000	0.00%	Filipino
9.	Julius Victor Emmanuel D Sanvictores	Common	145	0.00%	Filipino

10.	Stephen G. Soliven	Common	122	0.00%	Filipino
11.	Owen Nathaniel S. Au Itf Li Marcus Au	Common	106	0.00%	Filipino
12.	Jesus San Luis Valencia	Common	62	0.00%	Filipino
13.	Dondi Ron R. Limgenco	Common	11	0.00%	Filipino
14.	Shareholders' Association of the Philippines, Inc.	Common	10	0.00%	Filipino
15.	Joselito T. Bautista	Common	3	0.00%	Filipino
16.	Jerry Liu	Common	1	0.00%	Filipino
17.	Rafael G. Estrada	Common	1	0.00%	Filipino
18.	Corazon P. Guidote	Common	1	0.00%	Filipino
19.	Brian Gregory Liu	Common	1	0.00%	Filipino
20.	Jorge Aguilar	Common	1	0.00%	Filipino

Holders of Preferred Shares

As of September 30, 2019, Camerton, Inc is the sole holder of the Company's preferred shares.

Stockholder's Name	Series	No. of Shares	% of Total*	Nationality
Camerton, Inc.	Preferred A	700,000,000	77.93%	Filipino
	Preferred B-1	70,000,000		

*Includes outstanding common and preferred shares

Security Ownership of Directors and Management

As of September 30, 2019, the following table sets forth security ownership of the Company's Directors and Officers:

Title of Class	Name & address of record owner & relationship with Issuer	Name of beneficial owner & relationship with record owner	Citizenship	No. of shares held	% of Total

Common	Jerry Liu[3] Chairman *24 Buchanan St.,* *North Greenhills* *San Juan Metro Manila, Philippines*	Same as the record owner	Taiwanese	1	00.00%
Common	Jorge Aguilar Vice Chairman and President *Phase 2, Lot 2, Blk 2, Rosal St. Greenland Cainta Rizal, Philippines*	Same as the record owner	Filipino	1	0.00%
Common	Justin T. Liu Director, Vice President and CIO *24 Buchanan St.,* *North Greenhills* *San Juan Metro Manila, Philippines*	Same as the record owner	Filipino	1	0.00%

[3] The family of Messrs. Jerry Liu, Justin T. Liu, Michael Stephen T. Liu and Brian Gregory T. Liu, through Charmview Enterprises, Ltd. and Carmetheus Holdings, Inc., owns Camerton, which in turn is the principal stockholder of the Company.

Common	Brian Gregory Liu Director, EVP and Chief Financial Officer *24 Buchanan St.,* *North Greenhills* *San Juan Metro Manila, Philippines*	Same as the record owner	Filipino	1	0.00%

Common	Michael Stephen Liu Director *24 Buchanan St.,* *North Greenhills San Juan Metro Manila, Philippines*	Same as the record owner	Filipino	1	0.00%
Common	Bernardino Ramos Independent Director *206 Balayan Street, Ayala Alabang Village, Muntinlupa City, Philippines*	Same as the record owner	Filipino	1	0.00%

Common	Ernest Fritz Server Independent Director *319 Chico Drive, Ayala Alabang Village, Muntinlupa City, Philippines*	Same as the record owner	Filipino	1	0.00%
Common	Hector Villanueva Independent Director *4419 Bluebelle Road, Sun Valley Subd., Barangay Sun Valley, Paranaque City Philippines*	Same as the record owner	Filipino	1,001	0.00%
Common	Corazon Guidote Independent Director *6A South Edades, North South Executive Village, Commonwealth*	Same as the record owner	Filipino	1	0.00%

	Avenue, Quezon City Philippines				

There is no director or key officer of the Company that directly owns at least 10% of its issued and outstanding shares of common stock.

DIVIDENDS
Limitations and Requirements

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (1) when justified by definite expansion plans approved by the board of directors of the corporation; (2) when the required consent of any financing institution or creditor to such distribution has not been secured; (3) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (4) when the non-distribution of dividends is consistent with the policy or requirement of a government office.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. In case no record date is specified, the same is deemed to be fixed at 15 days from such declaration. However, companies that are obliged to pay dividends may have a single declaration for several cash dividends within a year, subject to the condition that their record and payment dates are also explicitly provided.

For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend Policy

On April 28, 2011, the Company's Board approved an annual dividend payment ratio of approximately 30% of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of dividends including, but not limited to, when the Company undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying

cash dividends by its loan covenants. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

The Subsidiaries have no defined dividend policy; nevertheless the Subsidiaries, in declaring and paying dividends, take into consideration the interests of their shareholders as well as their working capital, capital expenditures and debt servicing requirements, and tax regimes. Historically, the Subsidiaries have declared and paid up dividends to CHPC amounting to approximately 50% to 100% of their unrestricted retained earnings on an annual basis.

Dividend History

The dividend history of the Company from 2014 to 2019 is provided below:

Stock Dividends

Class	Declaration Date	Percent	No. of Actual Shares Issued	Record Date	Payment Date
Common	11-Jul-14	10%	28,021,765[4]	25-Jul-14	20-Aug-14
Common	12-May-15	10%	30,823,937[4]	26-May-15	18-Jun-15

Cash Dividend

Class	Declaration Date	Rate/Share	Total Cash Dividend	Record Date	Payment Date
Common	29-Jan-14	US$0.00428	US$1,200,000.00	13-Feb-14	25-Feb-14
Common	30-May-14	US$0.00214	US$ 600,000.00	16-Jun-14	7-Jul-14
Common	23-Feb-15	US$0.003893	US$1,200,000.00	10-Mar-15	27-Mar-15
Common	10-Aug-15	US$0.002628	US$900,000.00	25-Aug-15	28-Aug-15
Preferred A	10-Aug-15	US$0.000022		25-Aug-15	28-Aug-15
Common	28-Jan-16	US$0.005000	US$2,100,000.00	12-Feb-16	29-Feb-16
Preferred A	28-Jan-16	US$0.000021		12-Feb-16	29-Feb-16
Common	9-Jun-16	US$0.003620	US$1,520,000.00	23-Jun-16	7-Jul-16
Preferred A	9-Jun-16	US$0.000001		23-Jun-16	7-Jul-16
Common	23-Jan-17	US$0.004322	US$1,820,000.00	6-Feb-17	22-Feb-17
Preferred A	23-Jan-17	US$0.000021		6-Feb-17	22-Feb-17
Common	15-Sep-17	US$0.004629	US$1,940,000.00	29-Sep-17	6-Oct-17
Common	02-Feb-18	US$0.004609	US$1,940,000.00	19-Feb-18	21-Feb18
Preferred B2	27-Feb-18	US$0.015353	US$1,025,937.50	06-Mar-18	08-Mar-18
Preferred B2	04-June-18	US$0.015313	US$1,025,937.50	06-June-18	08-June-18
Preferred B2	04-June-18	US$0.015313	US$1,025,937.50	06-Sep-18	10-Sep-18
Preferred B2	04-June-18	US$0.015313	US$1,025,937.50	06-Dec-18	10-Dec-18
Common	03-Sep-18	US$0.0048	US$2,000,000	08-Sep-18	24-Sep-18

Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	06-Mar-19	08-Mar-19
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	06-June-19	10-June-19
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	05-Sep-19	09-Sep-19
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	05-Dec-19	09-Dec-19
Common	24-May-19	US$0.002366	US$ 984,220.54	11-June-19	28- June-19
Common	24-May-19	US$0.002386	US$ 1,000,000.00	11-Nov-19	29-Nov-19

Voting Trust Holders of 5% or More

There is no voting trust arrangement executed among the holders of 5% or more of the issued and outstanding shares of common stock of the Company.

Change in Control

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

Recent Sale of Unregistered or Exempt Securities

The following securities were issued as exempt from the registration requirements of the SRC and therefore have not been registered with the SEC.

In 2015, the Company declared a total of 30,823,934 (10%) Common Shares as stock dividends to all stockholders of record as of May 26, 2015.

On July 22, 2015, the SEC approved the Company's increase in authorized capital stock from ₱400,000,000.00 to ₱560,000,000.00, which created 400,000,000 Preferred A Shares with a par value of ₱0.10 per share. Camerton, Inc. subscribed to 400,000,000 Preferred A Shares at the par value of ₱0.10 per share and partially paid ₱10,000,000.00 for the subscription.

On September 20, 2016, the Company entered into a Note Facility Agreement with Bank of the Philippine Islands as Initial Noteholder, Bank of the Philippine Islands – Asset Management and Trust Group as Facility Agent and Paying Agent, and BPI Capital Corporation as Arranger. The Company was authorized to constitute and issue corporate notes in the aggregate principal amount of US$30 million, which the Company issued to BPI. The corporate note is an exempt security under SRC Rule 10.1.4 as an issuance of indebtedness to a primary institutional lender.

On September 29, 2017, the SEC approved the Company's increase in authorized capital stock from ₱560,000,000.00 to ₱860,000,000.00. The increase resulted into: (i) the increase of Preferred A Shares from ₱40,000,000.00 to ₱70,000,000.00, with an additional 300,000,000 Preferred A Shares with a par value of ₱0.10 per share;; and (ii) the creation of ₱270,000,000 worth of Preferred B Shares with a par value of ₱1.00 per share, classified into the following series: (i) ₱70,000,000 worth of Preferred B-1 Shares, and (ii) ₱200,000,000 worth of Preferred B-2 Shares. The Board approved the issuance to Camerton, Inc. of: (i) 300,000,000 Preferred A Shares at the par value of ₱0.10 per share, for which Camerton, Inc. partially paid ₱7,500,000.00;; and (ii) 70,000,000 Preferred B-1 Shares at the par value of ₱1.00 per share, for which Camerton, Inc. partially paid ₱17,500,000.00.

No underwriting discounts or commissions were incurred or paid for the foregoing issuances of shares. No request for confirmation of exemption was filed by the Company for the sale of securities relying upon exemptions under Sec. 10.1(d) and (i) of the SRC, and SRC Rule 10.1.4.

INDEPENDENT AUDITORS

The audited consolidated financial statements of the Company as at 31 December 2016 and 2015 and for each of the three years in the period ended 31 December 2016 have been audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Company's fiscal year begins on 1 January and ends on 31 December of each year.

SGV & Co. has acted as the Company's independent auditors since inception. Kristopher S. Catalan is the current audit partner and has served the Company since 2016. Prior to Kristopher S. Catalan, Ladislao Z. Avila, Jr. and then Martin Guantes acted as the Partners-in-Charge for the audit years 2011 to 2015. The Company, in compliance with SRC Rule 68, paragraph 3 (b) (iv) re: compliance with the five (5) year rotation requirement for external auditors, has requested for a new Partner-in-Charge from SGV to handle its accounts. Kristopher S. Catalan has been assigned by SGV & Co. as Partner-in-Charge effective 2016 Audit. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co., excluding fees directly related to the Offer.

In Php	2018	2017	2016
Audit and Audit-related Fees[a]	1,991,272.73	1,875,308.73	2,372,244.00
All Other Fees[b]	703,170.69	458,000.00	458,000.00
Total	**2,694,443.42**	**2,830,244.00**	**2,830,244.00**

a *Audit and Audit-Related Fees. This category includes the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work.*

b *All Other Fees. This category includes other services rendered by SGV & Co. such as agreed upon procedures and tax compliance services.*

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, which was approved by the Board of Directors on December 15, 2010 (revised on 31 July 2014), provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the independent auditors in relation to the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Company, (ii) ensure that other non-audit work provided by the independent auditors are not in conflict with their functions as independent auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

RELATED PARTY TRANSACTIONS

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

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

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

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

a. Amounts owed to related parties

		Transactions		Balances as of			
		Nine Months Ended September 30 (Unaudited)		September 30, 2019	December 31, 2018		
		2019	2018	(Unaudited)	(Audited)	Terms	Conditions
Other related parties							
CLC	Rental	$8,770	$11,559	$ 479,377	$470,607	Due on demand; noninterest-bearing	Unsecured
Cayon	Rental	7,969	10,503	102,627	94,658	Due on demand; noninterest-bearing	Unsecured
Stockholders	Payment made on behalf of the Group	-	35,928	35,928	35,928	Due on demand; noninterest-bearing	Unsecured
				$ 617,932	$601,193		

b. Amounts owed by related parties

		Transactions		Balances as of			
		Nine Months Ended September 30 (Unaudited)		September 30, 2019	December 31, 2018		
		2019	2018	(Unaudited)	(Audited)	Terms	Conditions
Parent							
Camerton	Collections on behalf of the Group	($27,074,029)	$54,888,948	$27,886,037	$54,960,066	Due on demand; non-interest bearing	Unsecured; no impairment
	Reimbursements of expenses	-	18,809	18,809	18,809	Due on demand; non-interest bearing	Unsecured; no impairment
(Forward)							
Other related entities							
CHI	Advances for working capital	$–	$–	$1,809,256	$1,809,256	Due on demand; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	4	2,548	216,779	216,775	Due on demand; non-interest bearing	Unsecured; no impairment
				$29,930,881	$57,004,906		

c. Rental deposit

		Transactions		Balances as of			
		Nine Months Ended September 30, (Unaudited)		September 30, 2019	December 31, 2018		
		2019	2018	(Unaudited)	(Audited)	Terms	Conditions
Other related parties							
CLC	Rental deposit	$16,531	$–	$1,158,904	$1,142,374	Due on demand; non-interest bearing	Unsecured; no impairment
Camerton	Deposit for future stock subscription	-	189,107	189,107	189,107	Due on demand; non-interest bearing	Unsecured; no impairment
	Dividend payable	-	20,601	20,601	20,601	Due on demand; non-interest bearing	Unsecured; no impairment

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

Transactions with individual stockholders, Camerton

As of December 31, 2017, advances to individual stockholders, which are due and demandable and noninterest-bearing, amounted to $48.3 million. In 2018, additional advances amounted to $7.1 million, net of collections amounting to $17.1 million.

On December 27, 2018, the Group and Camerton executed a Sworn Corporate Undertaking, whereby Camerton undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. Camerton 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. Loan agreements between Camerton and the Group were executed on the same day which indicates the terms and conditions disclosed in the table.

Transactions with CHI, Charmview Enterprises Ltd (CEL)

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

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

For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on

March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of

March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

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

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

The amount owed by CHI as of September 30, 2019 and December 31, 2017 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

Transactions with CLC and Cayon

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

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to Php60.1 million ($1.1 million and $1.2 million as of September 30, 2019 and December 31, 2018, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a Php640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to$8,697, and $9,089 for the nine months ended September 30, 2019 and 2018, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of Php582,144 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 $7,906 and $8,257 for the nine months ended September 30, 2019 and 2018, respectively.

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

	Nine Months Ended September 30	
	(Unaudited)	
	2019	2018
Salaries and wages	**$ 1,670,705**	$1,148,883
Other employee benefits	**$ 139,929**	$234,061
	$ 1,810,634	$1,382,944

FINANCIAL INFORMATION

The following pages set forth the Company's unaudited and audited consolidated financial statements for the period ended September 30, 2019, and as at December 31, 2018, 2017, and 2016 for each of the one-year period.

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Cirtek Holdings Philippines Corporation (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 in accordance with the prescribed financial reporting framework indicated therein, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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 or members.

Sycip GorresVelayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JERRY LIU
Chairman and CEO

ROBERTO JUANCHITO DISPO
Vice-Chairman/President

CARLOS GACUSANA, JR.
Deputy Chief Financial Officer

Signed this 14th day of November 2019

SUBSCRIBED AND SWORN to before me this NOVlay 4f 2019 at PROVINCE OF LAGUNA CITY OF STA. ROSA Philippines affiants exhibited to me their _____ as follows:

Affiant	Type Of ID	ID Number and Expiry Date (if applicable)
Jerry Liu	TIN	113-279-728
Roberto Juanchito Dispo	TIN	129-882-308
Carlos Gacusana Jr.	TIN	253-263-248

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Page No. 15
Book No. XXXIV
Series of 2019

ATTY. MA. FATIMA UNGSON-LIU
Unit 109 Humana Wellness Ctr. Sta. Rosa, Laguna
NOTARY PUBLIC for CITY OF STA. ROSA, LAGUNA
UNTIL DECEMBER 31, 2019
ROLL NO. 46386; MCLE NO. VI-0024880/04-17-19
IBP Lifetime Reg. No. 03411
TIN NO. 172-447-973
PTR No. 3613278/01-03-19 / Sta. Rosa, Laguna

COVER SHEET

CS201102137

SEC Registration Number

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

(Business Address: No. Street City/Town/Province)

Mr. Carlos Gacusana Jr.,

(Contact Person)

7729-6205

(Company Telephone Number)

SEC Form 17Q

12 31

Month *Day*

(Calendar Year)

(Form Type)

05 31

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

28

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2019

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	**419,063,353 / n/a**
Preferred B2 Shares	**67,000,000/ n/a**

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

Yes [✔] No [ ]

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

Philippine Stock Exchange – Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

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

Please see attached

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.:

Signature and Title

Ma.Lourdes Laraño
Chief Compliance Officer

Date: November 19, 2019

Principal Financial/Accounting Officer/Controller:

Signature and Title: **Carlos Gacusana Jr.**
Deputy Chief Financial Officer

Date: November 19, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2019

(With Comparative Audited Figures as at December 31, 2018)

	September 30,2019 (Unaudited)	December 31,2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$15,511,686**	$17,443,001
Trade and other receivables (Note 6)	**26,965,333**	14,725,878
Inventories (Note 7)	**28,035,647**	28,303,005
Amounts owed by related parties (Note 17)	**29,930,881**	57,004,906
Other current assets (Note 8)	**3,451,036**	2,617,509
Total Current Assets	**103,894,583**	120,094,299
Noncurrent Assets		
Other financial asset at amortized cost (Note 9)	**469,588**	469,588
Investment properties (Note 11)	**10,605,040**	10,605,040
Property, plant and equipment (Note 10)	**37,008,882**	38,160,729
Intangible assets (Note 12)	**100,037,553**	93,083,644
Deferred income tax assets - net (Note 23)	**205,074**	205,074
Other noncurrent assets (Note 13)	**804,943**	1,950,980
Total Noncurrent Assets	**149,131,080**	144,475,055
TOTAL ASSETS	**253,025,663**	$264,569,354
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**$19,583,210**	$16,810,575
Short-term loans (Note 15)	**48,260,000**	53,710,000
Current portion of long-term debt (Note 16)	**6,644,496**	11,045,751
Amounts owed to related parties (Note 17)	**617,932**	601,193
Dividend payable	**20,601**	20,601
Income tax payable (Note 23)	**94,470**	458,785
Total Current Liabilities	**75,220,709**	82,646,905
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**58,259,623**	62,300,920
Deposit for future stock subscriptions	**189,107**	189,107
Retirement benefit obligation (Note 21)	**1,497,008**	1,555,062
Deferred income tax liabilities - net (Note 23)	**4,447,068**	4,090,991
Other noncurrent liabilities	**–**	–
Total Noncurrent Liabilities	**64,392,806**	68,136,080
Total Liabilities	**139,613,515**	150,782,985
Equity		
Common stock (Note 27)	**9,594,321**	9,594,321
Preferred stock (Note 27)	**2,615,995**	2,615,995
Additional paid-in capital (Note 27)	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income (loss)	**(1,255,830)**	(1,255,830)
Retained earnings (Note 27)	**24,770,469**	25,144,690
	140,224,828	140,599,049
Parent Company shares held by a subsidiary (Note 27)	**(26,812,680)**	(26,812,680)
Total Equity	**113,412,148**	113,786,369
TOTAL LIABILITIES AND EQUITY	**253,025,663**	$264,569,354

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS	**$69,560,076**	$88,475,110	**$20,916,979**	$33,628,323
COST OF SALES(Note 18)	**(54,366,678)**	(62,741,522)	**(16,606,271)**	(23,475,462)
GROSS PROFIT	**15,193,398**	25,733,588	**4,310,708**	10,152,861
OPERATING EXPENSES(Note 19)	**(7,138,656)**	(15,560,046)	**(1,487,304)**	(5,381,842)
FINANCIAL INCOME (EXPENSE)				
Interest income (Note 5)	**15,212**	34,403	**3,105**	10,593
Interest expense(Notes 15 and 16)	**(4,644,093)**	(3,755,632)	**(1,359,251)**	(1,283,034)
	(4,628,881)	(3,721,229)	**(1,356,146)**	(1,272,441)
OTHER INCOME- Net (Note 22)	**642,909**	4,846,389	**34,207**	79,918
INCOME BEFORE INCOME TAX	**4,068,770**	11,298,702	**1,501,465**	3,578,496
PROVISION FOR (BENEFITS FROM) INCOME TAX(Note 23)				
Current	**380,858**	390,867	**100,050**	181,710
Deferred	**–**	(178,572)	**–**	(162,126)
	380,858	212,295	**100,050**	19,584
NET INCOME	**3,687,912**	11,086,407	**1,401,415**	3,558,912
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 21)	**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME	**$3,687,912**	$11,086,407	**$1,401,415**	$3,558,912
Basic/Diluted Earnings Per Share(Note 24)	**$0.001**	$0.010		$0.003

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	For the Nine Months Ended September 30, 2019 (Unaudited)								
	Common Stock Issued	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Treasury Shares	Parent Company Shares Held by a Subsidiary	Total
Balances at December 31, 2018	$9,594,321	$2,615,995	$100,469,659	$4,030,214	($1,255,830)	$ 25,144,690	–	($26,812,680)	$113,786,369
Net income	–	–	–	–	–	3,687,912	–	–	3,687,912
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	3,687,912	–	–	3,687,912
Issuance of additional preferred stock (Note 28)	–	–	–	–	–	–	–	–	–
Cash dividends declared (Note 28)	–	–	–	–	–	(4,062,133)	–	–	(4,062,133)
Shares held by the company (Note 28)	–	–	–	–	–	–	–	–	–
Acquisition of parent company shares held by a subsidiary(Note 28)	–	–	–	–	–	–	–	–	–
Balances at September 30, 2019	**$9,594,321**	**$2,615,995**	**$100,469,659**	**$4,030,214**	**($1,255,830)**	**$24,770,469**	**–**	**($26,812,680)**	**$113,412,148**

	For the Nine Months Ended September 30, 2018 (Unaudited)								
	Common Stock Issued	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Treasury Shares	Parent Company Shares Held by a Subsidiary	Total
Balances at December 31, 2017	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$25,819,024	–	($2,499,307)	$139,647,316
Net income	–	–	–	–	–	11,086,407	–	–	11,086,407
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	11,086,407	–	–	11,086,407
Issuance of additional preferred stock (Note 28)	–	578,882	–	–	–	–	–	–	578,882
Cash dividends declared (Note 28)	–	–	–	–	–	(7,038,415)	–	–	(7,038,415)
Shares held by the company (Note 28)	–	–	–	–	–	–	(34,059,586)	–	(34,059,586)
Acquisition of parent company shares held by a subsidiary (Note 28)	–	–	–	–	–	–		(13,307,586)	(13,307,586)
Balances at September 30, 2018	**$9,594,321**	**$2,615,995**	**$100,469,659**	**$4,030,214**	**$196,292**	**$29,867,016**	**($34,059,586)**	**($15,806,893)**	**$96,907,018**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$4,068,770	$11,298,702
Adjustments for:		
Depreciation and amortization (Notes19 and 20)	3,426,925	3,591,578
Interest expense (Notes 16 and 17)	4,644,093	3,755,632
Movement in net retirement benefit obligation (Note 22)	(58,054)	(121,387)
Net unrealized foreign exchange gains	174,185	6,589
Interest income (Note 5)	(15,212)	(34,403)
Operating income before working capital changes	12,240,707	18,496,711
Decrease (increase) in:		
Trade and other receivables	(12,230,698)	(31,453,618)
Inventories	267,358	(36,247)
Other current assets	(905,454)	151,197
Increase (decrease) in trade and other payables	3,778,678	(10,069,974)
Net cash generated fromoperations	3,150,591	(22,911,931)
Interest received	6,455	53,914
Income taxes paid	(389,096)	(515,612)
Net cash flows from operating activities	2,767,950	(23,373,629)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions ofproperty, plant and equipment (Note 11)	(2,143,757)	(4,693,836)
Net payment for the acquisition of Quintel		(1,977,281)
Investment in HTM investments		–
Decrease (increase) in Intangible Assets	(6,953,909)	–
Increase in other noncurrent assets		(606,016)
Net cash flows used in investing activities	(9,097,666)	(7,277,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term loans (Note 15)	5,350,000	11,138,000
Issuance of preferred stock		578,882
Sale of Parent Company shares held by a subsidiary (Note 28)		–
Payments of:		
Cash dividends (Note 28)	(4,041,532)	(6,033,954)
Interest (Notes 16and 17)	(4,644,093)	(3,818,637)
Long-term debt (Note 17)	(8,540,000)	(3,625,789)
Short-term loans (Note 16)	(10,800,000)	(200,000)
Acquisition of Parent Company shares held by a subsidiary		(13,307,586)
Net movements in amounts owed by and owed to related parties	27,074,025	15,969,561
Net cash flows from financing activities	4,398,400	700,477
EFFECT OF EXCHANGE RATE CHANGES ON CASH		–
NET INCREASE (DECREASE) IN CASH	(1,931,315)	(29,950,285)
CASH AT BEGINNING OF PERIOD	17,443,001	37,222,737
CASH AT END OF PERIOD	$15,511,686	$7,272,452

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

1. Corporate Information

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

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

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

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

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

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

Incorporation of Cirtek Corporation and Cirtek Cayman Ltd. (CCL, Merger Subsidiary)
Cirtek Corporation was incorporated on July 7, 2017 under the laws of Delaware, USA, to engagein lawful act or activity for which corporations may be organized under the General CorporationLaw 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 awholly-owned subsidiary of Cirtek Corporation and was merged with Quintel Cayman Ltd. (Quintel) in accordance with the Agreement and Plan of Merger ("Agreement") between the Group and the previous stockholders of Quintel.

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

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

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

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

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

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

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

Statement of Compliance
The interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's December 31, 2018 annual consolidated financial statements.

Basis of Consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of the September 30, 2019 and December 31, 2018:

	Country of Incorporation	Percentage of Ownership			
		September 30, 2019		December 31, 2018	
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	–	100	–
CEIC	BVI	100	–	100	–
CATS (formerly known as RBWI)	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	Cayman Islands	–	100	–	100
Quintel Technology, Ltd.	United Kingdom	–	100	–	100
Quintel USA	United States of America	–	100	–	100
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	100	–	100

**In the process of dissolution.*

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;

- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Common control business combinations

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies for the first time PFRS 16, Leases, applying the modified retrospective approach which does not require restatement of previous financial statements. As required by PAS 34, the nature and effect of these changes are disclosed below.

PFRS 16, Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-ofuse asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-ofuse asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group applied PFRS 16 using the modified restrospective (alternative2) transition approach with the date of initial application of January 1, 2019. Under this approach, the lease liability is also measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by lease basis:

- The Group did not reassess whether its contracts contains a lease at the date of initial application and applied PFRS 16 to contracts previously identified as leases.
- If applicable, applied a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- Adjusted the right-of-use asset for any recognized onerous lease provisions, instead of performing an impairment review.
- Applied a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use asset
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. When performing its hindsight assessment, an entity should consider events and circumstances that occurred up to the effective date of the new leases standard (January 1, 2019).

The adoption did not have a material impact on the Group's financial performance, financial position and operating, investing and financing cash flows.

Several other amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes

the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact to the Group.

- Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Adoption of these amendments did not have significant impact on the Group's interim condensed consolidated financial statements.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its interim condensed consolidated financial statements.

- Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatmentsinvolves uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the

scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

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

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

Annual Improvements to PFRS 2015-2017 Cycle

- Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.
  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The amendments will apply on future disclosures of the Group.

Effective beginning on or after January 1, 2021

- PFRS 17, Insurance Contracts

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of

the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

PFRS 17 is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board (IASB) completes 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. Operating Segments

Financial information on the Group's business segments as of September 30, 2019 and December 31, 2018 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the nine months ended September 30, 2019:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers:					
External customers	$29,569,746	$16,409,285	$23,581,045	$–	$69,560,076
Inter-segment	–	–	–	–	–
Total net sales	$29,569,746	$16,409,285	$23,581,045	$–	$69,560,076
Segment depreciation and amortization	$2,764,171	$547,282	$115,473	$–	$3,426,925
Segment interest income	14,022	1,056	134	–	15,212
Segment interest expense	4,577,749	–	66,344	–	4,644,093
Segment profit before income tax	3,718,440	2,404,469	2,179,859	(4,233,998)	4,068,770
Segment provision for (benefit from) income tax	298,468	58,082	24,308	–	380,858
Segment profit after income tax	$3,419,971	$2,346,387	$2,155,551	$(4,233,998)	$3,687,912

Other financial information of the operating segments as of September 30, 2019 is as follows:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$101,596,741	$49,733,638	$17,037,007	$(64,472,803)	$103,894,583
Noncurrent assets	38,309,685	18,101,433	7,560,009	85,159,952	149,131,080
	$139,906,426	$67,835,071	$24,597,016	$20,687,150	$253,025,663
Liabilities:					
Current liabilities	$62,777,568	$45,468,153	$29,592,553	$(62,617,565)	$75,220,709
Noncurrent liabilities	59,845,550	650,549	-	3,896,707	64,392,806
	$122,623,118	$46,118,702	$29,592,553	$(58,720,858)	$139,613,516

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

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

For the nine months ended September 30, 2018:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers:					
External customers	$35,329,134	$5,648,057	$47,497,919	$–	$88,475,110
Inter-segment	–	34,160,049	–	(34,160,049)	–
Total net sales	$35,329,134	$39,808,106	$47,497,919	($34,160,049)	$88,475,110
Segment depreciation and amortization	$2,364,414	$413,799	$336,440	$600,000	$3,714,653
Segment interest income	26,232	8,170	–	–	34,403
Segment interest expense	3,122,250	–	633,382	–	3,755,632
Segment profit before income tax	3,789,613	6,165,491	260,057	1,083,541	11,298,702
Segment provision for (benefit from) income tax	329,265	61,602	31,428	(210,000)	212,295
Segment profit after income tax	$3,460,348	$6,103,889	$228,629	$1,293,541	$11,086,407

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	($68,531,914)	$120,094,299
Noncurrent 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
Noncurrent 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

4. Business Combination

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

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

Assets	
Current Assets	
Cash	$1,849,741
Accounts receivable – net	3,920,576
Inventories – net	10,029,461
Prepayments and other current assets	306,517
Noncurrent Assets	
Intangible assets (Note 12)	37,083,900
Property and equipment	499,842
Total Assets	$53,690,037
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	$ 20,612,773
Decommissioning liability	122,800
Deferred grants	520,000
Current portion of long-term debt	300,000
Noncurrent Liabilities	
Long-term debt - net of current portion	625,962
Deferred income tax liabilities – net	3,896,706
Total Liabilities	**26,078,241**
Fair value of identifiable net assets	27,611,796
Acquisition cost	83,152,953
Goodwill	**$55,541,157**

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

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

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

As provided for under PFRS 3, the Group has initially applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date.

The Group has completed the identification of the intangible assets arising from the acquisition and has effected adjustments such as inventories and contingent liabilities, among others, that impact the amount of goodwill.

5. Cash and Cash Equivalents

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	$ 245	$245
Cash in banks	15,511,441	17,439,717
Cash equivalents	–	3,039
	$ 15,511,686	$17,443,001

Cash in banks earn interest at prevailing bank deposit rates.

Interest income earned from cash in banks amounted to$15,212and$34,403for the ninemonths endedSeptember 30, 2019 and2018, respectively.

6. Trade and Other Receivables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	$ 22,021,645	$14,940,815
Others	5,434,700	276,075
	27,456,345	15,216,890
Less allowance for impairment losses on trade receivables	491,012	491,012
	$26,965,333	$14,725,878

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

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

7. Inventories

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
At cost:		
Raw materials	$12,480,774	$9,814,321
Work in process	591,022	4,901,773
Finished goods	13,007,657	11,985,157
Spare parts and others	952,586	847,330
Supplies and others	1,003,608	754,424
	28,035,647	28,303,005
At NRV:		
Finished goods	–	827,378
Supplies and others	–	96,884
Allowance for inventory obsolescence	–	(924,262)
	–	–
Total inventories at lower of cost and NRV	$28,035,647	$28,303,005

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

The allowance for inventory obsolescence of supplies and other inventories as ofSeptember 30, 2019and December 31, 2018 amounted toNIL and$924,262, respectively.

8. Other Current Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Rental deposit (Note 18)	$1,132,086	$1,142,374
Prepaid expenses	172,011	389,399
Advances to suppliers	1,302,293	288,767
Loans to employees	419,169	612,792
Security deposit	180,507	182,409
Others	244,970	1,768
	$3,451,036	$2,617,509

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

9. Other Financial Asset at Amortized Cost

The movement of other financial assets at amortized cost areas follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning of year	$469,588	$480,563
Acquisition	–	–
Maturity	–	–
Amortization of premium	–	(10,975)
End of year	$469,588	$469,588

In compliance with the Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with market values equivalent to a certain percentage of the amount by which CATS - Philippine Branch's gross income exceeds $0.1 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 (previously classified as HTM investment) pertains to a government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation.

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

Property, plant and equipment

During the nine months ended September 30, 2019 and 2018, the Group acquired assets with a cost of$2,135,637and $4,693,836respectively.

Noncurrent assets held for sale

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

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

The fair value of the noncurrent assets held for sale was determined as the sum of:

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

The valuations were performed by a Philippine SEC accredited appraiser as of December 31, 2018.

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

Replacement Cost New is estimated as follows:

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

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

For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history, is also considered.Cots to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive at the amount of fair value less costs to sell.

11. Investment Properties

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Land	$6,466,337	$6,466,337
Building	4,138,703	4,138,703
	$10,605,040	$10,605,040

As at September 30, 2019, the Group's investment properties (see Note 12) amounted to $10.6 million. In 2018, net gain on fair value measurement amounted to $2.0 million presented under"Other income (charges)" account in profit or loss.

As at September 30, 2019, the fair values of land and building are based on valuations performed by AVISO Valuation and Advisory, aPhilippine-SEC-accredited independent appraiser, last April 2019. The valuation model in accordance with thatrecommended by the IVSC has been applied.Market Approach is a method of comparing recent sales and sales offerings of similar propertieslocated in the surrounding area, adjusted for time, size, location and other relevant factors. Pricepersquare meter of market comparable range from $130 to $240. Significant increases (decreases) inestimated price per square meter in isolation would result in a significantly higher (lower) fair valueon a linear basis (Level 2).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements as at June 30, 2019.

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

12. Intangible Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Goodwill	$55,541,157	$55,541,157
Customer relationships (Note 4)	23,736,500	23,736,500
Technology	5,874,600	4,210,130
Trademark (Note 4)	7,472,800	7,472,800
Product development costs	7,412,496	2,123,057
	$ 100,037,553	$93,083,644

Goodwill
The goodwill recognized for the acquisition of Quintel is at fair value as ofSeptember 30,2019and December 31, 2018.

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

The fair value of customer relationships is determined based on discounted excessearnings, which is the difference between the post-tax cash flows attributable to the sales made to Quintel's current customers and thecontributory asset charges used to generate the cash flows (i.e., multi period

excess earnings method). Customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

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

On the other hand, trademark is estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Product development costs
Product development costs pertain to CEC's and CATS - Philippine Branch's capitalized cost of developing certain packages or products for specific customers. The development costs met the requirements of PAS 38 for capitalization. Amortization of product development cost charged to the consolidated statements of comprehensive income amounted toNIL and$151,043for the nine months ended September 30, 2019 and 2018 respectively, as these are available for use.

13. Other Noncurrent Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Advances to suppliers	$448,135	$875,662
Miscellaneous deposits	122,246	166,646
Loans to employees	–	902,161
Others	234,562	6,511
	$804,943	$1,950,980

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

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

14. Trade and Other Payables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	$11,642,310	$10,835,308
Accruals:		
Utilities	486,679	355,676
Payroll	2,577,052	630,701
Interest	250,066	755,977
Others	867,830	628,723
Contract liabilities	1,801,916	2,041,270
Provisions	530,776	1,272,860
Others	1,426,581	290,060
	$19,583,210	$16,810,575

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

Accruals comprise mainly of accruals for electricity, water, communication, security, shuttle services and professional services.

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

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

15. Short-term Loans

The Group has the following loan facilities:

		September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Rizal Commercial Banking Corporation (RCBC)	(a)	**$25,610,000**	$25,610,000
China Banking Corporation (CBC)	(b)	**12,750,000**	11,000,000
Security Bank Corporation (SBC)	(c)	**9,900,000**	10,000,000
BDO Unibank, Inc. (BDO)	(d)	**–**	5,400,000
Metropolitan Bank and Trust Company (MBTC)	(e)	**–**	1,700,000
		$48,260,000	$53,710,000

a. Revolving loan facilities with RCBC which have payment terms ranging from 60 to 360 days. The facility is unsecured and charged interest of 3.45% to 4.00% and 2.25% to 4.00% per annum in 2019 and 2018, respectively.

b. Revolving loan facilities with CBC which have payment terms ranging from 30 to 180 days. The facility is unsecured and charged interest of 5.00% per annum in 2019 and 2018.

c. Revolving loan facilities with SBC, which have payment terms ranging from 90 to 180 days, are unsecured and charged interest of 4.00% to 5.00% and 1.95% to 2.54% per annum in 2019 and 2018, respectively.

d. Revolving loan facilities with BDO which have payment terms ranging from 30 to 365 days. The facility is unsecured and charged interest of 2.75% per annum in 2018.

e. Revolving loan facilities with MBTC which have payment terms of 180 days. The facility is unsecured and charged interest of 3% to 3.88% per annum in 2018, respectively.

Interest expense incurred from these short-term loan facilities amounted to $ 1,673,357and $1,708,597 for the nine months ended September 30, 2019 and 2018, respectively.

16. Long-term Debt

As of September 30, 2019and December 31, 2018, the details of long-term debt are as follow:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Principal	**$65,250,000**	$73,790,000
Less deferred financing costs	**345,881**	443,329
	64,904,119	73,346,671
Less current portion - net of deferred financing costs	**6,644,496**	11,045,751
	$58,259,623	$62,300,920

Parent Company

2012 Note Facility Agreement (NFA)

On July 25, 2012, the Parent Company entered into a $10.0 million NFA with MBTC (Initial Note Holder), MBTC - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

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

2014 NFA
On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment

Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of 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 September 30, 2019.

The carrying amount of the loan from the 2014 NFA as of September 30, 2019 and December 31, 2018 amounted to$1.75million and $7.0 million, respectively.

2016 NFA

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

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

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

the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of 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 ParentCompany 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 NFAas of September 30, 2019 and December 31, 2018 amounted to$23.90million and $26.1 million, respectively.The Parent Company is in compliance with the debt covenants as ofSeptember 30, 2019 and 2018.

2018 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"), RCBCTrust 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 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 was made on a non-interest payment date. The prepayment penalty shall not apply 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 $39.26 millionas of September 30, 2019.

The Parent Company is in compliance with the debt covenants as of September 30,2019.

CATS

In 2012, CATS obtained a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in 28 quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan (see Note 14). The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

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

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4.7 million.

Quintel USA

Long-term debt amounting to $540,000and $900,000 as of December 31, 2018 and 2017 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 September 30, 2018 and 2017.

Interest Expense
Total interest expense (including amortization of deferred financing costs) recognized in the consolidated statements of comprehensive income amounted to $2,970,736and $2,047,035 for the nine months ended September 30, 2019 and 2018, respectively.

17. Related Party Disclosures

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

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

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

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

a. Amounts owed to related parties

		Transactions		Balances as of			
		Nine Months Ended September 30(Unaudited)		September 30, 2019	December 31, 2018		
		2019	2018	(Unaudited)	(Audited)	Terms	Conditions
Other related parties							
CLC	Rental	$8,770	$11,559	$479,377	$470,607	Due on demand; noninterest-bearing; to be settled in cash	Unsecured
Cayon	Rental	7,969	10,503	102,627	94,658	Due on demand; noninterest-bearing; to be settled in cash	Unsecured
Stockholders	Payment made on behalf of the Group	-	35,928	35,928	35,928	Due on demand; noninterest-bearing	Unsecured
				$617,932	$601,193		

b. Amounts owed by related parties

		Transactions		Balances as of			
		Nine Months Ended September 30 (Unaudited) 2019	2018	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Terms	Conditions
Parent							
Camerton	Collections on behalf of the Group	($27,074,029)	$54,888,948	$27,886,037	$54,960,066	Due on demand; non-interest bearing	Unsecured; no impairment
	Reimbursement of expenses	–	18,809	18,809	18,809	Due on demand; non-interest bearing	Unsecured; no impairment
(Forward)							
Other related entities							
CHI	Advances for working capital	–	–	$1,809,256	$1,809,256	Due on demand; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	4	2,548	216,779	216,775	Due on demand; non-interest bearing	Unsecured; no impairment
				$29,930,881	$57,004,906		

c. Rental deposit

		Transactions		Balances as of			
		Nine Months Ended September 30 (Unaudited) 2019	2018	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Terms	Conditions
Other related parties							
CLC	Rental deposit	$ 16,531	$–	$1,158,904	$1,142,374	Due on demand; noninterest-bearing	Unsecured; no impairment
Camerton	Deposit for future stock subscription	–	189,107	189,107	189,107		
	Dividend payable	–	20,601	20,601	20,601		

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

Transactions with individual stockholders, Camerton
As of December 31, 2017, advances to individual stockholders, which are due and demandable and noninterest-bearing, amounted to $48.3 million. In 2018, additional advances amounted to $7.1 million, net of collections amounting to $17.1 million.

On December 27, 2018, the Group and Camerton executed a Sworn Corporate Undertaking, whereby Camerton undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. Camerton 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. Loan agreements between Camerton and the Group were executed on the same day which indicates the terms and conditions disclosed in the table.

Transactions with CHI, Charmview Enterprises Ltd (CEL)
The amount owed by an officer amounting to $7.7 million as of December 31, 2010 was

transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, the parent of CHPC.
The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.
For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

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

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

The amount owed by CHI as of September 30, 2019 and December 31, 2017 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

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

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to₱60.1 million ($1.1 million and $1.2 million as of September 30, 2019 and December 31, 2018, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to$8,697, and $9,089for the nine months ended September 30, 2019 and 2018, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of10 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 $7,906and $8,257for the nine months ended September 30, 2019 and 2018, respectively.

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

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Salaries and wages	$1,670,705	$1,148,883
Employee benefits	139,929	$234,061
	$1,810,634	$1,382,944

18. Cost of Sales

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Raw materials, spare parts, supplies and other inventories used	$ 37,273,742	$44,455,435
Salaries, wages and employees' benefits	6,947,136	8,382,157
Depreciation and amortization	3,125,206	3,311,587
Utilities	2,862,690	3,162,213
Inward freight and duties and others	3,097,519	2,830,896
Others	1,060,385	599,234
	$ 54,366,678	$62,741,522

19. Operating Expenses

	NineMonths Ended September30 (Unaudited)	
	2019	2018
Salaries, wages and employees' benefits(Note 21)	3,339,690	$9,194,328
Professional fees	817,499	1,807,189
Taxes and licenses	120,281	1,264,239
Research costs	-	1,263,239
Transportation and travel	338,203	524,524
Utilities	905,069	438,592
Depreciation	301,719	279,991
Office supplies	17,139	170,217
Entertainment, amusement and recreation	320,966	142,254
Insurance premiums	107,401	109,877
Commissions	537,084	63,355
Sevice Fee	18,631	-
Others	314,974	302,241
	$7,138,656	$15,560,046

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

20. Salaries and Wages and Employees' Benefits

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Salaries and wages	$ 8,812,974	$15,718,593
Other employees' benefits	1,134,219	1,667,200
Retirement costs	339,633	190,692
	$ 10,286,826	$ 17,576,485

Other employees' benefits consist of allowances and mandatory contributions.

21. Retirement Benefit Obligation

Defined Benefit Plans

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

Under the existing regulatory framework, R.A. No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not requireminimum funding of the plan.
CEC has an agreement with an insurance company to fund the retirement benefits of itsemployees. CEC believes that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to pay or fund the retirement benefits. As of
September 30, 2019 and December 31, 2018, the asset mix is a combination of 34% long-term investments, composed of government securities and corporate bonds, 62% investments in quoted equity securities and 4% short-term investments, composed of short-term placements and others.

Defined Contribution Plans

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

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

22. Other Income - Net

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Foreign exchange losses - net	$102,425	($1,192,094)
Gain on condonation		5,504,982
Sale of scrap	80,908	203,225
Mark-to-market gain		–
Others - net	459,576	330,280
	$642,909	$4,846,393

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

23. Income Taxes

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

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

CATS - Philippine Branch
CATS-Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeterwave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ) and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

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

The provision for current income tax for the nine months ended September 30, 2019 and 2018pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

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

Changes in Legislation
United States of America (U.S.)
The Group is subject to income taxes in the U.S. owing to Quintel USA.
The Tax Act was enacted on December 22, 2017 and introduces significant changes to U.S.

income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to21%and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

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

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

24. Earnings Per Share (EPS)

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

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Net income attributable to common shareholders of Parent Company*	**$610,000**	$7,987,996
Weighted average number of common shares outstanding	**419,063,353**	838,126,706
Basic and diluted EPS	**$0.001**	$0.010

**Net of dividends declared on preferred A, preferred B-1 and preferred B-2 shares for the nine months ended September 30, 2019 and 2018 totaling to $3,687,912 and $3,098,415, respectively.*

As ofSeptember 30, 2019and 2018, the Parent Company has no potential dilutive common shares.

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

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial instruments such as trade and other

receivables, amounts owed by related parties, rental and security deposits and loans to employees (presented as part of other current assets), HTM investments, miscellaneous deposits (presented under other noncurrent assets), trade and other payables, and amounts owed to related parties, which generally arise directly from its operations, as well as financial assets at FVPL and AFS financial assets.

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

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

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

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

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer 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 forecasts of future economic conditions.

In its ECL models, 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 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 experienced, expected credit loss rate increases as the age of the 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.

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

	September 30, 2019 (Unaudited)						
	Neither Past Due nor Impaired	Past Due but not Impaired				ECLs	Total
		< 30 days	30-60 days	60-90 days	> 90 days		
Cash and cash equivalent*	$15,511,441	$–	$–	$–	$–	$–	$15,511,441
Trade and other receivables	22,973,977	3,461,599	776,927	242,462	1,380	(491,012)	26,965,333
Amounts owed by related parties	29,930,881	–	–	–	–	–	29,930,881
Other current assets							
Financial assets at FVPL	–						–
Rental deposit	1,132,086	–	–	–	–	–	1,132,086
Security deposit	180,507	–	–	–		–	180,507
Loans to employees	419,169	–	–	–	–	–	419,169
Other financial assets at amortized cost	469,588	–	–	–	–	–	469,588
Other noncurrent assets							
Miscellaneous deposits	122,246	–	–	–	–	–	122,246
	$70,739,895	$3,461,599	$776,927	$242,462	$1,380	($491,012)	$74,731,251

**Excluding cash on hand amounting to $245.*

	December 31, 2018 (Audited)						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30< 60 days	60-90 days	> 90 days		
Cash and cash equivalents*	$17,442,756	$–	$–	$–	$–	$–	$17,442,756
Trade and other receivables	7,918,628	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 assets at FVPL	475						475
Rental deposit	1,142,374	–	–	–	–	–	1,142,374
Loans to employees	612,792	–	–	–	–	–	612,792
Security deposit	182,409	–	–	–	–	–	182,409
HTM investments	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

**Excluding cash on hand amounting to $245.*

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

September 30, 2019(Unaudited)

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash*	**$15,511,411**	**$–**	**$–**	**$15,511,411**
Trade and other receivables	**26,965,333**	**–**	**–**	**26,965,333**
Amounts owed by related parties	**29,930,881**	**–**	**–**	**29,930,881**
Other current assets:				
Financial assets at FVPL	**–**	**–**	**–**	**–**
Rental deposit	**1,132,086**	**–**	**–**	**1,132,086**
Security deposit	**180,507**	**–**	**–**	**180,507**
Loans to employees	**419,169**	**–**	**–**	**419,169**

Other financial assets at amortized cost	**469,588**	**–**	**–**	**469,588**
Other noncurrent assets:				
Miscellaneous deposits	**122,246**	**–**	**–**	**122,246**
	$74,731,251	**$–**	**$–**	**$74,731,251**

Excluding cash on hand amounting to $245.

December 31, 2018(Audited)

	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

Excluding cash on hand amounting to $243.

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 counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

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

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

September30, 2019 (Unaudited)

	On demand	<1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	**$15,511,686**	**$–**	**$–**	**$–**	**$15,511,686**
Trade and other receivables	**26,965,333**		**–**	**–**	**26,965,333**
Amounts owed by related parties	**29,930,881**	**–**	**–**	**–**	**29,930,881**
	$72,407,900	**$**	**$–**	**$–**	**$72,407,900**

Financial Liabilities					
Trade and other payables					
Trade payables	$11,642,310	$–	$–	$–	$11,642,310
Accrued expenses*		4,181,628	–	–	4,181,628
Short-term loans	–	48,260,000	–	–	48,260,000
Amounts owed to relatedparties	617,932	–	–	–	617,932
Long-term debts**	–		20,962,335	37,297,288	58,259,623
	$12,260,242	$ 52,441,628	$20,962,335	$37,297,288	$122,961,493

*Excluding statutory liabilities **Includes future interest payments

December 31, 2018
(Audited)

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$17,443,001	$–	$–	$–	$17,443,001
Trade and other receivables	7,918,628	6,807,349	–	–	14,725,877
Amounts owed by related parties	57,004,906	–	–	–	57,004,906
	$82,366,535	$6,807,249	$–	$–	$89,173,784
Financial Liabilities					
Trade and other payables					
Trade payables	$10,154,008	$–	$–	$–	$10,154,008
Accrued expenses	–	1,740,376	–	–	1,740,376
Short-term loans*	–	54,783,580	–	–	54,783,580
Amounts owed 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

*Includes future interest payments

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

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

The Group manages its capital structure, which pertains to its equity as shown in the balance sheet,and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.No changes were made to the objectives, policies or processes in 2019and 2018.

The Company considers the following as capital:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
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 (loss)	(1,255,830)	(1,225,830)
Retained earnings	24,770,469	25,144,690

Parent company shares held by a subsidiary	(26,812,680)	(26,812,680)
	$ 113,412,148	$113,786,369

As of September 30, 2019 and December 31, 2018, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of September 30, 2019 and December 31, 2018, the Group was able to meet its capital requirements and management objectives.

26. Fair Value Measurement

As of September 30, 2019 and December 31, 2018, the carrying values of the Group's financial assets and liabilities, excluding AFS financial asset 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 otherpayables, short-term loans, amounts owed by and owed to related parties and deposits

The carrying amounts approximate fair value since these are mostly short-term in nature or due and demandable.

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

Investment properties
The fair value of the investment properties are 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.

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

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans.Discounts rates used range from 4.74% to6.37% and 4.19% to 4.29% in September 30, 2019 and December 31, 2018, respectively (Level 3).

Fair Value Hierarchy

	September 30, 2019 (Unaudited)			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVPL	**$–**	**$–**	**$–**	**$–**
Investment properties	**10,605,040**	**–**	**10,605,040**	**–**
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
Other financial assets at amortized cost	**469,588**	**469,588**	**–**	**–**
Long-term debt	**58,259,623**	**–**	**–**	**58,259,623**

	December 31, 2018 (Audited)			
	Total	Level 1	Level 2	Level 3
Financial asset measured at fair value				
Financial asset at FVPL	$475	$–	$475	$–
Investment properties	10,605,040	–	10,605,040	–
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	469,588	469,588	–	–
Long-term debt	74,119,113	–	–	74,119,113

As at September 30, 2019and December 31, 2018, there were no transfers between Level 1 and 2 fair value measurements.

27. Equity

a. Common Shares

The depreciationof the capital stock of the Parent Company follows:

	September 30, 2019 (Unaudited)	December 31,2018 (Audited)
Number of shares		
Authorized - common shares (₱0.50 par value)	**520,000,000**	520,000,000
Issued	**419,063,353**	419,063,353
Amount		
Issued - 838,126,706 shares	**$9,594,321**	$9,594,321

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

sheets. As of December 31, 2011, the Parent Company's has 162,163,000 issued common shares.

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

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

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

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

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

On March 24, 2015, the Parent Company's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of ₱1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share. The BOD also authorized the Parent Company to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

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

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

On October 24, 2016, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱1,440,000,000 or from ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share ("Preferred A" shares), to ₱860,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 700,000,000 preferred shares classified into "Preferred A shares" with a par value of ₱0.10 per share, and ₱270,000,000 worth of new preferred shares classified into "Preferred B shares" with par value ₱1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Parent Company's BOD. On the same date, the Parent Company's BOD, by majority vote, approved the declaration of ten percent (10%) stock dividend for each of the 419,063,353 issued and fully paid common

shares, and 400,000,000 issued and fully paid preferred shares of the Corporation. To date, the shareholders have not approved and ratified the said declaration.

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

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

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) 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 ₱0.50 per share.

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

As of December 31, 2018, the Parent Company'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 September 30, 2019 and December 31, 2018, the Parent Company has a total number of 26 and 25 stockholders, respectively.

Parent Company Shares Held by a Subsidiary

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

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

As of September 30, 2019 and December 31, 2018, the Parent Company has a total number of25 stockholders.

b. Preferred Shares

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Number of shares		
Authorized		
Preferred A shares (₱0.05 par value)	**2,200,000,000**	700,000,000
Preferred B-1 shares (₱1.00 par value)	**70,000,000**	70,000,000
Preferred B-2 shares (₱1.00 par value)	**100,000,000**	200,000,000
Preferred C shares (₱1.00 par value)	**100,000,000**	–
Issued and Subscribed		
Preferred A shares	**1,400,000,000**	700,000,000
Preferred B-1 shares	**70,000,000**	70,000,000
Preferred B-2 shares	**67,000,000**	67,000,000
Amount		
Preferred A shares - (net of subscriptions receivable amounting to $1,103,944 as of September 30, 2018 and December 31, 2017)	**$946,863**	$367,981
Preferred B-1 shares - (net of subscriptions September 30, 2018)	**342,399**	342,399
Preferred B-2shares	**1,326,733**	1,326,733

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

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

a) from ₱560,000,000, consisting of:

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

b) to ₱860,000,000, consisting of:

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

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Camerton at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Parent Company recognized preferred stock and additional

paid-in capital amounting to $0.1 million and $0.3 million, respectively, net of subscriptions receivable. Preferred B-1 shares are not listed in the PSE.

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

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

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

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

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

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Parent Company is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Parent Company pursuant to the

Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;

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

g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

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

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2shares with par value of ₱1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively. The Parent Company incurred transaction costs incidental to FOO amounting to $1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to $324,866recorded under "Accrued expenses and other payables" account.

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

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱40,000,000. The Parent Company 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 Parent Company'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 Parent Company's shareholders representing at least two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to determine and fix the terms and conditions of preferred C shares.

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

As of December 31, 2018, the Parent Company'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 September 30, 2019 and December 31, 2018, the Parent Company has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to $0.1 million and $0.3 million, respectively.

c. Retained Earnings

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

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

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

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

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

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

On February 27, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount remained unpaid as of December 31, 2018.

On the same date, the Parent Company'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 Parent Company'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:

(i) June 8, 2018 to shareholders of record as of June 6, 2018
(ii) September 10, 2018 to shareholders of record as of September 6, 2018
(iii) 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 Parent Company'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 $2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.
On January 30, 2019, the Parent Company's BOD approved the declaration of cash dividends of 0.015313 (US$ 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 of US Dollars One Million Twenty Five Thousand Nine Hundred Thirty Seven and Fifty Cents (US$1,025,937.50), for payment and distribution on the following dates:

a. for payment and distribution on March 8, 2019 to shareholders of record as of March 6, 2019;
b. for payment and distribution on June 10, 2019 to shareholders of record as of June 6, 2019;
c. for payment and distribution on September 09, 2019 to shareholders of record as of September 05, 2019;

On 24 May 2019, the Parent Company's BOD approved the declaration of cash dividends of US$0.002365902 per share for each of the Four Hundred Nineteen Million Sixty-Three Thousand Three Hundred Fifty Three (419,063,353) fully paid and issued common shares amounting to an aggregate sum of US Dollars Nine Hundred Ninety One Thousand Four Hundred Sixty Two and 99/100 (US$991,462.99), for payment and distribution on 28 June 2019 to shareholders of record as of 11 June 2019. The cash dividend shall be paid in Philippine Pesos at the BSP exchange rate one day prior to payment date.

Retained earnings include undistributed earnings amounting to $21.5 million, $24.3 million and $24.4 million as of December 31, 2018, 2017 and 2016, 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 the cost of the parent company shares held by a subsidiary, 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 September 30, 2019 and December 31, 2018.

28. Commitments

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

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

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

29. Event After the Reporting Period

The Parent Company has not entered into any significant / reportable transaction/s after the reporting period.

Results of Operations

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

	For the NineMonths Ended September 30	
In US$ Thousand except EPS	**2019 (Unaudited)**	2018 (Unaudited
NET SALES	**$69,560**	$88,475
COST OF SALES	**(54,367)**	(62,742)
GROSS PROFIT	**15,193**	25,734
NET INCOME	**3,688**	11,086
Basic/Diluted EPS	**$0.001**	$0.010
EBITDA	**$12,125**	$18,611

For the nine-month period ending September 30, 2019 compared to the nine-month period ending September 30, 2018

Revenue

The Company recorded consolidated revenueof US$69.6 million for the nine months ending September 30, 2019, a decrease of 21% from US$88.5 million for the same period in 2018. The decrease accounted for was mainly due to 50% decrease in revenue contribution of Quintel, a US-based product and R&D company acquired in August 2017.

Revenue contribution from Quintel for the nine month period ending September 30, 2019 amounted to US$ 23.6 million.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the nine months ending September 30, 2019 amounted to US$16.4 million, a 59% decrease compared to the US$39.8 million for same period in 2018. After elimination of intercompany sales during consolidation, revenues to external customers amounted to US$69.6 million

Revenues from the semiconductor business amounted to US$ 29.6million compared to US$35.3million for the same period in 2018 a 16% decrease.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and others. The Company's cost of sales decreased by 13%to US$54.4millionfor the nine months ending September 30, 2019from US$62.7million for the same period in 2018. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories decreasedby 16% to US$37.2million for the nine months ending September 30, 2019 from US$44.5million for the same period in 2018.
- Salaries, wages and employees' benefits decreased by 17% to US$ 6.9million for the nine months ending September 30, 2019, from US$8.4 million for the same period in 2018.
- Depreciation and amortization decreased by 6% to US$ 3.1million for the nine months ending September 30, 2019, from US$3.3 million for the same period in 2018.
- Freight and duties increased by 9% to US$3.1 millionfor the nine months ending September 30, 2019 from US$2.8 for the same period in 2018.
- Utility expenses amounted to US$2.9 million for the nine months ending September 30, 2019, from US$3.2 million for the same period in 2018, adecrease of 9%
-

The Company's gross margin was 22% for the nine months ending September 30, 2019, 7percentage pointslower than the gross margin recorded for the same period in 2018.

Operating Expenses

The Company's operating expenses for the nine months ending September 30, 2019 amounted to US$7.1 million, 54% lower compared to the US$15.2 millionrecorded during the same period in 2018. The significant decrease is due to:

- Professional fees decreased by 55% to US$0.8million for the ninemonths ending September 30, 2019, from US$1.8 million for the same period in 2018. 2018 professional fees included Quintel's legal expenses to secure the settlement in Huawei litigation.
- Salaries and wages decreased by 64% to US$3.3 million for the nine months ending September 30, 2019, from US$9.2million for the same period in 2018.
- Taxes and licenses decreased by90% to US$0.1million for the nine months ending September 30, 2019 from US$1.3 million for the same period in 2018.
- Research and development cost decreased by 100% to NIL for the nine months ending September 30, 2019, from US$1.3 million for the same period in 2018.

Income Before Income Tax

For the nine months ending September 30, 2019, the Company recorded a net income before income tax of US$4.1 million, adecrease of 64%compared with US$11.3 million recorded for the same period in 2018.

Provision for / Benefit from Income Tax

Provision for income tax for the ninemonths ending September 30, 2019 amounted to US$380 thousand, 79%highercompared with a provision for income tax of US$212thousand for the same period in 2018.

Net Income After Tax

The Company's net income after tax for the nine months ending September 30, 2019 amounted to US$ 3.7 million adecrease of 67% compared with US$11.1 million for the same period in 2018.

Financial Condition

For the six-month period ending September 30, 2019 compared to the period ending December 31, 2018

Assets
The Company's cash and cash equivalent for the nine months ending September 30, 2019 amounted to US$ 15.5 million, compared with US$17.4million for the period ending December 31, 2018, a decrease of US$1.9million or 11%.

Trade and other receivables for the nine months ending September 30, 2019 amounted to US$ 27million, compared with US$14.7million for the period ending December 31, 2018, an83% increase.

Inventory levels for the nine months ending September 30, 2019 amounted to US$ 28million, 1% lower compared with US$28.3million for the period ending December 31, 2018.

Amounts owed by related parties for the nine months ending September 30, 2019 amounted to US$29.9million compared to US$57 million for the period ending December 31, 2018, a47% decrease.

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

Non-current assets, comprised of Available-for-sale (AFS) financial asset, HTM investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the nine months ending September 30, 2019 amounted to US$149.1 million compared with US$144.48 million for the period ending December 31, 2018, an increase of 3%.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, and income tax payable. For the nine months ending September 30, 2019, current liabilities were at US$75.2million, compared with US$82.6 million the period ending December 31, 2018, a decrease of 9%.

For the nine months ending September 30, 2019, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$ 64 million compared with US$68 million for the period ending December 31, 2018, a 5% decrease.

Equity

The Company's shareholders' equity for the six months ending September 30, 2019 amounted to US$ 113.4million compared with US$113.8 million for the period ending December 31, 2018.

Liquidity and Capital Resources

For the ninemonths ending September 30, 2019, the Company's principal sources of liquidity was cash from sales of its products, bank credit facilities, proceeds from its corporate notes issuances, and proceeds from its follow-on offering. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

The following table sets out the Company's cash flows for the nine months ending September 30, 2019 and the same period in 2018.

In US$ Thousands	**For the ninemonths ending September 30**	
	2019	**2018**
Net cash flows provided by/ (used for) operating activities	2,768	(23,374)
Net cash flows provided by/ (used for) investing activities	(9,098)	(7,277)
Net cash flows provided by/ (used for) financing activities	4,398	700
Net increase (decrease) in cash equivalents	1,932	(29,950)

Net Cash Flows from Operating Activities

Net cashflow used from operating activities was US$2.8 millionfor the nine months ending September 30,2019, compared with net cash inflow of US$23.4 million for the same period in 2018.

This was mainly due to increase in accounts receivables, and increase in accounts payables.

Investing Activities

Net cash outflow from investing activities amounted to (US$9.1)million for the nine months ending September 30, 2019. Investing activities mainly involved increase in intangible assets and PPE.

Financing Activities

Net cash flow from financing activities for the ninemonths ending September 30, 2019 amounted to US$4.4million. Major financing activities involved proceeds from availment of short-term loans, less acquisition of parent company shares by subsidiary, payment of cash dividends, payment ofinterest, payment of short-term and long-term loans, and net movement in amounts owed by and owed to related parties. For the same period in 2018net cash flow fromfinancing activities amounted to US$700 thousand.

Material Changes to the Company's Unaudited Income Statement as of September 30, 2019 compared to the Unaudited Income Statement as of September 30, 2018 (increase/decrease of 5% or more)

- 21% decrease in net sales
  -Decrease in revenue contribution of Quintel

- 13% decrease in cost of sales
  - Decrease in raw materials inventory purchases and direct labor

- 54% decrease in operating expenses
  Consolidation of operating expenses of Quintel, decrease in taxes and licenses

- 64% decrease in Income Before income Tax
  -Lower revenue, and decrease in other income

- 67% decreasein Net Income After Tax
  -Lower revenue, and decrease in other income

Material Changes to the Company's UnauditedBalance Sheet as of September 30, 2019compared to the UnauditedBalance Sheet as of December 31, 2018(increase/decrease of 5% or more)

- 11% decrease in Cash and Cash Equivalent
  -Increase in net cash flow from investing and financing activities

- 83% increase in Trade and Other Receivables – Net
  -Longer collection period for certain major customers

- 47% decrease in Amounts Owed by Related Partes
  -Collection from Camerton, Inc. advances

- 59% Decrease in Other Noncurrent Assets
  - Lower advances to major suppliers due to negotiated terms and loans to employees

- 16%increase in Trade and Other Payables
  Negotiated longer terms with trade suppliers

- 10% decrease in Short-term Loans
  -Repayment of short-term loans

- 40%Decrease in Current Portion of Long-term Debt
  -Repayment of maturing long term credit facilities

- 79%Decrease in Income Tax Payable
-Payment of income tax due

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2017 Full year**	**2018 Full year**		**2019 Nine Months**
EBITDA		10,697	20,452		12,125
EBITDA Margin		12%	19%		17%
Sales Growth		19%	20%		(21%)
Current Ratio (x)		1.45x	1.45x		1.38x
Earnings per share (US$)		0.008	0.011		0.001

Note:
**Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2019 and 2018*
***Earning per share was calculated less dividends for preferred shares which has a fixed amount per quarter*

- *EBITDA and EBITDA Margin*

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

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

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

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

	For the years ended December 31		For Nine Months Ended September 30
In US$ 000	**2017**	**2018**	**2019**
Net income	4,296	8,334	3,688
Add back:			
Interest expense/income-net	3,320	4,805	4,629
Provision for / Benefit from income tax	-889	1,452	381
Depreciation and amortization	3,970	5,861	3,427
EBITDA	**10,697**	**20,452**	**12,125**

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

	For the years ended December 31		For NineMonths Ended September 30
In US$ 000	**2017**	**2018**	**2019**
EBITDA	10,697	20,452	12,125
Deduct:			
Interest expense/income-net	(3,320)	(4,805)	(4,629)
Provision for / Benefit from income tax	(889)	(1,452)	(381)
Depreciation and amortization	(4,126)	(5,861)	(3,427)
Net Income	**3,150**	**8,334**	**3,688**

- *Sales growth*

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

- *Current ratio*

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

- *Earnings per share*

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

FINANCIAL RISK DISCLOSURE

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

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

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

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

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

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

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

Ratios	Formula	September 30, 2019	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	**1.38**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.81**	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.86**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.23**	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**2.61**	4.23
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.22**	0.21
Net Profit Margin	Net Income/Revenues	**0.05**	0.08
EBITDA Margin	EBITDA/Revenues	**0.17**	0.19
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.03
Return on Equity	Net Income/Total Equity[3]	**0.03**	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 September 30, 2019 and December 31, 2018

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

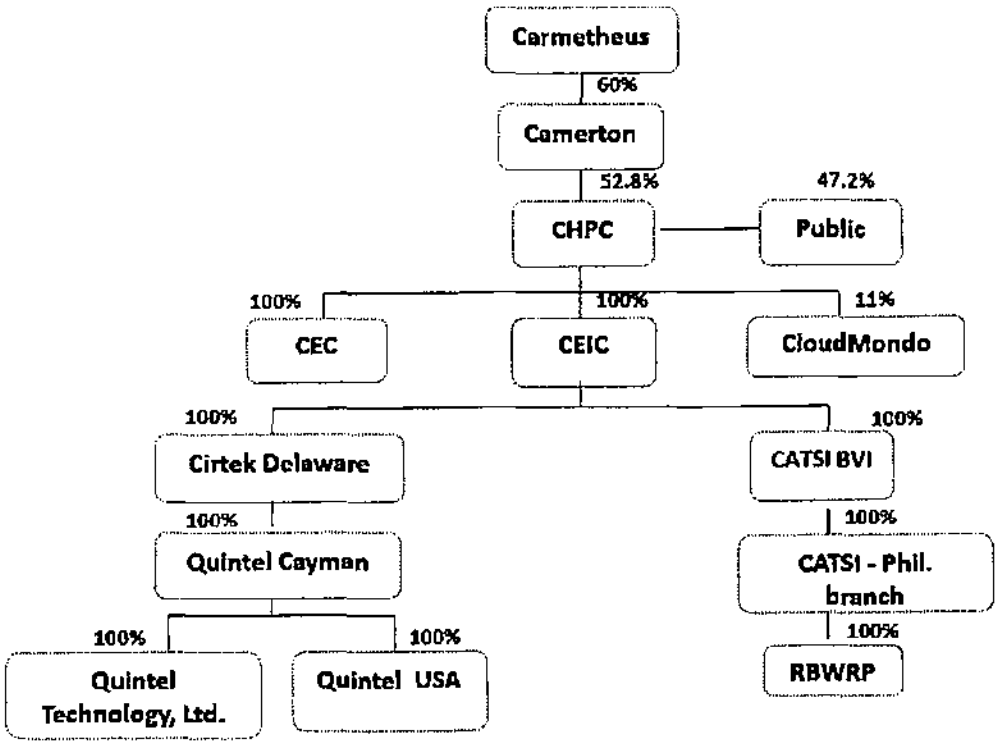
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2019

Schedule	Contents
Index to the Consolidated Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration
IV	Financial Soundness Indicators
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

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

SEPTEMBER 30, 2019



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS SEPTEMBER 30, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards		✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

CIRTEK HOLDINGS PHILIPPINES CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2019

Unappropriated retained earnings, beginning	$875,746
Add net income actually earned during the period	3,687,912
Less cash dividends declared	(4,062,133)
Retained earnings available for dividend declaration	**$501,525**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

Ratios	Formula	September 30, 2019	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	**1.38**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.81**	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.86**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.23**	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**2.61**	4.22
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.22**	0.21
Net Profit Margin	Net Income/Revenues	**0.05**	0.08
EBITDA Margin	EBITDA/Revenues	**0.17**	0.19
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.03
Return on Equity	Net Income/Total Equity[3]	**0.03**	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 September 30, 2019 and December 31, 2018

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE THIRD QUARTERENDED SEPTEMBER 30, 2019

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valuedbased on market quotations at end of reporting period	Income received or accrued
Cash	N/A	$15,511,686	$15,511,686	$–
Trade and other receivables	N/A	26,965,333	26,965,333	–
Financial asset at fair value through profit or loss	N/A	–	–	–
Amounts owed by related parties	N/A	29,930,881	29,930,881	–
Other current assets				
Rental deposit	N/A	1,132,086	1,132,086	–
Security deposit	N/A	180,507	180,507	
Loan to employees	N/A	419,588	419,588	–
Other financial assets at amortized cost	N/A	469,588	469,588	–
AFS financial asset	N/A	1,667,000	1,667,000	–
Other noncurrent assets:				
Miscellaneous deposits	N/A	122,246	122,246	–
		$74,731,496	$74,731,496	$–

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 THIRD QUARTER ENDED SEPTEMBER 30, 2019

Amounts owed by Related Parties

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holdings Philippines Corporation from:						
Cirtek Holdings, Inc.	$1,809,256	$-	$-	$1,809,256	$-	$1,809,256
Cirtek Electronics Corporation from:						
Carmerion, Inc.	54,978,875	-	(27,074,029)	27,904,846	-	27,904,846
Cayon Holdings, Inc.	216,775	4	-	216,779	-	216,779
TOTAL	$57,004,906	$4	($27,074,029)	$29,930,881	$-	$29,930,881

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 THIRD QUARTER ENDED SEPTEMBER 30, 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	Non current	Balance at end of period
Quintel	$27,555,008	$-	$-	$-	$27,555,008	$-	$27,555,008

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	Non current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$81,335,790	$-	$-	$-	$81,335,790	$-	$81,335,790
CEIC	8,325,739	-	-	-	8,325,739	-	8,325,739
Total	89,661,529	-	-	-	89,661,529	-	89,661,529
Cirtek Electronics Corporation from:							
CHPC	38,243,036	1,510,504	-	-	39,753,540	$-	39,753,540
CATS	31,587,453	-	(1,955,586)	-	29,631,867	-	29,631,867
Total	69,830,489	1,510,504	(1,955,586)	-	69,385,407	-	69,385,407
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	-	(2,200,000)	-	139,865	-	139,865
CATS	164,776	117,743	-	-	282,519	-	282,519
CEC	21,066,892	-	(4,069,095)	-	16,997,797	-	16,997,797
C5rtek Corporation	82,478,692	-	-	-	82,478,692	-	82,478,692
Total	106,050,225	117,743	(6,269,095)	-	99,898,873	-	99,898,873
Cirtek Advanced Technologies and Solutions, Inc from:.							
RBWRP	36,184	697	-	-	36,881	-	36,881
Total	36,184	697	-	-	36,881		36,881
RBW Realty and Property, Inc from:							
CATS	18,389	-	-	-	18,389	-	18,389
Total	18,389	-	-	-	18,389	-	18,389
TOTAL	$265,596,816	$1,628,944	($8,224,681)	$-	$259,001,079	$-	$259,001,079

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS OF SEPTEMBER 30, 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
Product development costs	2,123,057	5,289,439	–	–	–	7,412,496
Customer relationships	23,736,500	–	–	–	–	23,736,500
Technology	4,210,130	1,664,470	–	–	–	5,874,600
Trademark	7,472,800	–	–	–	–	7,472,800
Total	**$93,083,644**	**$6,953,909**	**$–**	**$–**	**$–**	**$100,037,553**

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS OF SEPTEMBER 30, 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	$64,904,119	$6,644,496	$58,259,623

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

AS OF AS OF SEPTEMBER 30, 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	

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF SEPTEMBER 30, 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 SEPTEMBER 30, 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	–	–	–	–

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Cirtek Holdings Philippines Corporation (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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 or members.

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

JERRY LIU
Chairman and CEO

ROBERTO JUANCHITO T. DISPO
Vice Chairman/President

CARLOS M. GACUSANA, JR.
Deputy Chief Finance Officer

Signed this 3rd day of May 2019

MAY 06 2019

SUBSCRIBED AND SWORN TO before me this day _____ of _____ at MAKATI CITY City, Philippines, affiant exhibited to me the following:

Affiant	Type Of ID	ID Number and Expiry Date (if applicable)
Jerry Liu	TIN	113-279-728
Roberto Juanchito Dispo	TIN	129-882-308
Carlos Gacusana Jr.	TIN	253-263-248

Doc. No. 112
Page No. 24
Book No. 920
Series of 2019.

KOBEN T. M. RAMOS
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 073123/01-03-2019
ROLL NO. 28947/MCLE-5/6-8-17
PTR NO. 7333572/1-3-19 APPT. NO. M-128
LEGAZPI PASO ST. MAKATI CITY

COVER SHEET
for
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	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(049) 729-6205	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26	05/31	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Roberto Juanchito Dispo	jojo.dispo@cirtek.ph	N/A	N/A

CONTACT PERSON's ADDRESS

116 East Main Avenue, 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.

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Cirtek Holdings Philippines Corporation
116 East Main Avenue
Phase V-SEZ
Laguna Technopark
Biñan, Laguna

Opinion

We have audited the consolidated financial statements of Cirtek Holdings Philippines Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits 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 the 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Finalization of Purchase Price Allocation for the Acquisition of Quintel Cayman Ltd. (Quintel)

In 2018, the Group finalized the fair values of the net assets and liabilities acquired from its acquisition of Quintel on July 28, 2017. PFRS 3, *Business Combinations,* allows the fair values of assets acquired and liabilities assumed to be refined continually for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted to an increase in customer relationships, technology and trademark of $5.9 million and $2.4 million, respectively, and a decrease in technology and goodwill of $2.1 million and $6.4 million, respectively. We consider this as a key audit matter because of the materiality of the adjustment and the significant degree of management judgment in estimating the fair values of the net assets.

The Group's disclosures about the finalization of purchase price allocation for the acquisition of Quintel are included in Note 5 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's purchase price allocation process which includes the identification of the fair values of the net assets acquired. We have reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an external specialist to perform valuation on its assets, we considered the competence, capabilities and objectivity of the Group's external specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Intangible Assets with Indefinite Useful Lives including Goodwill

Intangible assets with indefinite useful lives, including goodwill, amounting to $86.8 million accounts for 33% of the Group's consolidated total assets as at December 31, 2018 which are attributable to only one (1) cash generating unit. We consider the recoverability of intangible assets with indefinite useful lives including goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes revenue assumptions, variable costs, terminal growth rate and discount rate.

Refer to Note 15 to the consolidated financial statements for the discussion of significant management estimates and assumptions used in impairment testing of intangible assets with indefinite useful lives including goodwill.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used, which include revenue assumptions, variable costs, terminal growth rate and discount rate. We compared the key assumptions used such as sales volume and price, and variable costs against the historical information and inquired from management about the plans to support the forecasted information. We tested the parameters used in the determination of the terminal growth rate and discount rate against market data.

We performed sensitivity analyses to understand the impact of reasonable change in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of intangible assets with indefinite useful lives including goodwill.

Reclassification of Noncurrent Assets Held for Sale to Property, Plant and Equipment to Investment Properties and Valuation of Investment Properties

The Group has noncurrent assets held for sale valued at $11.4 million which consists of land, building and building improvements, and machineries as of December 31, 2017. In 2018, these assets were reclassified to property, plant and equipment and investment properties as 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*. Assessing whether the noncurrent assets may continue to be classified as held for sale involves management's judgment.

Furthermore, the noncurrent assets that ceases to be classified as held for sale requires to be measured at the lower of its (a) carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been reclassified as held for sale; and (b) recoverable amount at the date of the subsequent decision not to sell or distribute. On the other hand, determining fair value of the investment properties requires management to make judgments regarding the appropriate valuation methodology and involves estimation based on available inputs.

The Group's disclosures about management's exercise of judgment and estimates is included in Note 3 to the consolidated financial statements and details about the non-current assets held for sale and investment properties are included in Notes 12, 13 and 14 to the consolidated financial statements.

Audit response

We inquired the Group's plan on the noncurrent assets which ceased to be classified as held for sale. We reviewed management's assessment and relevant accounting policies related to the reclassified noncurrent assets. For the noncurrent assets held for sale reclassified to property, plant and equipment, we tested management's calculation on the adjustments to depreciation and amortization, that would have been recognized had the asset not been reclassified as held for sale. For the noncurrent assets held for sale which were reclassified to investment properties carried at fair value, we involved our internal specialist in the review of the methodology and assumptions used by an external appraiser in determining the fair value. We evaluated the competence, capabilities and objectivity of the external appraiser. We compared the assumptions used, specifically the sales price of comparable properties and adjusted benchmark construction costs, against relevant external information. We inquired from the external appraiser the basis of adjustments made.

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, 2018, 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, 2018 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 financial reporting process.

Auditor's 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 auditor's 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 audit. 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 audit 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

May 3, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017 (As restated, Notes 5 and 31)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	$17,443,001	$37,222,737
Trade and other receivables (Note 7)	14,725,878	13,035,433
Inventories (Note 8)	28,303,005	38,996,592
Amounts owed by related parties (Note 20)	57,004,906	50,383,831
Other current assets (Note 9)	2,617,509	2,523,380
	120,094,299	142,161,973
Noncurrent assets held for sale (Note 12)	–	11,408,611
Total Current Assets	120,094,299	153,570,584
Noncurrent Assets		
Available-for-sale (AFS) financial asset (Note 10)	–	1,667,000
Other financial asset at amortized cost (Note 11)	469,588	–
Held-to-maturity (HTM) investment (Note 11)	–	480,563
Investment properties (Note 13)	10,605,040	–
Property, plant and equipment (Note 14)	38,160,729	31,293,890
Intangible assets (Note 15)	93,083,644	92,856,336
Deferred income tax assets - net (Note 27)	205,074	207,375
Other noncurrent assets (Note 16)	1,950,980	2,002,376
Total Noncurrent Assets	144,475,055	128,507,540
TOTAL ASSETS	$264,569,354	$282,078,124
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 17)	$16,810,575	$39,998,617
Short-term loans (Note 18)	53,710,000	64,040,088
Current portion of long-term debt (Note 19)	11,045,751	4,253,270
Amounts owed to related parties (Note 20)	601,193	543,203
Dividend payable (Notes 20 and 31)	20,601	–
Income tax payable	458,785	235,000
Total Current Liabilities	82,646,905	109,070,178
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	62,300,920	33,624,575
Deposit for future stock subscriptions (Notes 20 and 31)	189,107	–
Retirement benefit obligation (Note 25)	1,555,062	1,890,149
Deferred income tax liabilities - net (Note 27)	4,090,991	3,510,136
Total Noncurrent Liabilities	68,136,080	39,024,860
Total Liabilities	150,782,985	148,095,038
Equity (Note 31)		
Common stock	9,594,321	9,594,321
Preferred stock	2,615,995	2,037,113
Additional paid-in capital	100,469,659	100,469,659
Equity reserve	4,030,214	4,030,214
Other comprehensive income (loss)	(1,255,830)	196,292
Retained earnings	25,144,690	24,672,847
	140,599,049	141,000,446
Parent company shares held by a subsidiary	(26,812,680)	(7,017,360)
Total Equity	113,786,369	133,983,086
TOTAL LIABILITIES AND EQUITY	$264,569,354	$282,078,124

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017 (As restated, Notes 5 and 31)	2016
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 21)	$106,474,833	$–	$–
NET SALES	–	88,709,634	74,322,312
COST OF SALES (Note 22)	(84,624,337)	(70,430,440)	(61,566,107)
GROSS PROFIT	21,850,496	18,279,194	12,756,205
OPERATING EXPENSES (Note 23)	(15,587,401)	(12,214,355)	(4,353,603)
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 6, 9 and 11)	42,204	84,463	380,095
Interest expense (Notes 18 and 19)	(4,847,519)	(3,404,730)	(1,375,227)
	(4,805,315)	(3,320,267)	(995,132)
OTHER INCOME - Net (Note 26)	8,328,056	506,256	747,890
INCOME BEFORE INCOME TAX	9,785,836	3,250,828	8,155,360
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	884,352	521,332	559,457
Deferred	567,239	(420,537)	(12,125)
	1,451,591	100,795	547,332
NET INCOME	8,334,245	3,150,033	7,608,028
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 25)	214,878	155,963	(486,091)
TOTAL COMPREHENSIVE INCOME	$8,549,123	$3,305,996	$7,121,937
Basic/Diluted Earnings Per Share (Note 28)	$0.011	$0.008	$0.018

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

					Other Comprehensive Income (Loss)					
	Common Stock (Note 31)	Preferred Stock (Note 31)	Additional Paid-in Capital (Note 31)	Equity Reserve	Remeasurement gains (losses) on retirement benefit (Note 25)	Change in Fair Value of Equity Investments at FVTOCI (Note 10)	Subtotal	Retained Earnings (Note 31)	Parent Company Shares Held by a Subsidiary (Note 31)	Total
BALANCES AT DECEMBER 31, 2015	$9,594,321	$221,239	$35,896,893	$4,138,375	$526,420	$–	$526,420	$20,896,548	$–	$71,273,796
Net income	–	–	–	–	–	–	–	7,608,028	–	7,608,028
Other comprehensive income (loss)	–	–	–	–	(486,091)	–	(486,091)	–	–	(486,091)
Total comprehensive income (loss)	–	–	–	–	(486,091)	–	(486,091)	7,608,028	–	7,121,937
Cash dividends declared	–	–	–	–	–	–	–	(3,620,000)	–	(3,620,000)
Acquisition by subsidiary of parent company's shares	–	–	–	–	–	–	–	–	(49,566,535)	(49,566,535)
BALANCES AT DECEMBER 31, 2016	9,594,321	221,239	35,896,893	4,138,375	40,329	–	40,329	24,884,576	(49,566,535)	25,209,198
Net income, as previously reported	–	–	–	–	–	–	–	4,296,210	–	4,296,210
Effect of restatements (Note 5)	–	–	–	–	–	–	–	(1,146,177)	–	(1,146,177)
Net income, as adjusted	–	–	–	–	–	–	–	3,150,033	–	3,150,033
Other comprehensive income	–	–	–	–	155,963	–	155,963	–	–	155,963
Total comprehensive income	–	–	–	–	155,963	–	155,963	3,150,033	–	3,305,996
Issuance of capital stock (Note 31)	–	1,815,874	65,673,267	–	–	–	–	–	–	67,489,141
Stock issue costs (Note 31)	–	–	(1,100,501)	–	–	–	–	–	–	(1,100,501)
Cash dividends declared (Note 31)	–	–	–	–	–	–	–	(3,361,762)	–	(3,361,762)
Sale by subsidiary of parent company's shares, as previously reported	–	–	–	(108,161)	–	–	–	–	47,067,228	46,959,067
Effect of restatements (Note 31)	–	–	–	–	–	–	–	–	(4,518,053)	(4,518,053)
Sale by subsidiary of parent company's shares, as restated	–	–	–	(108,161)	–	–	–	–	42,549,175	42,441,014
BALANCES AT DECEMBER 31, 2017, AS RESTATED	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$–	$196,292	$24,672,847	($7,017,360)	$133,983,086
BALANCES AT DECEMBER 31, 2017, AS PREVIOUSLY REPORTED	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$–	$196,292	$25,819,024	($2,499,307)	$139,647,316
Effect of restatements (Notes 5 and 31)	–	–	–	–	–	–	–	(1,146,177)	(4,518,053)	(5,664,230)
BALANCES AT DECEMBER 31, 2017, AS RESTATED	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$–	$196,292	$24,672,847	($7,017,360)	$133,983,086

					Other Comprehensive Income (Loss)					
	Common Stock (Note 31)	Preferred Stock (Note 31)	Additional Paid-in Capital (Note 31)	Equity Reserve	Remeasurement gains (losses) on retirement benefit (Note 25)	Change in Fair Value of Equity Investments at FVTOCI (Note 10)	Subtotal	Retained Earnings (Note 31)	Parent Company Shares Held by a Subsidiary (Note 31)	Total
BALANCES AT JANUARY 1, 2018	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$–	$196,292	$24,672,847	($7,017,360)	$133,983,086
Effect of PFRS 9 (Note 2)	–	–	–	–	–	(1,667,000)	(1,667,000)	–	–	(1,667,000)
BALACES AT JANUARY 1, 2018, AS ADJUSTED	9,594,321	2,037,113	100,469,659	4,030,214	196,292	(1,667,000)	(1,470,708)	24,672,847	(7,017,360)	132,316,086
Net income	–	–	–	–	–	–	–	8,334,245	–	8,334,245
Other comprehensive income	–	–	–	–	214,878	–	214,878	–	–	214,878
Total comprehensive income	–	–	–	–	214,878	–	214,878	8,334,245	–	8,549,123
Issuance of preferred stock (Note 31)	–	578,882	–	–	–	–	–	–	–	578,882
Cash dividends declared (Note 31)	–	–	–	–	–	–	–	(7,862,402)	–	(7,862,402)
Acquisition by subsidiary of parent company's shares (Note 31)	–	–	–	–	–	–	–	–	(19,795,320)	(19,795,320)
BALANCES AT DECEMBER 31, 2018	$9,594,321	$2,615,995	$100,469,659	$4,030,214	$411,170	($1,667,000)	($1,255,830)	$25,144,690	($26,812,680)	$113,786,369

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017 (As restated, Note 31)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$9,785,836**	$3,250,828	$8,155,360
Adjustments for:			
Depreciation and amortization (Notes 14 and 15)	**5,860,524**	4,126,018	2,906,520
Interest expense (Notes 18 and 19)	**4,847,519**	3,404,730	1,375,227
Net gain on changes in fair value of investment properties (Notes 13 and 26)	**(2,042,656)**	–	–
Interest income (Notes 6, 9 and 11)	**(42,204)**	(84,463)	(380,095)
Movement in net retirement benefit obligation (Note 25)	**(16,361)**	245,263	34,812
Net unrealized foreign exchange gains	**(31,798)**	(48,619)	(19,282)
Loss on disposal of property, plant and equipment	**10,389**	–	–
Gain on disposal of financial assets at FVTPL (Notes 9 and 26)	–	–	(262,332)
Operating income before working capital changes	**18,371,249**	10,893,757	11,810,210
Decrease (increase) in:			
Trade and other receivables	**10,693,587**	14,063,141	(9,508,529)
Inventories	**(1,685,925)**	(13,685,238)	(9,544,825)
Other current assets	**(166,056)**	472,975	(79,881)
Increase (decrease) in trade and other payables	**(23,614,099)**	(183,095)	5,628,543
Cash generated from (used in) operations	**3,598,756**	11,561,542	(1,694,482)
Interest received	**48,659**	78,888	465,984
Income taxes paid	**(656,080)**	(616,191)	(353,536)
Net cash from (used in) operating activities	**2,991,335**	11,024,239	(1,582,034)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 14)	**(8,501,832)**	(5,553,216)	(7,546,010)
Product development costs (Note 15)	**(1,617,281)**	–	
A subsidiary, net of cash acquired (Note 5)	–	(81,303,212)	–
HTM investment (Note 12)	–	(480,563)	–
Proceeds from disposal of:			
Property, plant and equipment	**280**	–	–
Financial assets at FVTPL (Note 9)	–	–	19,709,049
Redemption of HTM investments (Note 11)		371,520	518,269
Increase (decrease) in other noncurrent assets	**44,804**	(754,094)	(1,291,781)
Net cash from (used in) investing activities	**(10,074,029)**	(87,719,565)	11,389,527

(Forward)

	Years Ended December 31		
	2018	2017 (As restated, Note 31)	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans (Note 18)	**$39,778,000**	$94,414,857	$22,080,857
Long-term debt (Note 19)	–	–	30,000,000
Proceeds from issuance of preferred stock	–	67,489,141	–
Payments of:			
Cash dividends (Note 31)	**(7,841,801)**	(3,361,762)	(3,620,000)
Interest (Notes 18 and 19)	**(4,220,235)**	(3,823,363)	(1,271,687)
Long-term debts (Note 19)	**(4,360,000)**	(7,025,962)	(9,121,198)
Short-term loans (Note 18)	**(10,108,088)**	(62,000,714)	(1,290,000)
Debt issuance costs (Note 19)	**(300,274)**	–	(321,605)
Stock issue costs	–	(775,635)	–
Proceeds from sale by a subsidiary of parent company shares (Note 31)	–	42,441,015	–
Acquisition by subsidiary of the parent company shares (Note 31)	**(19,795,320)**	–	(49,566,535)
Collection of subscription receivables (Note 31)	**578,882**	–	–
Cash received as deposit for future stock subscription (Note 31)	**189,107**	–	–
Net movement in amounts owed by and owed to related parties (Note 20)	**(6,563,085)**	(37,924,203)	(1,805,357)
Net cash from (used in) financing activities	**(12,642,814)**	89,433,374	(14,915,525)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(54,228)**	(26,804)	(157,341)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(19,725,508)**	12,711,244	(5,265,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37,222,737	24,511,493	29,776,866
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$17,443,001**	$37,222,737	$24,511,493

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

Corporate Information

Cirtek Holdings Philippines Corporation (CHPC or the "Parent Company") was incorporated under the laws of the Republic of the Philippines on February 10, 2011 to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities. The Parent Company's corporate life is 50 years starting from the date of registration with the Philippine Securities and Exchange Commission (SEC).

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

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

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

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

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

Incorporation of Cirtek Corporation and Cirtek Cayman Ltd. (CCL, Merger Subsidiary)

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

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

Acquisition of Quintel
On July 28, 2017, the Parent Company's Board of Directors, (BOD) approved the acquisition of Quintel and its subsidiaries for $83.2 million (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 as the surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from 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.

Authorization for Issuance of Consolidated Financial Statements
The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years ended December 31, 2018 were approved and authorized for issuance by the BOD on May 3, 2019.

2. Summary of Significant Accounting and Financial Reporting Policies

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued by the Philippine Interpretations Committee.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2018 and 2017:

	Country of Incorporation	Percentage of Ownership			
		2018		2017	
		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 Technology, Ltd.	United Kingdom	–	100	–	100
Quintel USA	United States of America	–	100	–	100
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	100	–	100

**In the process of dissolution.*

Subsidiaries are entities over which the Parent Company has control. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

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

expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests 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 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 the 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 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. 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.

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2018. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight. These amendments are not applicable to the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective method, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39.

The impact of the adoption is described below:

Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at FVTPL, amortized cost or FVTOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application and then applied to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets previously carried at amortized cost continue to be carried at amortized cost under PFRS 9, whereas, financial assets previously held a fair value under PAS 39, continue to be measured at fair value under PFRS 9. The following are the changes in the classification of the Group's financial assets:

The following are the changes in the classifications of the Group's financial assets.

a. Cash and cash equivalents, trade and other receivables, amounts owed by related parties, rental and security deposits, loan to employees and miscellaneous deposits previously classified as "Loans and receivables" and government securities classified as "HTM investments" qualified as held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments financial assets to be measured at amortized cost.

b. Equity investment classified as an AFS financial asset as at December 31, 2017 is classified and measured as equity instrument designated at FVTOCI beginning January 1, 2018. The Group elected to classify irrevocably its equity investment under this category at the date of initial application as it intends to hold this investment for the foreseeable future. There were no impairment losses recognized in profit or loss for this investment in prior periods.

   As the Group availed of the cost exemption under PAS 39, the equity investment is carried at cost as of December 31, 2017. The Group revalued the equity investment at its fair value as at January 1, 2018 resulting to a reduction of net changes in fair value amounting to $1.7 million.

c. The adoption of PFRS 9 did not result to changes to the classification and measurement of financial liabilities. All of the Group's financial liabilities are classified and measured at amortized cost.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018, is as follows:

		PFRS 9 measurement category		
PAS 39 measurement category	**Balances**	**FVTPL**	**FVTOCI**	**Amortized cost**
Loans and receivables:				
Cash and cash equivalents	$37,222,487	$–	$–	$37,222,487
Trade and other receivables	13,035,433	–	–	13,035,433
Amounts owed by related parties	50,383,831	–	–	50,383,831
Other current assets:		–	–	
Rental deposit	1,203,004	–	–	1,203,004
Loans to employees	312,451	–	–	312,451
Security deposit	182,510	–	–	182,510
Other noncurrent assets:		–	–	
Miscellaneous deposits	177,591	–	–	177,591
Loans to employees	233	–	–	233
HTM investment	480,563	–	–	480,563
Financial asset at FVTPL*	501	501	–	–
AFS financial asset**	1,667,000	–	1,667,000	–
	$104,665,604	$501	$1,667,000	$102,998,103

**Included in 'Other current assets'*
***As discussed, the Parent Company recognized a reduction of net changes in fair value of equity investment at FVTOCI amounting to $1.7 million as at January 1, 2018.*

Impairment
The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL.

For cash and cash equivalents, other receivables and amounts owed by related parties, management evaluated that these financial assets have low credit risk. Hence, the Company measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Company uses external credit ratings both to determine whether the cash and cash equivalents, other receivables and amounts owed by related parties has significantly increased in credit risk and to estimate ECL.

For the Group's trade receivables, PFRS 9's simplified approach was applied where ECLs are calculated based on lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of PFRS 9 did not have any significant impact on the Group's provision for impairment on its financial assets.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted PFRS 15 using the modified retrospective approach of adoption with January 1, 2018 as the date of initial application. Under this method, the standard can be applied either to all contracts at date of initial application or only to contracts that are not completed at the date of initial application. The Company elected to apply the standard to all contracts as of January 1, 2018.

Sale of goods
Prior to the adoption of PFRS 15, the Group recognized revenue from sale of goods when goods are delivered, title and risk of ownership have passed, the price to the buyer is fixed or determinable, and recoverability is reasonably assured.

Under PFRS 15, the Group assessed that the contracts with customers did not meet any criteria in recognizing revenue over time. Although the products created have no alternative use to the Group considering that goods manufactured are based on customer purchase order or scheduling agreement, the Group's right to payment for performance completed to date in case of termination for reasons other than the Group's failure to perform as promised do not include a reasonable profit margin. Thus, the Group assessed that the adoption of PFRS 15 did not change the timing of revenue recognition and amount of revenue to be recognized.

Furthermore, the Group reclassified "Advances from customers" to "Contract liabilities" amounting to $2.8 million as at January 1, 2018.

The Group provided new disclosures to comply with the requirements of PFRS 15 such as disaggregated revenue information, among others.

New Accounting Standards, Amendments to Existing Standards and Interpretation Effective Subsequent to December 31, 2018
The standards, amendments and interpretation which have been issued and are effective as at December 31, 2018 are disclosed below. The Group intends to adopt these standards, amendments and interpretation, if applicable, when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in consolidated statement of income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments are not expected to have any significant impact on the consolidated financial statements.

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

  The interpretation specifically addresses the following:

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

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

  This interpretation is not expected to be relevant to the Group because there has been no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred income taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of

the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach);
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10; *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2018 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/ noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as noncurrent.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each balance sheet date. Also, the Group discloses the fair values of financial instruments measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consoled mated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. 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.

Financial Instruments - Effective January 1, 2018
Financial assets
Initial recognition and measurements
Financial assets are classified as financial assets measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15 (refer to the Revenue Recognition policy).

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

- *Financial assets at amortized cost* - This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss, when the asset is derecognized, modified or impaired.

  As at December 31, 2018, this category includes the Group's cash and cash equivalents, trade and other receivables, amounts owed by related parties, investment in Philippine government securities, rental and security deposits, loans to employees and miscellaneous deposits.

- *Financial assets designated at FVTOCI (equity instruments)* - Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

  The Group elected to classify irrevocably its non-listed equity investments under this category.

  As at December 31, 2018, this category includes the Group's investment in unquoted shares.

- *Financial assets designated at FVTOCI (debt instruments)* - The Group measures debt instruments at FVTOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

  For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2018, the Group has no debt instruments classified as financial assets designated at FVTOCI.

- *Financial assets at FVTPL* - Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value presented as "Unrealized mark-to-market gain" (positive net changes in fair value) or "Unrealized mark-to-market loss" (negative net changes in fair value) in profit or loss.

  As of December 31, 2018, this category includes the Group's investment in Unit Investment Trust Fund (UITF).

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either the Group (a) has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, amounts owed to related parties, dividend payable and long-term debts.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below.

- *Financial liabilities at FVTPL* - Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized in profit or loss.

  Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVTPL.

- *Loans and borrowings* - This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the amortization process.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets - Effective January 1, 2018
Beginning January 1, 2018, upon adoption of PFRS 9, the Group recognizes an allowance for ECLs for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables that do not contain significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

For financial assets at amortized costs being individually assessed for ECLs, the Group applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments - Effective Prior to January 1, 2018

Financial assets

Initial recognition

Financial assets within the scope of PAS 39 are classified as either financial assets at FVTPL, loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, financial assets at FVTPL, HTM investments, AFS financial asset, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent

assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or purchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with gains or losses recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL.

Financial assets designated as FVTPL are designated by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2017, the Group designated its investment in UITF as financial asset at FVTPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method, less impairment. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Assets in this category are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As of December 31, 2017, the Group has designated as loans and receivables its cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to

employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

HTM investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold it to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017, the Group has HTM investments in Philippine government securities.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or change in market conditions.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in OCI until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in profit or loss.

As of December 31, 2017, the Group's AFS financial asset pertains to investment in unquoted equity shares.

Financial liabilities
Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities not at FVTPL, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, long-term debt and amounts owed to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in profit or loss.

The Group does not have a financial liability at FVTPL as of December 31, 2017.

Other financial liabilities
Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2017, the Group's other financial liabilities includes trade and other payables, short-term loans, amounts owed to related parties and long-term debt.

Impairment of Financial Assets - Effective Prior to January 1, 2018
The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in profit or loss.

Financial assets carried at amortized cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials, spare parts, supplies and others	- purchase cost on a first-in, first-out (FIFO) basis;
Finished goods and work-in-process inventories	- cost of direct materials and labor and a proportion of manufacturing overhead cost. Costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. They are regularly reviewed and, if necessary, revised in light of current conditions.

NRV of finished goods and work-in-process inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts, supplies and others is the current replacement cost.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing cost when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in profit or loss as incurred. Land is carried at cost less any impairment in value.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents property under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	Number of Years
Machinery and equipment	7-15
Buildings and improvements	5-25
Facility and production tools	5-8
Furniture, fixtures and equipment	2-5
Transportation equipment	5-7

Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* and the date the asset is derecognized.

The property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts until these are no longer in use. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Noncurrent Assets Held for Sale

Property, plant and equipment are classified as held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year from the date of classification, rather than through continuing use. Noncurrent assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification, unless the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

The Group shall measure a noncurrent asset that ceases to be classified as held for sale at the lower of its:

a. carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been classified as held for sale; and
b. recoverable amount at the date of the subsequent decision not to sell or distribute.

If the Group has classified an asset as held for sale, but the criteria for held for sale classification are no longer met, the Group shall cease to classify the asset as held for sale.

The Group shall recognize any required adjustment to the carrying amount of a noncurrent asset that ceases to be classified as held for sale in profit or loss in the period in which the criteria are no longer met.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee (IVSC).

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Foreign currency exchange differences are included in the determination of borrowing costs to be capitalized, but only to the extent that they are an adjustment to the interest cost on the borrowing.

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 as 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 ("contractual-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.

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 or 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.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. The Group has designated as nonfinancial assets its prepaid expenses, advances to suppliers, property, plant and equipment, intangible assets, project development costs and other assets. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial asset's or CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset,

unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its estimated recoverable amount, the nonfinancial asset is considered impaired and is written down to its estimated recoverable amount. In assessing VIU, 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 nonfinancial asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock, which consists of common stock and preferred stock, is measured at par value for all shares issued. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

Subscription Receivable

The unpaid portion of the subscribed shares is deducted from capital stock and is measured at subscription price for all shares subscribed.

Deposit for Future Stock Subscription

Deposit for future stock subscription represent the amount received that will be applied as payment in exchange for a fixed number of the Parent Company's own shares of stock. When the Parent Company does not have sufficient unissued authorized capital stock but the BOD and stockholders have approved for a proposed increase in authorized capital stock that has been presented for filing or has been filed with the Philippine SEC as of the balance sheet date, the deposit for future stock subscription is presented in the equity section of the consolidated balance sheet. Otherwise, this is presented in the liability section of the consolidated balance sheet.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

The Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Equity Reserve
Equity reserve represents the effect of the application of the pooling-of-interests method and the difference of carrying amount and consideration of reissued Parent Company shares held by a subsidiary.

Parent Company Shares Held by a Subsidiary
These shares represent the Parent Company's common shares acquired by its subsidiary. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the consideration, if reissued, is charged or credited to Equity Reserve.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group includes net changes in fair values of financial assets at FVTOCI and AFS financial assets, and remeasurements on retirement benefit obligation.

Revenue Recognition - Effective January 1, 2018
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of goods
Revenue from sale of goods is recognized at the 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.

Revenue is measured based on the transaction price the Group expects to be entitled to. The Group's contracts with customers generally provide customers with discounts. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Variable considerations include discounts and right of return. Discounts and returns are not significant to the Group.

Contract balances

- *Contract assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

- *Trade receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under Financial Assets and Financial Liabilities - Financial assets at amortized cost (debt instruments).

- *Contract liability.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is

due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue Recognition - Effective Prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns, rebates and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Sale of goods
Revenue from the sale of goods (including scrap) is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, net of discounts and returns. Discounts and returns are not significant to the Group.

Interest Income
Interest income is recognized as it accrues using the effective interest method.

Costs and Expenses Recognition
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of sales
Cost of sales is recognized when the related sale has met the criteria for recognition.

Operating expenses
Operating expenses are recognized in the period in which they are incurred.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangements is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Retirement Benefits Costs
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.

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 recognised 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.

Foreign Currency-denominated Transactions
The consolidated financial statements are presented in US dollars, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Income Taxes
Current income tax
Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial reporting date. Current income tax for the current and prior periods, shall, to the extent unpaid, be recognized as a liability in the consolidated balance sheet. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and be presented as part of "Other current assets" in the consolidated balance sheet.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference 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, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to offset current tax assets against current tax liabilities exist and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered. Subsidiaries file income tax returns on an individual basis. Thus, the deferred income tax assets and deferred income tax liabilities are offset on a per entity basis.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, adjusted for the effects of shares held by subsidiaries and with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Operating Segments
The Group operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses. The segments are segregated as follows: (a) manufacture and sale of semiconductor packages based in the Philippines through CEC, (b) manufacture and sale of radio frequency, microwave, and millimeter-wave products based in the Philippines through CATS - Philippine Branch, and (c) sale of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks based in the U.S. through Quintel. Information with respect to these subsidiaries are disclosed in Note 4. The Group operates and derives its revenue from its domestic operation and from its operation in the U.S. through Quintel.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies
Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, if any, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

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

Determination of functional currency

The functional currencies of the entities under the Group are the currencies of the primary economic environment in which the entities operate. It is the currency that mainly influences the sales prices of goods and cost of goods sold. Based on the economic substance of the underlying circumstances, the functional currency of the Parent Company and its subsidiaries is the US dollar.

Determination of operating segments

Determination of operating segments is based on the information about components of the Group that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Management assessed that the Group's operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses (see Note 4).

Reclassification from noncurrent assets as held for sale to investment properties and property, plant and equipment

When CEIC acquired RBWRP and CATS, the manufacturing activities of CATS had been transferred to CEC facility for operational efficiency measures. As a result, the investment properties, machineries and building improvements owned by RBWRP and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose the said aforementioned assets to interested buyers. PFRS 5, *Noncurrent 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 usage.

In 2017, the Group made a judgment that the noncurrent assets are held for sale since the Group's management was committed to selling the assets and was actively looking for interested buyers. During the one-year period, circumstances arose that were previously considered unlikely and, as a result, the noncurrent assets held for sale were not sold by the end of the one-year period. Furthermore, management took the necessary actions to respond to the change in circumstances and ensured that the noncurrent assets are being actively marketed at a price that is reasonable, given the change in circumstances. The properties were still classified as noncurrent assets held for sale as of December 31, 2017.

During the subsequent periods, the assets have not been sold by the end of those periods. Despite the Group's efforts to market the properties for sale as evidenced by a published advertisement form, the management does not expect the sale of the assets to be a "completed sale" within one year from December 31, 2018. As a result, the Group made the following plans in 2018:

- the land will be held for a currently undetermined future use. As per PAS 40, if an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation;
- the building will remain vacant but is held to be leased out under operating leases;
- machineries and building improvements will be held for administrative purposes and are expected to be used over a period of one year.

The Group reclassified land and building to investment properties and machineries and building improvements to property, plant and equipment. Land and building qualify as investment properties under PAS 40.

Deferred income tax liability on a subsidiary's undistributed profits
CEIC has undistributed profits as of December 31, 2018 and 2017 that will become taxable when distributed to the Parent Company. PAS 12 requires the recognition of deferred income tax liability on taxable temporary difference associated with investments in subsidiaries and interests in joint ventures, unless the Group has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has made a judgment that it is probable that the temporary difference will not reverse in the foreseeable future based on management's plan that the Group will not be declaring dividends from CEIC in the foreseeable future. Accordingly, the Parent Company did not recognize deferred income tax liability on CEIC's undistributed earnings amounting to $6.9 million and $7.2 million as of December 31, 2018 and 2017, respectively.

Impairment of nonfinancial assets (excluding goodwill and intangible assets with indefinite useful lives)
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount which is the higher of an asset's fair value less costs to sell and VIU. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Based on management's evaluation, no indication of impairment was noted on the Group's nonfinancial assets as of December 31, 2018 and 2017.

Estimation of useful life of intangible assets acquired as part of business combination
The assigned useful lives of intangibles assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset.

The Group estimates that technology will have an economic life of 5 years. Customer relationships and trademarks are estimated to have an indefinite useful lives, and will be subjected to annual impairment testing.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determination of final fair values in business combination
In 2018, the Group finalized the fair values of the net assets and liabilities acquired from its acquisition of Quintel on July 28, 2017. PFRS 3 allows the fair values of assets acquired and liabilities assumed to be refined continually for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date.

The fair values of Quintel are disclosed in Note 5 to the consolidated financial statements (see Notes 5 and 15).

Impairment testing of goodwill and intangible assets with indefinite useful life
The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. The Group performs impairment test of trademark and goodwill annually every reporting period.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGU's to which the goodwill and intangible assets relate, which in this case was determined to be Quintel. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience and are consistent with external sources of information. Key assumptions on which management has based its cash flow projections include sales volume and price, variable costs, terminal growth rate and discount rate. Cash flows beyond the forecast period are extrapolated into perpetuity assuming 1.50% growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used is 10.7%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill, customer relationships and trademark to exceed its recoverable amount. Based on management's assessment, the recoverable amount of the goodwill and intangible assets with indefinite useful life is higher than the carrying value, thus no impairment loss was recorded. As of December 31, 2018 and 2017, the carrying value of the goodwill, customer relationships and trademark subjected to impairment testing amounted to $55.5 million, $23.7 million and $7.5 million, respectively (see Note 15).

Estimation of fair value less cost to sell of noncurrent assets held for sale - December 31, 2017
The determination of the fair value less cost to sell of noncurrent assets held for sale is made with reference to the selling price of the asset in the market and other factors such as the local market conditions and the asking price of the potential buyers. As of December 31, 2017, the Group carries its noncurrent assets held for sale at lower of carrying amount and fair value less cost to sell of $11.4 million (see Note 12).

Estimation of fair value of investment properties - December 31, 2018
The fair value of the Company's investment properties, consisting of land, and building and improvements, is based on a valuation made by professionally qualified independent appraisers who hold a recognized and relevant valuation license. The fair value 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 appraisal study on April 22, 2019 effective December 31, 2018, the fair value of these properties amounted to $10.6 million (see Note 13).

Fair values of financial instruments
The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, fair values are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The fair values of the financial instruments of the Group are disclosed in Note 30 to the consolidated financial statements.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. There were no changes in the useful lives of property, plant and equipment in 2018 and 2017.

Depreciation charged in the consolidated statements of comprehensive income amounted to $4.5 million, $3.4 million and $2.7 million in 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Group's property, plant and equipment have a net book value of $38.2 million and $31.3 million, respectively (see Note 14).

Estimating allowance for inventory obsolescence
The Group recognizes allowance for inventory obsolescence when the inventory items are no longer marketable and diminishes in value. Obsolescence is based on the physical and internal condition of inventory items. The Group reviews on a monthly basis the condition of its stocks. The assessment of the condition of the inventory goods either increase or decrease the expenses or total inventory.

In 2018, the Group's obsolete inventories written off amounted to $0.7 million. The estimated allowance for inventory obsolescence amounted $0.9 million and $1.6 million as of December 31, 2018 and 2017, respectively. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to $28.3 million and $39.0 million as of December 31, 2018 and 2017, respectively (see Note 8).

Provision for ECL on financial assets at amortized cost (expected credit loss model) - Effective starting January 1, 2018
For cash in banks and cash equivalents, other receivables, amounts owed by related parties, various deposits and loans to employees, management evaluated that these financial assets have low credit risk. Hence, the Group measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Group uses external credit ratings to determine whether the cash and cash equivalents, other receivables, amounts owed by related parties, various deposits and loans to employees have significantly increased in credit risk and to estimate ECL.

The Group uses a simplified approach to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

In its ECL model, the Group relies on a broad range of forward looking information as economic inputs such as gross domestic product and inflation. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's allowance for ECL on trade receivables as at December 31, 2018 amounted to $0.5 million. The carrying amount of cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, various deposits, loans to employees and other financial assets at amortized cost amounted to $92.6 million as at December 31, 2018 (see Notes 6, 7, 9, 11 and 16).

Estimating of impairment of loans and receivables (incurred loss model) - Effective prior to January 1, 2018

The Group maintains allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this impairment allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of receivable, and identifies accounts that are to be provided with allowance on a continuous basis either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded expenses and decrease current assets.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing the impairment is the inability to collect from the counterparty based on the contractual terms of the receivables.

For collective assessment, allowance is assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

The Group recognized allowance for impairment loss on trade and other receivables amounting to $0.2 million for the year ended December 31, 2017. Allowance for impairment losses on trade receivables as of December 31, 2017 amounted to $0.2 million. The carrying amount of loans and receivables, which include cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to employees and deposits amounted to $107.0 million as of December 31, 2017, respectively (see Notes 6, 7, 9, 11 and 16).

Estimating retirement benefit cost and liability (defined benefit plans)

The determination of the obligation for retirement benefits is dependent on the selection by management of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 25 and include among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While management believes that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement obligation.

The Group's retirement benefits costs arising from its defined benefit plans amounted to $0.3 million, $0.6 million and $0.2 million in 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Group's retirement benefit obligation amounted to $1.6 million and $1.9 million, respectively (see Note 25).

Estimating useful life of software costs and capitalized product development costs

The estimated useful lives of amortizing software costs and capitalized product development cost were determined on the basis of management's assessment of the period within which the benefits of these costs are expected to be realized by the Group.

As of December 31, 2018 and 2017, software with a total cost of $39,278 has been fully amortized. The carrying amount of capitalized development costs amounted to $2.1 million and $0.7 million as of December 31, 2018 and 2017, respectively. The amortization of capitalized development cost amounted to $0.2 million in 2018, 2017 and 2016 (see Note 15).

Recoverability of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has recognized gross deferred income tax assets amounting to $0.2 million as of December 31, 2018 and 2017 (see Note 27).

The Group did not recognize deferred income tax assets amounting to $2.3 million and $2.8 million on the deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT as of December 31, 2018 and 2017, respectively.

Determining provision for warranty
The Group estimates the total warranty reserve to be recognized on the total internal and external sales for the period using a predetermined percentage rate. Assumptions made by the Group such as percentage used is based on their cumulative and industry experience on approximate inventory returns made by the customers.

The provision for warranty amounted to $1.1 million and $2.3 million as of December 31, 2018 and 2017, respectively (see Note 17).

Provision and contingencies
The Group is currently involved in various litigations and possible claims with third parties that are normal to its business. The estimate of probable costs for the resolution of these litigations and possible claims has been developed in consultation with outside legal counsel handling these matters and is based on an analysis of potential results. The Group currently does not believe that these litigations and possible claims will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Provisions recognized as of and for the year ended December 31, 2018 amounted to $0.2 million (see Notes 17 and 34).

4. Operating Segments

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, 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 revenue from contracts with customers	$44,240,950	$42,965,813	$54,634,087	($35,366,017)	$106,474,833
Segment depreciation and amortization	$3,206,711	$1,165,693	$1,488,120	$–	$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	$7,509,827	($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	($68,531,914)	$120,094,299
Noncurrent 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
Noncurrent 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, Note 5):

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$43,282,904	$26,695,362	$18,731,368	$–	$88,709,634
Inter-segment	–	18,972,071	–	(18,972,071)	–
Total net sales	$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	–	3,404,730
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, Notes 5 and 31) are 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
Noncurrent assets	29,389,777	6,407,924	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
Noncurrent liabilities	34,862,589	112,135	540,000	3,510,136	39,024,860
	$109,217,336	$48,025,423	$33,934,679	($43,082,400)	$148,095,038

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

For the year ended December 31, 2016:

	CEC	CATS - Philippine Branch	Eliminations and Consolidation Adjustments	Consolidated
Net sales	$43,685,317	$30,636,995	$–	$74,322,312
Segment depreciation and amortization	2,438,874	467,646	–	2,906,520
Segment interest income	371,733	8,362	–	380,095
Segment interest expense	1,288,209	87,018	–	1,375,227
Segment profit before income tax	$6,921,946	$1,233,414	$–	$8,155,360
Segment provision for income tax	437,561	109,771	–	547,332
Segment profit after income tax	$6,484,385	$1,123,643	$–	$7,608,028

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 $35.4 million and $19.0 million in 2018 and 2017, respectively (nil in 2016), intersegment cost of sales of $33.4 million and $15.9 million in 2018 and 2017 (nil in 2016), and intersegment operating expenses aggregating to $0.5 million, $0.6 million and $0.6 million in 2018, 2017 and 2016, 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):

	2018	2017	2016
USA	**$51,728**	$55,801	$41,144
Europe	**35,336**	22,307	19,390
Asia	**19,411**	10,602	13,788
	$106,475	$88,710	$74,322

5. Business Combination

Acquisition of Quintel Cayman, Ltd. and Subsidiaries (Quintel Group)
As discussed in Note 1, the Group acquired 100% of Quintel Group effective on August 4, 2017. The amount of all-cash consideration transferred for the acquisition was $83.2 million.

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

	Provisional fair value	Final fair value recognized on acquisition date
Assets		
Current Assets		
Cash	$1,849,741	$1,849,741
Accounts receivable - net	3,920,576	3,920,576
Inventories - net	10,029,461	10,029,461
Prepayments and other current assets	306,517	306,517
Noncurrent Assets		
Intangible assets	30,900,000	37,083,900
Property and equipment	499,842	499,842
Total Assets	47,506,137	53,690,037
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	21,209,518	21,255,573
Current portion of long-term debt	300,000	300,000

(Forward)

	Provisional fair value	Final fair value recognized on acquisition date
Noncurrent Liabilities		
Long-term debt - net of current portion	$625,962	$625,962
Deferred income tax liabilities - net	4,158,315	3,896,706
Total Liabilities	26,293,795	26,078,241
Fair Value of Net Identifiable Assets	21,212,342	27,611,796
Acquisition cost	83,152,953	83,152,953
Goodwill	$61,940,611	$55,541,157

As allowed under PFRS 3, the Group has applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date.

On August 4, 2018, the Group's valuation was completed and the fair values of the net identifiable assets as at acquisition date was finalized at $27.6 million, or an increase of $6.4 million from the provisional amount.

The 2017 comparative information was restated to reflect the adjustments to the provisional amounts below:

- *Intangible assets*
  The fair value of intangible assets acquired has been estimated based on the following assumptions:
  - Discount rate of 10.0%
  - Royalty rates of 1.1% to 3.3%
  - Terminal growth rate of 1.5%
  - Revenue and costs assumptions

  Adjustments to intangible assets mainly pertain to the inclusion of new products and innovations that Quintel will introduce subsequent to acquisition. Details of intangible assets acquired as at acquisition date are as follows:

	Provisional amount	Final fair value recognized on acquisition date
Customer relationships	$17,800,000	$23,736,500
Trademarks	5,100,000	7,472,800
Technology	8,000,000	5,874,600
	$30,900,000	$37,083,900

- *Deferred income tax liabilities - net*
  As a result of the above fair value adjustments, net deferred income tax liabilities decreased by $0.3 million.

In 2018, the Group received refund from the previous stockholders of Quintel amounting to $0.7 million. The refund was from the adjustments on the consideration in accordance with the Agreement which was received and finalized after the one-year provisional accounting for the purchase price allocation. The refund was recorded as part of "Others" account in "Other income - net" in the consolidated statement of comprehensive income (see Note 26).

The goodwill represents the expected synergies through value engineering, research and development collaboration, as well as cost reduction, resulting in high-quality, reliable and cost competitive products. None of the goodwill recognized will be deductible for tax purposes.

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

	December 31, 2017
Decrease (increase) in:	
Consolidated balance sheet	
Asset	
Intangible assets	$371,771
Liabilities	
Trade and other payables	($46,055)
Deferred income tax liabilities	(728,351)
Equity	
Retained earnings	$1,146,177

	2017
Consolidated statement of comprehensive income	
Cost of sales	$156,217
Provision for income tax	989,960
Net income	1,146,177
Total comprehensive income	1,146,177

The change did not have significant impact on the 2017 consolidated statement of cash flows and earnings per share.

The consolidated statement of comprehensive income for the year ended December 31, 2017 include the results of operations of Quintel from the date of acquisition to December 31, 2017, before elimination, as follows:

Net sales	$18,731,368
Cost of sales	(16,904,277)
Gross income	1,827,091
Operating expenses	(6,508,884)
Other income - net	88,055
Financial expense - net	(83,733)
Loss before income tax	(4,677,471)
Provision for income tax	(9,675)
Net loss	($4,687,146)

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

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

Transaction costs of $1.4 million were expensed and included as part of operating expenses in 2017 (see Note 23).

If the business combination had taken place at the beginning of 2017, the revenue of the Group would have been $95.1 million and net loss incurred would have been $5.2 million.

6. Cash and Cash Equivalents

	2018	2017
Cash on hand	$245	$250
Cash in banks	17,439,717	37,219,322
Cash equivalents	3,039	3,165
	$17,443,001	$37,222,737

Cash in banks earns interest at prevailing bank 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 earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to $30,581, $49,564 and $172,196 in 2018, 2017 and 2016, respectively.

7. Trade and Other Receivables

	2018	2017
Trade receivables	$14,940,815	$12,728,285
Others	276,075	548,160
	15,216,890	13,276,445
Less allowance for expected credit loss/impairment loss on trade receivables	491,012	241,012
	$14,725,878	$13,035,433

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

The movements in the allowance for expected credit loss/impairment loss on trade receivables as at December 31, are as follows:

	2018	2017
Beginning of year	$241,012	$41,012
Provisions (Note 23)	250,000	200,000
End of year	$491,012	$241,012

In 2018 and 2017, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer to a financial institution. In 2018 and 2017, Quintel USA 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. These were recorded as part of "Others" under "Operating expenses" account in the consolidated statement of comprehensive income.

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

8. Inventories

	2018	2017
At cost:		
Finished goods	$11,985,157	$15,492,661
Work-in-process	4,901,773	5,338,381
Raw materials	9,814,321	16,781,199
Spare parts and others	847,330	739,631
Supplies and others	754,424	644,720
	28,303,005	38,996,592
At NRV:		
Finished goods	827,378	1,517,145
Supplies and others	96,884	96,884
Allowance for inventory obsolescence	(924,262)	(1,614,029)
	–	–
	$28,303,005	$38,996,592

Certain inventories have been provided with allowance to reflect valuation for non-movement and obsolescence. A reconciliation of the allowance for inventory obsolescence for the years ended December 31 are as follows:

	2018	2017
Beginning of year	$1,614,029	$1,614,029
Write-off	(689,767)	–
End of year	$924,262	$1,614,029

The cost of inventories recognized as cost of sales amounted to $54.0 million, $44.3 million and $42.4 million in 2018, 2017 and 2016, respectively (see Note 22).

9. Other Current Assets

	2018	2017
Rental deposit (Note 20)	$1,142,374	$1,203,004
Loans to employees	612,792	312,451
Prepaid expenses	389,399	208,786
Advances to suppliers	288,767	564,519
Security deposit	182,409	182,510
Others	1,768	52,110
	$2,617,509	$2,523,380

Loans to employees include loans extended to key management personnel in 2018 (see Note 20).

The Group has investment classified as financial asset at FVTPL. In 2016, the Group disposed the significant portion of these investments. Gain on disposal recognized amounted to $0.2 million.

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

10. Equity Investment at FVTOCI/AFS Financial Asset

The Group's equity investment at FVTOCI (classified as AFS financial asset prior to January 1, 2018) pertains to its investment in unquoted equity shares acquired at a cost of $1.7 million in 2015. The equity investment is carried at cost amounting to $1.7 million as of December 31, 2017 but has been revalued at its fair value as of January 1, 2018 amounting to nil. The fair value of the equity investment is obtained through market comparable approach (Level 3).

The table below shows the rollforward of the equity investment at FVTOCI (classified as AFS financial asset in 2017) during the years ended December 31:

	2018	2017
Beginning of year, as previously reported	**$1,667,000**	$1,667,000
Fair value changes recognized directly in equity upon adoption of PFRS 9	**(1,667,000)**	–
Beginning of year, as adjusted	–	1,667,000
Fair value changes during the year recognized in other comprehensive income	–	–
End of year	**$–**	$1,667,000

There were no disposals of equity investment at FVTOCI in 2018 and 2017.

11. Other Financial Asset at Amortized Cost/HTM Investment

The movement of other financial asset at amortized cost/HTM investments are as follows:

	2018	2017
Beginning of year	**$480,563**	$371,520
Acquisition	–	487,030
Maturity	–	(366,827)
Amortization of premium	**(10,975)**	(11,160)
End of year	**$469,588**	$480,563

In compliance with the Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with market values equivalent to a certain percentage of the amount by which CATS - Philippine Branch's gross income exceeds $0.1 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 (previously classified as HTM investment) pertains to a government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation.

In 2017, other financial asset at amortized cost (previously classified as HTM investment) with a face value of $0.4 million matured. In the same year, the Group acquired a new HTM investment amounting to $0.5 million. The remaining bond will mature in 2021 and bears an effective interest rate of 1.948% per annum.

Interest income in 2018, 2017 and 2016 amounting to $11,625, $34,899 and $8,362, respectively, are presented as part of "Interest income" account in profit or loss.

12. Noncurrent Assets Held for Sale

Prior to reclassification of the Group's investment properties into noncurrent assets held for sale, the carrying value of 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 Parent Company's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS - Philippine Branch's operations. An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of $11.4 million were classified as noncurrent assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

The fair value of the noncurrent assets held for sale was determined as the sum of:

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

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

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

Replacement Cost New is estimated as follows:

- For 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 terms of market conditions, location and/or physical characteristics.

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

- For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising

from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history, is also considered.

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

In 2018, land and building with a total carrying value of $8.6 million were reclassified to investment properties (see Note 13) and building plant and machineries with a total carrying value of $2.8 million 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 (see Notes 12, 13 and 14). Depreciation recognized had the properties not been reclassified as noncurrent asset held for sale amounted to $0.5 million presented under "Operating expenses" in the consolidated statement of comprehensive income (see Note 23).

As of December 31, 2017, the carrying value of noncurrent assets held for sale amounting to $11.4 million is lower than fair value less costs to sell.

Land and building owned by RBWRP with carrying value of $8.6 million as of December 31, 2015 were used as collateral for an interest-bearing loan with a local commercial bank. The Group prepaid the balance of the loan in 2016 (see Note 19).

13. Investment Properties

As at December 31, 2018, the Group's investment properties (see Note 12) amounted to $10.6 million. In 2018, net gain on fair value measurement amounted to $2.0 million presented under "Other income (charges)" account in profit or loss.

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

Market Approach is a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparable range from $130 to $240. Significant increases (decreases) 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 restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements as at December 31, 2018.

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

14. Property, Plant and Equipment

	2018						
	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost:							
Beginning of year	$55,071,722	$8,347,402	$9,979,138	$1,320,217	$171,177	$-	$74,889,656
Additions	5,319,447	870,622	1,848,015	117,049	-	346,699	8,501,832
Reclassification from noncurrent assets held for sale (Note 12)	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)
End of year	63,956,185	9,210,197	11,740,517	1,323,553	171,177	346,699	86,748,328
Accumulated depreciation:							
Beginning of year	31,371,775	5,314,809	5,643,127	1,146,300	119,755	-	43,595,766
Reclassification from noncurrent assets held for sale (Note 12)	744,225	-	-	-	-	-	744,225
Depreciation (Notes 22 and 23)	2,895,780	489,642	899,879	168,310	16,940	-	4,470,551
Reclassification due to change of use	(1,186)	-	-	1,186	-	-	-
Disposals	(13,593)	(7,827)	(77,374)	(124,149)	-	-	(222,943)
End of year	34,997,001	5,796,624	6,465,632	1,191,647	136,695	-	48,587,599
Net book values	$28,959,184	$3,413,573	$5,274,885	$131,906	$34,482	$346,699	$38,160,729

	2017					
	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:						
Beginning of year	$51,161,319	$8,199,420	$8,192,044	$1,242,742	$171,177	$68,966,702
Additions from acquisition of Quintel (Note 5)	122,351	-	375,826	1,665	-	499,842
Additions	3,918,156	147,982	1,411,268	75,810	-	5,553,216
Disposals	(130,104)	-	-	-	-	(130,104)
End of year	55,071,722	8,347,402	9,979,138	1,320,217	171,177	74,889,656
Accumulated depreciation:						
Beginning of year	29,444,959	4,829,509	4,842,275	1,074,525	99,524	40,290,792
Depreciation (Notes 22 and 23)	2,056,920	485,300	800,852	71,775	20,231	3,435,078
Disposals	(130,104)	-	-	-	-	(130,104)
End of year	31,371,775	5,314,809	5,643,127	1,146,300	119,755	43,595,766
Net book values	$23,699,947	$3,032,593	$4,336,011	$173,917	$51,422	$31,293,890

15. Intangible Assets

	2018	2017, (As restated, Note 5)
Goodwill	$55,541,157	$55,541,157
Customer relationships	23,736,500	23,736,500
Trademark	7,472,800	7,472,800
Technology	4,210,130	5,385,050
Product development costs	2,123,057	720,829
	$93,083,644	$92,856,336

Goodwill
The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition discussed in Note 5, the Group recognized goodwill amounting to $55.5 million (see Note 5).

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

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

Technology and trademark
The fair values of Quintel's technology and registered trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the acquired assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of 5 years, which will result in yearly amortization of $1.2 million. Details of technology as follows:

	2018	2017 (As restated, Note 5)
Cost		
Beginning of year	**$5,874,600**	$–
Additions from Quintel acquisition	–	5,874,600
End of year	**5,874,600**	5,874,600
Accumulated Amortization		
Beginning of year	**489,550**	–
Amortization (Note 22)	**1,174,920**	489,550
End of year	**1,664,470**	489,550
Net Book Value	**$4,210,130**	$5,385,050

On the other hand, trademark is estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

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

	2018	2017
Cost		
Beginning of year	**$1,327,019**	$1,327,019
Additions	**1,617,281**	–
End of year	**2,944,300**	1,327,019
Accumulated Amortization		
Beginning of year	**606,190**	404,799
Amortization (Note 22)	**215,053**	201,391
End of year	**821,243**	606,190
Net Book Value	**$2,123,057**	$720,829

Software
As of December 31, 2018 and 2017, CEC has software with a total cost of $39,278 which are fully amortized but are still used 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 the CGU has been determined based on value-in-use calculations using cash flow projections from financial budgets covering a five-year period.

Key assumptions with respect to the calculation of value-in-use of the CGU as at December 31, 2018 and 2017 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2018	2017
Discount rate	**10.7%**	13.0%
Terminal growth rate	**1.5%**	1.9%
Revenue growth rates	**30.0% to 38.0%**	10.0% to 15.0%

a. 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).

b. Terminal growth rate is the sustainable growth rate computed based on Quintel's comparable.

c. 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, 2018 and 2017.

16. Other Noncurrent Assets

	2018	2017
Loans to employees (Note 20)	**$902,161**	$233
Advances to suppliers	**875,662**	1,818,041
Miscellaneous deposits	**166,646**	177,591
Others	**6,511**	6,511
	$1,950,980	$2,002,376

Loans to employees includes loans extended to key management personnel in 2018 (see Note 20).

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

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

17. Trade and Other Payables

	2018	2017 (As restated, Note 5)
Trade	**$10,835,308**	$29,464,198
Accruals:		
Payroll	**630,701**	1,919,657
Utilities	**355,676**	355,164
Interest (Notes 18 and 19)	**755,977**	257,793
Others	**628,723**	2,433,654
Contract liabilities (Note 21)	**2,041,270**	–
Provisions (Note 34)	**1,272,860**	2,302,670
Advances from customers	**–**	2,762,953
Others	**290,060**	502,528
	$16,810,575	$39,998,617

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

Other accruals comprise mainly of accruals for communication, security, shuttle services and professional services.

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. The reconciliation of the carrying amounts of provisions follows:

	2018	2017 (As restated, Note 5)
Beginning of year	**$2,302,670**	$1,419,257
Provisions for (reversal of) warranty claims (Note 22)	**(1,181,650)**	479,513
Provision for legal and other claims (Note 34)	**151,840**	–
Additions from acquisition of Quintel	–	403,900
End of year	**$1,272,860**	$2,302,670

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

18. Short-term Loans

		2018	2017
Rizal Commercial Banking Corporation (RCBC)	(a)	**$25,610,000**	$29,872,000
China Banking Corporation (CBC)	(b)	**11,000,000**	–
Security Bank Corporation (SBC)	(c)	**10,000,000**	10,000,000
BDO Unibank, Inc. (BDO)	(d)	**5,400,000**	–
Metropolitan Bank and Trust Company (MBTC)	(e)	**1,700,000**	1,900,000
Bank of the Philippine Islands (BPI)	(f)	–	22,268,088
		$53,710,000	$64,040,088

a. Revolving loan facilities with RCBC, which have payment terms of 60 to 360 days, are unsecured and charged interest of 2.80% to 4.00% and 2.25% to 4.00% per annum in 2018 and 2017, respectively.

b. Revolving loan facilities with CBC, which have payment terms of 180 days, are unsecured and charged interest of 5.00% per annum in 2018.

c. Revolving loan facilities with SBC, which have payment terms ranging from 90 to 180 days, are unsecured and charged interest of 2.54% to 5.00% and 1.95% to 2.54% per annum in 2018 and 2017, respectively.

d. Revolving loan facilities with BDO, which have payment terms ranging from 160 to 180 days, are unsecured and charged interest of 2.75% to 3.50% per annum in 2018.

e. Revolving loan facilities with MBTC, which have payment terms of 180 days, are unsecured and charged interest of 3.00% to 3.50% per annum in 2018.

f. Revolving loan facilities with BPI, which have payment terms ranging from 180 to 360 days, are unsecured and charged interest of 1.80% per annum in 2017.

Interest expense incurred from these short-term loan facilities amounted to $2.1 million, $1.6 million and $0.2 million in 2018, 2017 and 2016, respectively.

19. Long-term Debt

As of December 31, 2018 and 2017, the details of long-term debts are as follows:

	2018	2017
Principal	**$73,790,000**	$38,150,000
Less deferred financing costs	**443,329**	272,155
	73,346,671	37,877,845
Less current portion - net of deferred financing costs amounting to $134,249 and $106,730 as of December 31, 2018 and 2017, respectively	**11,045,751**	4,253,270
	$62,300,920	$33,624,575

Movement in deferred financing costs follow:

	2018	2017
Beginning of year	**$272,155**	$390,029
Transaction costs recognized during the year	**300,274**	–
Less amortization	**(129,100)**	(117,874)
End of year	**$443,329**	$272,155

Parent Company

2012 Note Facility Agreement (NFA)

On July 25, 2012, the Parent Company entered into a $10.0 million NFA with MBTC (Initial Note Holder), MBTC - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

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

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

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of 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, 2018.

The carrying amount of the loan from the 2014 NFA as of December 31, 2018 and 2017 amounted to $7.0 million and $8.0 million, respectively.

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

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000, the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of 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, 2018 and 2017 amounted to $26.1 million and $29.0 million, respectively.

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

2018 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 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 was made on a non-interest payment date. The prepayment penalty shall not apply 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 $39.7 million as of December 31, 2018.

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

CATS
In 2012, CATS obtained a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in 28 quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan (see Note 14). The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

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

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4.7 million.

Quintel USA
Long-term debt amounting to $540,000 and $900,000 as of December 31, 2018 and 2017 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, 2018 and 2017.

Interest Expense
Total interest expense (including amortization of deferred financing costs) recognized in the consolidated statements of comprehensive income amounted to $2.7 million, $1.8 million, and $1.2 million in 2018, 2017 and 2016, respectively.

20. Related Party Disclosures

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

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

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

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

a. Amounts owed by related parties

		Transactions		Balances as of			
		2018	2017 (As restated, Note 31)	2018	2017 (As restated, Note 31)	Terms	Conditions
Parent							
Camerton	Assignment of liabilities	$54,888,948	$–	$54,960,066	$71,118	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
	Reimbursements of expenses	18,809	–	18,809	–	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
Entities under common control							
CHI	Advances	–	–	1,809,256	1,809,256	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
Cayon	Reimbursement of expenses	2,548	7,943	216,775	214,227	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
Stockholders	Assignment of liabilities/ Advances	54,960,066	37,980,190	–	48,289,230	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
				$57,004,906	$50,383,831		

b. Amounts owed to related parties

		Transactions		Balances as of			
		2018	2017	2018	2017	Terms	Conditions
Entities under common control							
CLC	Rental	$11,559	$12,078	$470,607	$459,048	Due on demand; noninterest-bearing	Unsecured
Cayon	Rental	10,503	10,973	94,658	84,155	Due on demand; noninterest-bearing	Unsecured
Stockholders	Payment made on behalf of the Group	35,928	–	35,928	–	Due on demand; noninterest-bearing	Unsecured
				$601,193	$543,203		

c. Others

		Transactions		Balances as of			
		2018	2017	2018	2017	Terms	Conditions
Entities under common control							
CLC	Rental deposit	$–	$–	$1,142,374	$1,203,440	Due on demand; noninterest-bearing	Unsecured
Camerton	Deposit for future stock subscription	189,107	–	189,107	–	Due on demand; noninterest-bearing	Unsecured
	Dividend payable	20,601	–	20,601	–	Due on demand; noninterest-bearing	Unsecured

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

Transactions with individual stockholders, Camerton
As of December 31, 2017, advances to individual stockholders, which are due and demandable and noninterest-bearing, amounted to $48.3 million. In 2018, additional advances amounted to $7.1 million, net of collections amounting to $17.1 million.

On December 27, 2018, the Group and Camerton executed a Sworn Corporate Undertaking, whereby Camerton undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. Camerton 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. Loan agreements between Camerton and the Group were executed on the same day which indicates the terms and conditions disclosed in the table.

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

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

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

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

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

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

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

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to ₱60.1 million ($1.1 million and $1.2 million as of December 31, 2018 and 2017, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to $11,559, $12,713 and $12,777 in 2018, 2017 and 2016, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of 10 years and renewable 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.

Future minimum rental payables under these operating leases are as follows:

	2018	2017
Within one year	**$23,257**	$24,491
After one year but not more than five years	**23,257**	48,983
	$46,514	$73,474

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

	2018	2017	2016
Short-term	**$2,017,640**	$2,598,525	$1,963,109
Long-term	**6,850**	2,045	4,107
	$2,024,490	$2,600,570	$1,967,216

On May 17, 2018, the Group extended loans to two key management personnel totaling to $1.5 million. The loans bear 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 carrying amount of the loan as of December 31, 2018 amounted to $1.2 million (see Notes 9 and 16). No interest income was recognized in 2018 and 2017.

21. Revenue from Contracts with Customers

Disaggregated Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2018:

8 port antennas	$28,874,102
12 port antennas	19,124,028
Multichips	11,043,990
Discrete	10,667,990
Integrated circuits	7,569,714
New product	6,808,873
Dual and quad flat no-leads	6,385,914
6 Port antennas	5,356,743
Remec manufacturing services	4,122,599
Hermetics	1,764,468
Outdoor unit	1,667,913
Indoor radio frequency unit	1,191,608
Brackets	1,034,534
Bridgewave	345,598
10 port antennas	244,681
Cougar	142,754
Others	129,324
	$106,474,833

Contract Balances

The Group's trade receivables amounted to $14.9 million and $12.7 million as at December 31, 2018 and January 1, 2018, respectively.

The Group has no contract assets as at December 31, 2018 and January 1, 2018.

The Group's contract liabilities pertain to advanced payments from customers amounting to $2.0 million and $2.8 million as at December 31, 2018 and January 1, 2018, respectively, which are included in "Trade and other payables" account (see Note 17). Contract liabilities as at January 1, 2018 were recognized as revenue in 2018.

22. Cost of Sales

	2018	2017 (As restated, Note 5)	2016
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 8)	**$53,980,162**	$44,347,102	$42,434,652
Salaries, wages and employees' benefits (Note 24)	**12,817,903**	12,691,030	10,535,487
Inward freight and duties and others	**8,148,510**	5,397,161	2,283,854
Depreciation and amortization (Notes 14 and 15)	**5,209,430**	4,032,434	2,821,637
Utilities	**4,468,332**	3,962,713	3,490,477
	$84,624,337	$70,430,440	$61,566,107

23. Operating Expenses

	2018	2017	2016
Salaries, wages and employees' benefits (Note 24)	**$7,579,136**	$5,181,761	$2,563,292
Professional fees	**2,308,451**	2,965,595	191,305
Commissions	**1,324,413**	1,050,523	152,020
Transportation and travel	**752,810**	601,944	304,568
Depreciation and amortization (Notes 15 and 16)	**651,094**	93,584	84,883
Utilities	**485,756**	630,039	349,377
Taxes and licenses	**417,298**	676,068	84,242
Supplies	**346,036**	274,472	47,688
Provision for ECL/bad debts (Note 7)	**250,000**	200,000	–
Entertainment, amusement and recreation	**198,932**	186,020	192,109
Insurance premiums	**154,756**	122,041	71,871
Provision for probable losses (Note 17)	**151,840**	–	–
Others	**966,879**	232,308	312,248
	$15,587,401	$12,214,355	$4,353,603

Others mainly consist of repairs and maintenance, bank and other individually immaterial charges.

24. Salaries and Wages and Employees' Benefits

	2018	2017	2016
Salaries and wages	**$16,755,724**	$15,174,955	$10,480,573
Retirement benefits costs (Note 25)	**253,291**	639,583	216,687
Other employee benefits	**3,388,024**	2,058,253	2,401,519
	$20,397,039	$17,872,791	$13,098,779

Other employee benefits consist of statutory contributions and other allowances.

25. Retirement Benefit Obligation

Defined Benefit Plans

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

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

The below tables summarize the components of retirement benefits cost recognized in consolidated statement of comprehensive income and amounts recognized in the consolidated balance sheets:

a. Retirement benefits costs recognized in the consolidated statements of comprehensive income are as follows:

For the year ended 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

For the year ended 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
Past service cost	310,331	55,136	365,467
	$542,089	$97,494	$639,583

For the year ended December 31, 2016:

	CEC	CATS - Philippine Branch	Total
Current service cost	$98,124	$50,189	$148,313
Net interest cost	66,294	2,080	68,374
	$164,418	$52,269	$216,687

b. The amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

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

c. Changes in the present value of the defined benefit obligations are as follows:

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 from working capital	**(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**

December 31, 2017

	CEC	CATS - Philippine Branch	Total
Opening present value defined benefit obligation	$2,020,158	$60,124	$2,080,282
Current service cost	142,990	39,068	182,058
Past service cost	310,331	55,136	365,467
Interest cost	99,261	3,290	102,551
Remeasurement gains	(139,287)	(45,747)	(185,034)
Benefits paid	(222,700)	–	(222,700)
Translation difference	(6,691)	264	(6,427)
	$2,204,062	$112,135	$2,316,197

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

	2018	2017
Opening fair value of plan assets	**$426,048**	$272,435
Interest income included in net interest cost	**23,190**	10,493
Remeasurement losses	**(124,032)**	(20,863)
Contributions	**139,214**	169,054
Benefits paid	**(2,058)**	(5,378)
Translation difference	**(21,486)**	307
	$440,876	$426,048

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

e. The details of the remeasurement losses (gains) in other comprehensive income follow:

For the year ended December 31, 2018:

	CEC	CATS - Philippine Branch	Total
Remeasurement losses (gains) on defined benefits 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 plan assets	**128,226**	**–**	**124,032**
	($230,476)	**$4,168**	**($233,407)**

For the year ended December 31, 2017:

	CEC	CATS - Philippine Branch	Total
Remeasurement losses (gains) on defined benefits 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 plan assets	20,863	–	20,863
	($118,424)	($45,747)	($164,171)

For the year ended December 31, 2016:

	CEC	CATS - Philippine Branch	Total
Remeasurement losses (gains) on defined benefits obligation arising from:			
Changes in assumptions	($177,175)	($2,797)	($179,972)
Experience adjustments	51,035	(39,632)	11,403
Remeasurement losses on plan assets	(13,147)	(3,318)	(16,465)
	($139,287)	($45,747)	($185,034)

f. The principal actuarial assumptions used to determine retirement obligations for the Group's retirement plan as of December 31 are as follows:

	2018		2017	
	CEC	**CATS - Philippine Branch**	CEC	CATS - Philippine Branch
Discount rate	**7.60%**	**7.40%**	5.73%	5.70%
Future salary increase rate	**3.00%**	**2.00%**	3.00%	2.00%

g. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2018 and 2017, assuming all other assumptions were held constant:

	2018		2017	
	Change in variables	**Impact on present value of defined benefits obligations Increase (Decrease)**	Change in variables	Impact on present value of defined benefits obligations Increase (Decrease)
CEC				
Discount rate	+1.00%	**($148,203)**	+1.00%	($183,983)
	-1.00%	**172,759**	-1.00%	216,046
Salary increase rate	+1.00%	**179,239**	+1.00%	232,015
	-1.00%	**(155,715)**	-1.00%	(200,825)
CATS - Philippine Branch				
Discount rate	+1.00%	**(8,554)**	+1.00%	(12,708)
	-1.00%	**9,731**	-1.00%	14,281
Salary increase rate	+1.00%	**10,176**	+1.00%	15,598
	-1.00%	**(9,061)**	-1.00%	(13,329)

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

h. The latest actuarial valuation reports of the Group is as of December 31, 2018. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years. Shown below is the maturity analysis of the undiscounted benefit payments:

	2018		2017	
	CEC	**CATS - Philippine Branch**	CEC	CATS - Philippine Branch
1 year or less	**$475,353**	**$171,902**	$392,288	$–
More than 1 year to 5 years	**555,796**	**558,211**	627,983	52,910
More than 5 years	**8,990,306**	**451,180**	8,437,157	1,879,547

Defined Contribution Plans

Quintel USA has a retirement savings plan under Section 401(k) of the United States Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. Quintel USA makes a matching contribution of 100% of each employee's contributions up to 4% of such employee's compensation. Quintel USA made matching contributions amounting to $0.2 million and $0.1 million in for the year ended December 31, 2018 and from the date of acquisition to December 31, 2017.

Quintel Technology, Ltd. has a defined contribution plan covering substantially all UK employees. In 2018 and from the date of acquisition to December 31, 2017, Quintel Technology, Ltd. made $94,530 and $6,915 in contributions.

26. Other Income - Net

	2018	2017	2016
Net gain on fair value changes on investment properties (Note 13)	**$2,042,656**	$–	$–
Sale of scrap	**239,473**	258,610	231,552
Foreign exchange gains (losses) - net	**(117,472)**	178,456	(3,222)
Gain on disposal of financial assets at FVTPL (Note 9)	**–**	–	262,332
Others (Notes 5 and 34)	**6,163,399**	69,190	257,228
	$8,328,056	$506,256	$747,890

27. Income Taxes

CEC

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

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

CATS - Philippine Branch
CATS - Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeterwave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ) and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

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

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

	2018	2017 (As restated, Note 5)	2016
Current	**$884,352**	$521,332	$559,457
Deferred	**567,239**	(420,538)	(12,125)
	$1,451,591	$100,794	$547,332

The provision for current income tax in 2018, 2017 and 2016 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 Parent Company is subject to MCIT beginning 2015.

A reconciliation of provision for income tax computed at the statutory income tax rate to provision for (benefit from) income tax shown in the consolidated statements of comprehensive income follows:

	2018	2017 (As restated, Note 5)	2016
Income tax at applicable statutory rate	**$1,092,525**	$913,960	$637,810
Additions to (reduction in) income tax:			
Effect of change in tax rates arising from the Tax Act	–	(713,215)	–
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	**548,958**	245,928	(12,125)
Taxable income subject to ITH	**(230,729)**	(275,165)	(19,665)
Nontaxable income	**(45,420)**	(123,161)	(139,433)
Income subject to higher tax rate	**64,450**	29,000	33,356
Other taxable income subject to 5%	**(3,947)**	12,930	–
Nondeductible expenses	**9,551**	8,926	34,930
Translation difference and others	**16,203**	1,591	12,459
Provision for income tax	**$1,451,591**	$100,794	$547,332

In 2018, 2017 and 2016, CATS - Philippine Branch has availed ITH for certain product lines. Total gross income for the registered activities of CATS - Philippine Branch under ITH in 2018, 2017, and 2016 amounted to $4.6 million, $8.9 million and $0.4 million, respectively.

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

Net deferred income tax assets

	2018	2017
Deferred income tax assets recognized in profit or loss:		
Fair value adjustment on nonfinancial assets	$127,849	$127,849
Retirement benefit obligation	114,618	114,997
HTM investments	1,408	1,408
	243,875	244,254
Deferred income tax liabilities on recognized in profit or loss:		
Effect of foreign exchange differences between tax base and financial reporting base	(1,351)	(19,773)
Unrealized foreign exchange gains	(13,192)	(8,765)
	(14,543)	(28,538)
Deferred income tax liability related to retirement benefit obligation recognized under other comprehensive income	(24,258)	(8,341)
	$205,074	$207,375

Net deferred income tax liabilities

	2018	2017 (As restated, Note 5)
Deferred income tax assets (liabilities) acquired in business combination:		
Intangible assets	($7,204,421)	($7,427,656)
NOLCO	3,528,204	3,528,204
Accrued expenses	135,587	389,316
	(3,540,630)	(3,510,136)
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)	–
Unrealized foreign exchange loss	677	–
	(550,361)	–
	($4,090,991)	($3,510,136)

The following are the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income tax assets have been recognized as 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:

	2018	2017
NOLCO	**$7,681,943**	$7,203,027
Unrealized gross profit	**1,896,262**	3,047,575
MCIT	**201,584**	–
Unrealized foreign exchange losses	**66,667**	–

Deferred income tax asset on MCIT amounting to $0.2 million is not recognized in 2018 because management believed 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 $24.4 million and $36.0 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Parent Company and RBWRP incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year incurred	Balances as of December 31, 2017	Additions	Applied	Expired	Balance as of December 31, 2018	Tax effect	Available until
2015	$1,006,718	$–	$1,006,718	$–	$–	$–	2018
2016	1,329,752	–	1,329,752	–	–	–	2019
2017	4,783,563	–	3,587,271	–	1,196,292	358,888	2020
	$7,120,033	$–	$5,923,741	$–	$1,196,292	$358,888	

RBWRP

Year incurred	Balances as of December 31, 2017	Additions	Applied	Expired	Balance as of December 31, 2018	Tax effect	Available until
2016	$79,712	$–	$–	$–	$79,712	$23,914	2019
2017	3,282	–	–	–	3,282	984	2020
2018	–	1,759	–	–	1,759	528	2021
	$82,994	$1,759	$–	$–	$84,753	$25,426	

Quintel USA

As of December 31, 2018, Quintel USA incurred NOLCO that can be claimed as deduction from future taxable income amounting to $23.2 million.

	NOLCO	Deferred income tax asset recognized	Expiration
Quintel USA	$23,201,869	$3,528,204	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 (U.S.)

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

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.

28. Earnings Per Share (EPS)

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

	2018	2017 (As restated, Note 5)	2016
Net income	**$8,334,245**	$3,150,033	$7,608,208
Adjustments on dividends declared:			
Preferred A shares	**(8,400)**	(8,400)	(11,200)
Preferred B-1 shares	**(81,377)**	(21,280)	–
Preferred B-2 shares	**(4,103,750)**	(341,979)	–
Net income attributable to common shareholders of the Parent Company	**4,140,718**	2,778,378	7,596,408
Divided by:			
Weighted average number of common shares outstanding	**392,979,673**	367,502,711	416,827,328
Basic and diluted EPS	**$0.011**	$0.008	$0.018

As of December 31, 2018, 2017 and 2016, the Parent Company has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Parent Company as adjusted with the effects of shares held by a subsidiary.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial instruments such as trade and other receivables, amounts owed by related parties, rental 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.

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

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

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

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

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 ECLs 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 these debt instruments rounds to nil.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer 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 forecasts of future economic conditions.

In its ECL models, 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 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 the 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 the expected credit loss as of December 31, 2018 follows:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents*	$17,442,756	$–	$–	$–	$17,442,756
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, 2018:

		Past due					
	Current	< 30 days	30< 60 days	60-90 days	> 90 days	ECL	Net of ECL
Cash and cash equivalents*	$17,442,756	$–	$–	$–	$–	$–	$17,442,756
Trade and other receivables	7,918,628	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 assets at FVTPL	475	–	–	–	–	–	475
Rental deposit	1,142,374	–	–	–	–	–	1,142,374
Loans to employees	612,792	–	–	–	–	–	612,792
Security deposit	182,409	–	–	–	–	–	182,409
HTM investments	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

**Excluding cash on hand amounting to $243.*

December 31, 2017:

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30< 60 days	60-90 days	> 90 days		
Cash and cash equivalents*	$37,222,487	$–	$–	$–	$–	$–	$37,222,487
Trade and other receivables	8,935,352	1,213,089	102,510	2,548,579	235,903	241,012	13,276,445
Amounts owed by related parties	50,383,831	–	–	–	–	–	50,383,831
Other current assets:							
Financial assets at FVTPL	501	–	–	–	–	–	501
Rental deposit	1,203,004	–	–	–	–	–	1,203,004
Security deposit	312,451	–	–	–	–	–	312,451
Loans to employees	182,510	–	–	–	–	–	182,510
AFS financial asset	1,667,000	–	–	–	–	–	1,667,000
HTM investments	480,563	–	–	–	–	–	480,563
Other noncurrent assets:							
Loans to employees	233	–	–	–	–	–	233
Miscellaneous deposits	177,591	–	–	–	–	–	177,591
	$100,565,523	$1,213,089	$102,510	$2,548,579	$235,903	$241,012	$104,906,616

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

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

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

* *Excluding cash on hand.*

December 31, 2017

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents*	$37,222,487	$–	$–	$37,222,487
Trade and other receivables	8,935,352	–	–	8,935,352
Amounts owed by related parties	–	50,383,831	–	54,901,882
Other current assets:				
Financial assets at FVTPL	501	–	–	501
Rental deposit	1,203,004	–	–	1,203,004
Loans to employees	312,451	–	–	312,451
Security deposit	182,510	–	–	182,510
HTM investments	480,563	–	–	480,563
AFS financial asset	–	1,667,000	–	1,667,000
Other noncurrent assets:				
Loans to employees	233	–	–	233
Miscellaneous deposits	177,591	–	–	177,591
	$48,514,692	$56,568,882	$–	$105,083,574

* *Excluding cash on hand.*

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 tables 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, 2018

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$17,443,001	$–	$–	$–	$17,443,001
Trade and other receivables	7,918,628	6,807,249	–	–	14,725,877
Amounts owed by related parties	57,004,906	–	–	–	57,004,906
	$82,366,535	$6,807,249	$–	$–	$89,173,784
Financial Liabilities					
Trade and other payables					
Trade payables	$10,154,008	$–	$–	$–	$10,154,008
Accrued expenses	–	1,740,376	–	–	1,740,376
Short-term loans*	–	54,783,580	–	–	54,783,580
Amounts owed 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

**Includes future interest payments*

December 31, 2017

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$37,222,737	$–	$–	$–	$37,222,737
Trade and other receivables	8,935,352	4,100,081	–	–	13,035,433
Amounts owed by related parties	$50,383,831	–	–	–	50,383,831
	$96,541,920	$4,100,081	$–	$–	$100,642,001
Financial Liabilities					
Trade and other payables					
Trade payables	$30,631,478	$–	$–	$–	$30,631,478
Accrued expenses*	–	3,758,037	–	–	3,758,037
Short-term loans**	–	65,133,176	–	–	65,133,176
Amounts owed to related parties	543,203	–	–	–	543,203
Long-term debts**	–	5,421,181	18,987,590	16,009,000	40,417,771
	$31,174,681	$74,312,394	$18,987,590	$16,009,000	$140,483,665

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

Foreign currency risk
The Group uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements. 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, 2018 and 2017:

US Dollars

	December 31, 2018	
	Original Currency in Php[1]	**Total Dollar Equivalent**
Financial Assets		
Cash and cash equivalents	**₱140,431,688**	**$2,670,819**
HTM investments	**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 Liability		
Trade and other payables	**115,680,925**	**2,200,094**
Net Financial Assets	**₱131,964,721**	**$2,509,788**

[1]₱ 1 = $0.0190

	December 31, 2017	
	Original Currency in Php[1]	Total Dollar Equivalent
Financial Assets		
Cash and cash equivalents	₱272,996,324	$5,467,581
HTM investments	23,994,511	480,563
Amounts owed by related parties	25,000	501
Other current assets	72,744,455	1,454,929
Other noncurrent assets	6,418,252	128,545
Total Financial Assets	376,178,542	7,532,119
Financial Liabilities		
Trade and other payables	88,901,769	1,780,528
Net Financial Assets	₱287,276,773	$5,751,591

[1]₱ 1 = $0.0200

British Pounds

	December 31, 2018	
	Original Currency in GPB[1]	**Total Dollar Equivalent**
Financial Assets		
Cash and cash equivalents	**£58,901**	**$75,111**
Other current assets	**36,791**	**46,916**
	£95,692	**$122,027**

[1]£1 = $1.2752

	December 31, 2017	
	Original Currency in GPB[1]	Total Dollar Equivalent
Financial Asset		
Cash and cash equivalents	£197,511	$266,502

[1]£1 = $1.3493

US Dollars

	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**

	December 31, 2017			
	Foreign Currency Appreciates by	Effect on Income Before Tax	Foreign Currency Depreciates by	Effect on Income Before tax
Peso denominated assets	+1%	($75,321)	-1%	$75,321
Peso denominated liabilities	+1%	17,805	-1%	(17,805)
		($57,516)		$57,516

British Pounds

	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)**

	December 31, 2017			
	Foreign Currency Appreciates by	Effect on Income Before Tax	Foreign Currency Depreciates by	Effect on Income Before tax
Peso denominated assets	+9%	$23,985	-9%	($23,985)

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.

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

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

The Company considers the following as capital:

	2018	2017
Common stock	**$9,594,321**	$9,594,321
Preferred stock	**2,615,995**	2,037,113
Additional paid-in capital	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income (loss)	**(1,225,830)**	196,292
Retained earnings	**25,144,690**	24,672,847
Parent company shares held by a subsidiary	**(26,812,680)**	(7,017,360)
	$113,816,369	$133,983,086

As of December 31, 2018 and 2017, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of December 31, 2018 and 2017, the Group was able to meet its capital requirements and management objectives.

30. Fair Values

As of December 31, 2018 and 2017, the carrying values of the Group's financial assets and liabilities, excluding AFS financial asset 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, amounts owed by and owed to related parties and deposits
The carrying amounts approximate fair value since these are mostly short-term in nature or due and demandable.

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

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 4.19% to 6.37% and 4.19% to 4.29% in 2018 and 2017, respectively (Level 3).

Fair Value Hierarchy

	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial asset measured at fair value				
Financial asset at FVTPL	**$475**	**$–**	**$475**	**$–**
Investment properties	**10,605,040**	**–**	**10,605,040**	**–**
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	**469,588**	**469,588**	**–**	**–**
Long-term debt	**74,119113**	**–**	**–**	**74,119113**

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

31. Equity

a. Common Shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) 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 ₱0.50 per share.

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

As of December 31, 2018, the Parent Company'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 Parent Company has a total number of 26 and 25 stockholders, respectively.

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

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

The 2017 consolidated financial statements of the Group were restated to correct transactions related to the disposals of parent company 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 parent company, 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
Increase (decrease) in:	
Consolidated Balance Sheet	
Total current assets	
Amounts owed by related parties	($4,518,053)
Equity	
Parent company shares held by a subsidiary	4,518,053

	2017
Consolidated Statement of Changes in Equity	
Sale by subsidiary of parent company 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 parent company shares for ₱1.2 billion ($20.7 million).

As of December 31, 2018 and 2017, the carrying value of Parent Company shares held by a subsidiary amounted to $26.8 million and $2.5 million, respectively.

b. Preferred Shares

	2018	2017
Number of shares		
Authorized		
Preferred shares A (₱0.10 par value)	**700,000,000**	700,000,000
Preferred shares B-1 (₱1.00 par value)	**70,000,000**	70,000,000
Preferred shares B-2 (₱1.00 par value)	**200,000,000**	200,000,000
Issued and Subscribed		

	2018	2017
Issued and Subscribed		
Preferred A shares	**700,000,000**	700,000,000
Preferred B-1 shares	**70,000,000**	70,000,000
Preferred B-2 shares	**67,000,000**	67,000,000
Amount		
Preferred A shares - (net of subscriptions receivable amounting to $525,062 and $1,103,944 as of December 31, 2018 and 2017, respectively)	**$946,863**	$367,981
Preferred B-1 shares - (net of subscriptions receivable amounting to $1,027,196 as of December 31, 2017)	**342,399**	342,399
Preferred B-2 shares	**1,326,733**	1,326,733

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

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

a) from ₱560,000,000, consisting of:

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

b) to ₱860,000,000, consisting of:

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

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Camerton at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Parent Company recognized preferred stock and additional paid-in capital amounting to $0.1 million and $0.3 million, respectively, net of subscriptions receivable.

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

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

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

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

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

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

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

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2 shares with par value of ₱1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively. The Parent Company incurred transaction costs incidental to FOO amounting to $1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to $324,866 recorded under "Accrued expenses and other payables" account.

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

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱40,000,000. The Parent Company 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 Parent Company'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 Parent Company's shareholders representing at least two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to determine and fix the terms and conditions of preferred C shares.

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

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

c. Retained Earnings

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

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

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

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

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries.
On February 2, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.004609 per share for each of 419,063,353 fully paid and issued common shares and $0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of $1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 27, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount remained unpaid as of December 31, 2018.

On the same date, the Parent Company'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 Parent Company'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:

(i) June 8, 2018 to shareholders of record as of June 6, 2018
(ii) September 10, 2018 to shareholders of record as of September 6, 2018
(iii) 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 Parent Company'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.

Retained earnings include undistributed earnings amounting to $21.5 million, $24.3 million and $24.4 million as of December 31, 2018, 2017 and 2016, 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, 2018 and 2017.

32. Changes in Liabilities Arising from Financing Activities

The table below presents the changes in Group's liabilities arising from financing activities:

	2018					
	Beginning	Net cash flows	Conversion of short-term loans into long-term debt	Capitalized debt issuance costs	Amortization of deferred financing costs	Ending
Short-term loans	$64,040,088	$29,669,912	($40,000,000)	$–	$–	$53,710,000
Long-term debt	37,877,845	(4,360,000)	40,000,000	(300,274)	129,100	73,346,671
Amounts owed to related parties	543,203	57,990	–	–	–	601,193
Deposit for future stock subscription	–	189,107	–	–	–	189,107
	$102,461,136	$25,557,009	$–	($300,274)	$129,100	$127,846,971

	2017				
	Beginning	Net cash flows	Amortization of deferred financing costs	Liabilities arising from acquisition of Quintel	Ending
Short-term loans	$31,625,945	$32,414,143	$–	$–	$64,040,088
Long-term debt	43,859,971	(7,025,962)	117,874	925,962	37,877,845
Amounts owed to related parties	520,152	23,051	–	–	543,203
	$76,006,068	$25,411,232	$117,874	$925,962	$102,461,136

33. Events After the Reporting Period

On January 30, 2019, the Parent Company's BOD approved the declaration of cash dividends 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:

(i) March 8, 2019 to shareholders of record as of March 6, 2019
(ii) June 10, 2019 to shareholders of record as of June 6, 2019

(iii) September 9, 2019 to shareholders of record as of September 5, 2019
(iv) December 9, 2019 to shareholders of record as of December 5, 2019

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

34. Contingencies and Commitments

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

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

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

Contingencies

a. In 2019, the Parent Company received a letter from a regulatory agency about transactions involving the Parent Company's shares. The Parent Company is currently discussing with the regulators, thus timing of the cash flows is uncertain as it depends upon the outcome of these discussions. Disclosure on additional details beyond the present disclosures may seriously prejudice the said discussions. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

b. In accordance with the settlement agreement between the Group and a third party, the Group received a total amount of $5.5 million as payment for the Group's legal case for patent infringement. The amount was recorded as part of "Others - net" account (see Note 26).

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Cirtek Holdings Philippines Corporation
116 East Main Avenue
Phase V-SEZ
Laguna Technopark
Binan, Laguna

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Cirtek Holdings Philippines Corporation and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A, and have issued our report thereon dated May 3, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules I to III and A to H listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

May 3, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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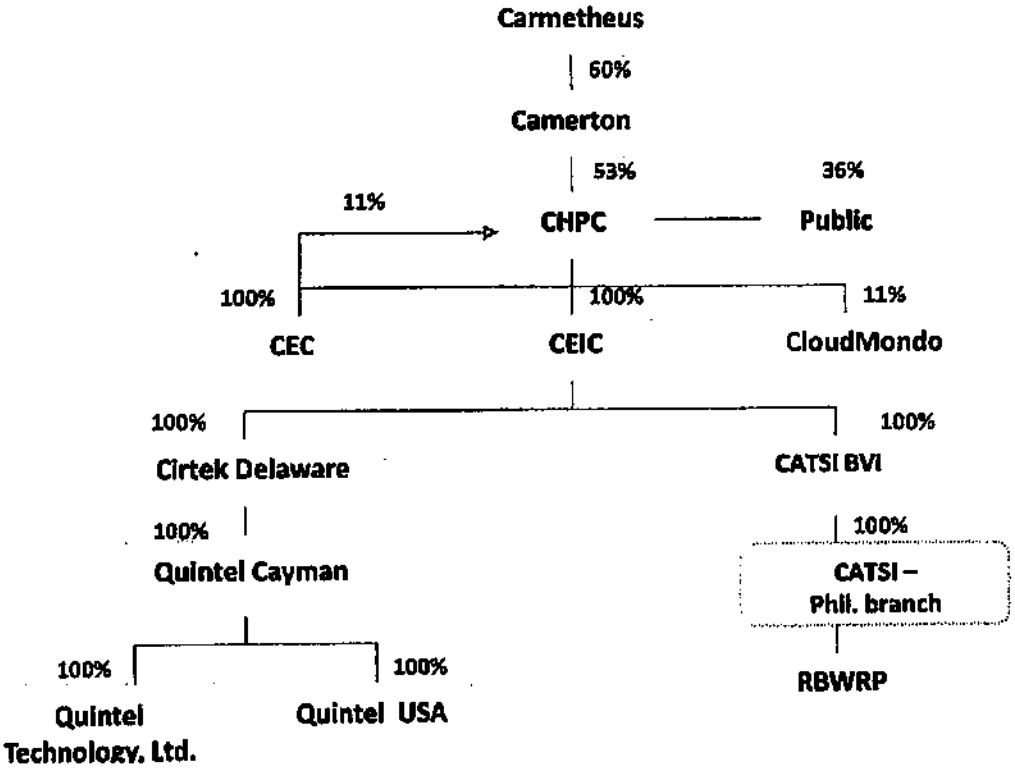
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2018



CIRTEK HOLDINGS PHILIPPINES CORPORATION

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non - cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases - Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2018

Unappropriated retained earnings, beginning	**$407,956**
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	11,274,805
Less: Unrealized foreign exchange gain, net of tax (except for those attributable to cash)	401
Net income actually earned during the period	**11,274,404**
Less: Cash dividends declared	8,073,734
Retained earnings available for dividend declaration	**$3,608,626**

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

	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 and cash equivalents	N/A	$17,442,756	$17,442,756	$30,581
Trade and other receivables	N/A	14,725,877	14,725,877	–
Amounts owed by related parties	N/A	57,004,906	57,004,906	–
Other current assets:				
Financial asset at FVTPL	N/A	475	475	–
Rental deposit	N/A	1,142,374	1,142,374	–
Security deposit	N/A	612,792	612,792	–
Loan to employees	N/A	182,409	182,409	–
Equity investment at FVTOCI	N/A	–	–	–
Other financial asset at amortized	N/A	469,588	469,588	11,625
Other noncurrent assets:				
Loans to employees	N/A	902,161	902,161	–
Miscellaneous deposits	N/A	166,646	166,646	–
		$92,649,984	$92,649,984	$42,206

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, 2018

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

Name and designation of debtor	Balance at beginning of period	Additions	Payments	Assignment of liabilities to related parties	Current	Not Current	Balance at the end of the period
Stockholders							
Jerry Liu	$29,227,358	$–	($8,326,878)	($20,900,480)	$–	$–	$–
Bryan Liu	19,061,872	14,997,714	(34,059,586)	(34,059,586)	–	–	–
	$48,289,230	$14,997,714	($42,386,464)	($54,960,066)	$–	$–	$–

Amounts owed by Related Parties

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company	$					
Camerton Inc.	$71,118	$54,978,875	($71,118)	$54,978,875	$–	$54,978,875
Related parties under common control						
Cirtek Holdings, Inc.	1,809,256	–	–	1,809,256	–	1,809,256
Cayon Holdings, Inc.	214,227	2,548	–	216,775	–	216,775
TOTAL	$2,094,601	$$54,981,423	($71,118)	$57,004,906	$–	$57,004,906

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 YEAR ENDED DECEMBER 31, 2018

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

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel USA*	21,329,466	3,553,958	–	–	24,883,424	–	24,883,424

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$81,335,790	$–	$–	$–	$81,335,790	$–	$81,335,790
CEIC	9,000,000	–	–	–	8,325,739	–	8,325,739
Subtotal	90,335,790	–	(674,261)	–	89,661,529	–	89,661,529
Cirtek Electronics Corporation from:							
CHPC	49,735,574	–	(11,492,538)	–	38,243,036	–	38,243,036
CATS	26,319,609	5,267,844	–	–	31,587,453	–	31,587,453
Subtotal	76,055,183	5,267,844	(11,492,538)	–	69,830,489	–	69,830,489
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	–	–	–	2,339,865	–	2,339,865
CEC	22,789,503	–	(1722,611)	–	21,066,892	–	21,066,892
Cirtek Corporation	83,152,953	–	(674,261)	–	82,478,692	–	82,478,692
Subtotal	108,282,321	–	(2,396,872)	–	105,885,449	–	105,885,449
Cirtek Advanced Technologies and Solutions, Inc from:							
CEIC	4,628	–	–	–	4,628	–	4,628
RBWRP	34,424	1,760	–	–	36,184	–	36,184
Cameron Inc.	–	18,809	–	–	18,809	–	18,809
Subtotal	21,368,518	3,574,527	–	–	24,943,045	–	24,943,045
RBW Realty and Property, Inc from:							
CATS	18,389	–	–	–	18,389	–	18,389
TOTAL	$296,060,201	$8,842,371	($9,095,666)	$–	$287,338,901	$–	$287,338,901

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2018

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and Expenses	Charged to other Accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$55,541,157	$–	$–	$–	$–	$55,541,157
Customer relationship	23,736,500	–	–	–	–	23,736,500
Trademark	7,472,800	–	–	–	–	7,472,800
Technology	5,385,050	–	(1,174,920)	–	–	4,210,130
Product development costs	720,829	1,617,281	(215,053)	–	–	2,123,057
Total	$92,856,336	$1,617,281	($1,389,973)	$–	$–	$93,083,644

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS OF DECEMBER 31, 2018

	Long-term Debt		
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	$73,346,671	$11,045,751	$62,300,920

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

AS OF DECEMBER 31, 2018

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

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF DECEMBER 31, 2018

Guarantees of Securities of Other Issuers

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

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS OF DECEMBER 31, 2018

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2018

Ratios	Formula	December 31, 2018	December 31, 2017
(i) Current Ratio	Current Assets/Current Liabilities	**1.45**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**1.12**	0.73
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.96**	0.46
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.33**	2.06
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**4.22**	3.21
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.21**	0.21
Net Profit Margin	Net Income/Revenues	**0.08**	0.06
EBITDA Margin	EBITDA/Revenues	**0.19**	0.12
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.02
Return on Equity	Net Income/Total Equity[3]	**0.07**	0.04

[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, 2018 and 2017