

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

C	I	R	T	E	K		H	O	L	D	I	N	G	S		P	H	I	L	I	P	P	I	N	E	S			
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

PRINCIPAL OFFICE(No. / Street / Barangay / City / Town / Province)

1	1	6		E	a	s	t		M	a	i	n		A	v	e	n	u	e	,		P	h	a	s	e		V	-
S	E	Z	,		L	a	g	U	n	a		T	e	c	h	n	o	p	a	r	k	,		B	i	ñ	a	n	,
L	a	g	u	n	a																								

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

729-6205

Mobile Number

N/A

No. of Stockholders

26

Annual Meeting (Month / Day)

05/31

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Anthony Albert S. Buyawe

Email Address

as.buyawe@cirtek.ph

Telephone Number/s

N/A

Mobile Number

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.

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, 2017.
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)

116 East Main Avenue, Phase V-SEZ Laguna Technopark, Binan Laguna 4024

7. Address of issuer's principal office Postal Code

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

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common
stock outstanding and amount
of debt outstanding

Common Shares

419,063,353 / n/a

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

Yes [☒] No [☐]

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

Philippine Stock Exchange – Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [✓] No []

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

Yes [✓] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

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

Please see attached

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.:

Signature and Title


Anthony Albert S. Buyawe
Compliance officer/Corporate Information Officer

Date: November 20, 2017

Principal Financial/Accounting Officer/Controller:


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

Date: November 20, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2017
(With Comparative Audited Figures as at December 31, 2016)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	\$20,802,818	\$24,511,493
Trade and other receivables (Note 5)	22,730,888	23,172,423
Inventories (Note 6)	23,788,742	15,281,893
Amounts owed by related parties (Note 17)	11,824,672	12,436,575
Held-to-maturity (HTM) investments (Note 9)	—	371,520
Financial asset at fair value through profit or loss (FVPL)(Note 7)	503	503
Other current assets (Note 8)	2,120,733	2,618,370
	81,268,356	78,392,777
Noncurrent assets held for sale (Note 10)	11,408,611	11,408,611
Total Current Assets	92,676,967	89,801,388
Noncurrent Assets		
Property, plant and equipment (Note 10)	31,467,010	28,675,910
Intangible assets (Note 11)	31,066,667	—
Goodwill (Note 3)	60,236,642	—
Available-for-sale (AFS) financial asset (Note 12)	1,667,000	1,667,000
Held-to-maturity investments (Note 9)	482,733	—
Deferred income tax assets - net	174,578	174,578
Other noncurrent assets (Note 13)	18,250,944	2,170,859
Total Noncurrent Assets	143,345,574	32,688,347
TOTAL ASSETS	\$236,022,541	\$122,489,735
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	\$32,486,937	\$19,135,593
Short-term loans (Note 15)	87,140,088	31,625,945
Current portion of long-term debt (Note 16)	4,218,230	6,882,126
Amounts owed to related parties (Note 17)	4,806,076	520,152
Income tax payable	232,983	327,656
Total Current Liabilities	128,884,314	58,491,472
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	34,496,268	36,977,845
Retirement benefit obligation (Note 21)	1,711,842	1,807,847
Deferred income tax liabilities - net	4,200,007	3,373
Other noncurrent liabilities	528,652	—
Total Noncurrent Liabilities	40,936,769	38,789,065
Total Liabilities	169,821,083	97,280,537

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity (Note 28)		
Common stock	\$9,594,321	\$9,594,321
Preferred stock	710,380	221,239
Additional paid-in capital	35,896,893	35,896,893
Equity reserve	1,452,863	4,138,375
Other comprehensive income	40,329	40,329
Retained earnings	27,175,209	24,884,576
	74,869,995	74,775,733
Parent company shares held by a subsidiary	(8,668,537)	(49,566,535)
Total Equity	66,201,458	25,209,198
TOTAL LIABILITIES AND EQUITY	\$236,022,541	\$122,489,735

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		For the Three Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
NET SALES	\$67,918,713	\$54,068,518	\$25,737,148	\$21,587,531
COST OF SALES (Note 18)	(54,708,621)	(45,067,874)	(20,406,466)	(18,587,955)
GROSS PROFIT	13,210,092	9,000,644	5,330,682	2,999,576
OPERATING EXPENSES (Note 19)	(5,788,558)	(3,065,631)	(3,540,063)	(944,295)
FINANCIAL INCOME (EXPENSE)				
Interest income (Notes 4 and 7)	64,036	279,690	19,514	53,179
Interest expense(Notes 15 and 16)	(1,972,904)	(807,270)	(920,356)	(287,161)
	(1,908,868)	(527,580)	(900,842)	(233,982)
OTHER INCOME- Net (Note 22)	272,653	420,265	307,823	352,662
INCOME BEFORE INCOME TAX	5,785,319	5,827,698	1,197,600	2,173,961
PROVISION FOR (BENEFITS FROM) INCOME TAX (Note 23)				
Current	260,969	179,360	88,034	54,177
Deferred	(46,667)	-	(46,667)	-
	214,302	179,360	41,367	54,177
NET INCOME	5,571,017	5,648,338	1,156,233	2,119,784
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	\$5,571,017	\$5,648,338	\$1,156,233	\$2,119,784
Basic/Diluted Earnings Per Share (Note 24)	\$0.013	\$0.013	\$0.003	\$0.005

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, 2017 AND 2016

	For the Nine Months Ended September 30, 2017 (Unaudited)							
	Common Stock Issued	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Parent Company Shares Held by a Subsidiary	Total
Balances at January 1, 2017	\$9,594,321	\$221,239	\$35,896,893	\$4,138,375	\$40,329	\$24,884,576	(\$49,566,535)	\$25,209,198
Net income	-	-	-	-	-	5,571,017	-	5,571,017
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	5,571,017	-	5,571,017
Issuance of additional preferred stock (Note 28)	-	489,141	-	-	-	-	-	489,141
Cash dividends declared (Note 28)	-	-	-	-	-	(3,280,622)	-	(3,280,622)
Sale of parent company shares held by a subsidiary (Note 28)	-	-	-	(2,685,512)	-	-	40,897,998	38,212,486
Balances at September 30, 2017	\$9,594,321	\$710,380	\$35,896,893	\$1,452,863	\$40,329	\$27,175,209	(\$8,668,537)	\$66,201,458

	For the Nine Months Ended September 30, 2016 (Unaudited)						
	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Comprehensive Income	Other Retained Earnings	Total
Balances at January 1, 2016	\$9,594,321	\$221,239	\$35,896,893	\$4,138,375	\$526,420	\$20,896,548	\$71,273,796
Net income	-	-	-	-	-	5,648,338	5,648,338
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	5,648,338	5,648,338
Cash dividends declared (Note 28)	-	-	-	-	-	(3,620,000)	(3,620,000)
Balances at September 30, 2016	\$9,594,321	\$221,239	\$35,896,893	\$4,138,375	\$526,420	\$22,924,886	\$73,302,134

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, 2017 AND 2016

	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$5,785,319	\$5,827,968
Adjustments for:		
Depreciation and amortization (Notes 18 and 19)	2,593,042	1,904,929
Interest expense (Notes 15 and 16)	1,972,904	807,270
Change in fair value of financial assets at FVPL	—	(78,349)
Movement in net retirement benefit obligation (Note 21)	(96,005)	42,925
Net unrealized foreign exchange gains	(229,532)	—
Interest income	(64,036)	(279,690)
Operating income before working capital changes	9,961,692	8,225,053
Decrease (increase) in:		
Trade and other receivables	4,363,166	(4,713,295)
Inventories	1,522,612	(5,473,289)
Other current assets	766,238	(100,025)
Increase (decrease) in trade and other payables	(9,544,744)	6,845,183
Net cash generated from operations	7,068,964	4,783,627
Interest received	62,981	279,690
Income taxes paid	(355,641)	(193,885)
Net cash flows from operating activities	6,776,304	4,869,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 10)	(4,610,970)	(5,444,991)
Net payment for the acquisition of Quintel	(80,123,201)	—
Investment in:		
HTM investments	(482,733)	—
Financial asset at FVPL	—	(28,315,488)
Proceeds from disposal of HTM investments	371,520	518,269
Increase in other noncurrent assets	(16,123,661)	(913,043)
Net cash flows used in investing activities	(100,969,045)	(34,155,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term loans (Note 15)	70,119,143	22,080,857
Availment of long term loans	—	30,000,000
Issuance of preferred stock	489,141	—
Sale of Parent Company shares held by a subsidiary (Note 28)	38,212,486	—
Payments of:		
Cash dividends (Note 28)	(1,421,762)	(3,620,000)
Interest (Notes 15 and 16)	(1,413,363)	(733,962)
Long-term debt (Note 16)	(6,000,000)	(7,071,428)
Short-term loans (Note 15)	(14,605,000)	(1,190,000)
Net movements in amounts owed by and owed to related parties	4,897,827	(1,844,743)
Net cash flows from financing activities	90,278,472	37,620,724
EFFECT OF EXCHANGE RATE CHANGES ON CASH	205,594	—
NET INCREASE (DECREASE) IN CASH	(3,708,675)	8,334,903
CASH AT BEGINNING OF PERIOD	24,511,493	29,776,866
CASH AT END OF PERIOD	\$20,802,818	\$38,111,769

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

CHPC, through its subsidiaries CEC and CEIC, is primarily engaged in two major activities: (1) the manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services, and (2) the manufacture of value-added, highly integrated technology products. CEC provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers’ end users. CEIC sells integrated circuits principally in the United States of America, and assigns the production of the same to CEC. In 2014, CEIC acquired Remec Broadband Wireless Inc., 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 RF, microwave and millimeter wave 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, Cirtek Cayman Ltd. (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 (“Plan of Merger”).

The amount of investment and related incorporation costs are not material to the interim condensed consolidated financial statements.

Acquisition of Quintel Cayman, Ltd. and Subsidiaries

On July 28, 2017, the Parent Company's BOD approved the acquisition of 100% of Quintel and its subsidiaries (Quintel Group) for \$77 million. Headquartered in Rochester, New York, Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks. The purchase price was subsequently adjusted to \$80.12 million in accordance with the Agreement and Plan of Merger.

The acquisition was achieved through the merger of CCL with and into Quintel, with the latter as the surviving company, on July 31, 2017 pursuant to the Plan of Merger. 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. Quintel, being the surviving company, retains the 100 shares originally issued by CCL as its ending capital stock.

Cirtek Group believes that Quintel's cutting edge research and development 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. Furthermore, 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.

To partially finance the acquisition, the Parent Company entered into bridge funding arrangement with several local banks (Note 15).

Increase in Authorized Capital Stock

On September 29, 2017, the Philippine Securities and Exchange Commission approved CHPC's application to increase its authorized capital stock from ₱560,000,000 divided into 520,000,000 common shares with par value of ₱1.00 each and 400,000,000 preferred shares with par value of ₱0.10 each to ₱860,000,000 divided into 520,000,000 common shares with par value of ₱1.00 each, 700,000,000 preferred A shares with par value of ₱0.10 each and 270,000,000 preferred B shares with par value of ₱1.00 each.

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 have been prepared on a historical cost basis, except for financial assets at FVPL which are carried at fair value. 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.

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, 2016 annual consolidated financial statements.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Country of Incorporation	Percentage of Ownership			
		September 30, 2017		December 31, 2016	
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	–	100	–
CEIC	British Virgin Islands (BVI)	100	–	100	–
CATS (formerly known as RBWI)	BVI	–	100	–	100
CATS - Philippine Branch	Philippines	–	100	–	100
Remec Broadband Wireless Real Property(RBWRP)	Philippines	–	100	–	100
	United States of America				
Cirtek Corporation	(USA)	–	100	–	–
Quintel Cayman, Ltd.	Cayman Islands	–	100	–	–
Quintel Technology, Ltd.	USA	–	100	–	–
Quintel USA, Inc.	USA	–	100	–	–

Changes in Accounting Policies and Disclosures

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of new standards effective as of January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

- Amendment to Philippine Financial Reporting Standards (PFRS) 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

3. Business Combination

As discussed in Note 1, the Group acquired the 100% of Quintel Group on July 31, 2017. The amount of all-cash consideration transferred for the acquisition was \$80,123,201.

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

	Provisional fair value
Assets	
<i>Current Assets</i>	
Accounts receivable - net	\$3,920,576
Inventories - net	10,029,461
Prepayments and other current assets	306,517
<i>Noncurrent Assets</i>	
Intangible assets	31,200,000
Property and equipment	499,842
Total Assets	45,956,396
Liabilities	
<i>Current Liability</i>	
Accounts payable and accrued expenses	20,380,575
<i>Noncurrent Liabilities</i>	
Long-term debt	1,445,962
Deferred income tax liabilities - net	4,243,300
Total Liabilities	26,069,837
Fair value of identifiable net assets	19,886,559
Acquisition cost	80,123,201
Goodwill	\$60,236,642

The Group has determined identifiable intangible assets composed of technology, trademark and customer relationships as disclosed in Note 11.

Goodwill, which was determined based on provisional values, represents future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Impairment testing will commence on the period the initial accounting will be finalized, which should not be more than 12 months from date of acquisition.

As provided for under PFRS 3, *Business Combination*, the Group has applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date. The final purchase price allocation will be determined when CHPC has completed the detailed valuations and necessary calculations. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from the acquisition date.

The interim consolidated statement of comprehensive income as of and for the nine months ended September 30, 2017 include the results of operations of Quintel Group from the date of acquisition to September 30, 2017 as follows:

Net sales	\$8,555,263
Cost of sales	(7,441,909)
Gross income	1,113,354
Operating expenses	(2,632,879)
Other income - net	324,300
Financial expense- net	(32,030)
Loss before income tax	(1,227,255)
Provision for income tax	-
Net loss	(\$1,227,255)

Had the acquisition took place at the beginning of the fiscal year of 2017, the revenue of the Group would have been \$69.2 million and net loss incurred would have been \$4.2 million.

4. Cash

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	\$248	\$250
Cash in banks	20,802,570	24,511,243
	\$20,802,818	\$24,511,493

Cash in banks earn interest at prevailing bank deposit rates.

Interest income earned from cash in banks amounted to \$64,008 and \$279,690 for the Nine months ended September 30, 2017 and 2016, respectively.

5. Trade and Other Receivables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade receivables	\$22,203,903	\$22,688,485
Others	526,985	483,938
	<u>\$22,730,888</u>	<u>\$23,172,423</u>

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.

6. Inventories

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
At cost:		
Raw materials	\$11,667,306	\$13,692,165
Work in process	413,132	408,986
Finished goods	10,304,747	178,958
Spare parts and others	729,682	643,244
	<u>23,114,867</u>	<u>14,923,353</u>
At net realizable value (NRV):		
Supplies and others	673,875	358,540
Total inventories at lower of cost and NRV	<u>\$23,788,742</u>	<u>\$15,281,893</u>

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

The allowance for inventory obsolescence of supplies and other inventories as of September 30, 2017 and December 31, 2016 amounted to \$96,884.

7. Financial Asset at FVPL

Financial asset at FVPL as of September 30, 2017 and December 31, 2016 represent the outstanding Rizal Commercial Banking Corporation (RCBC) USD Senior Unsecured Fixed Rate Notes (senior note), which earns 4.25 % fixed rate per annum, payable semi-annually commencing July 21, 2015. The senior note is listed and actively traded in Singapore Exchange Securities Trading Limited. The investment's fair value has been determined directly by reference to published prices quoted in an active market. Interest income recognized on these notes amounted to nil and \$172,597 for the Nine months ended September 30, 2017 and 2016, respectively.

8. Other Current Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Rental deposit (Note 17)	\$1,137,332	\$1,131,399
Prepaid expenses	394,161	80,488
Security deposit	185,790	180,387
Loans to employees	182,489	239,823
Advances to suppliers	141,017	953,821
Others	79,944	32,452
	<u>\$2,120,733</u>	<u>\$2,618,370</u>

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

9. HTM Investments

As of September 30, 2017 and December 31, 2016, the Group's HTM investments pertain to government bonds which were purchased by the Philippine Branch of CATS in compliance with the requirement of the Corporation Code of the Philippines.

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

Property, plant and equipment

During the nine months ended September 30, 2017 and 2016, the Group acquired assets with a cost of \$4,610,970 and \$5,444,991, respectively.

Noncurrent Assets Held for Sale

On December 9, 2014, the Parent Company's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS - Philippine Branch's operations. An independent valuation was obtained to determine the fair values of property, plant and equipment which were based on recent transactions for similar assets within the same industry. Property, plant and equipment with carrying value of \$11,408,611 were classified as noncurrent assets held for sale in the consolidated balance sheets effective December 31, 2014. 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, 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.

11. Intangible Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Customer relationships	\$18,100,000	–
Technology	7,866,667	–
Trademark	5,100,000	–
	\$31,066,667	\$–

The Group has determined identifiable intangible assets composed of technology, trademark and customer relationships valued at \$8.0 million, \$5.1 million and \$18.1 million, respectively. Furthermore, Cirtek Group estimates that technology will have an economic life of 10 years, which will result in yearly amortization of \$0.8 million. Trademark and customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing. Impairment testing will commence on the period the initial accounting will be finalized, which should not be more than 12 months from date of acquisition.

Amortization of technology from the date of acquisition to September 30, 2017 amounted to \$133,333.

12. AFS Financial Asset

The Group's AFS financial asset pertains to the unquoted investment in CloudMondo, Ltd. which is acquired at a cost of \$1,667,000 in 2015.

13. Other Noncurrent Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Receivables from stock brokers	\$15,689,063	\$–
Product development costs	1,430,949	922,220
Advances to suppliers	940,453	1,066,014
Miscellaneous deposits	177,948	135,559
Loans to employees	6,023	7,889
Others	6,508	39,177
	\$18,250,944	\$2,170,859

Receivables from stock brokers represent funds intended to be used in acquiring quoted equity instruments on the Group's account and are classified as noncurrent assets as of September 30, 2017 as the Group intends to classify the quoted equity investments, once these receivables are settled, as AFS financial assets. As of November 21, 2017, these receivables are not yet settled.

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

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, *Intangible Assets*, for capitalization.

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

As of September 30, 2017 and December 31, 2016, CEC has software with a total cost of \$39,278 which are fully amortized but are still used in operations.

14. Trade and Other Payables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade	\$16,989,556	\$13,192,707
Accruals:		
Payroll	1,333,034	404,116
Utilities	1,192,139	442,112
Interest	4,426,654	172,419
Commission	747,976	
Others	790,501	337,454
Advances from customers	2,802,456	2,833,791
Provision for warranty	2,057,689	1,419,257
Dividend payable	1,858,622	—
Others	288,310	333,737
	\$32,486,937	\$19,135,593

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 downpayments for sales orders.

Provision for warranty pertains to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications.

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

15. Short-term Loans

The Group has the following loan facilities:

		September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
RCBC	(a)	\$44,872,000	\$16,190,857
Bank of the Philippine Island (BPI)	(b)	22,268,088	5,435,088
Security Bank Corporation (SBC)	(c)	10,000,000	10,000,000
China Banking Corporation (CBC)	(d)	10,000,000	—
		\$87,140,088	\$31,625,945

- Revolving loan facilities with the RCBC which have payment terms ranging from 60 to 167 days. The facility is unsecured and charged interest of 2.25% per annum for the nine months ended September 30, 2017 and year ended December 31, 2016.
- Revolving loan facilities with the BPI which have payment terms of 180 days. The facility is unsecured and charged interest of 1.80% per annum for the nine months ended September 30, 2017 and year ended December 31, 2016.
- Revolving loan facilities with the SBC which have payment terms ranging from 90 to 180 days. The facility is unsecured and charged interest of 1.95% to 2.10% per annum for the nine months ended September 30, 2017 and year ended December 31, 2016.
- Revolving loan facilities with the CBC which have payment terms of 180 days. The facility is unsecured and charged interest of 3.75% per annum for the nine months ended September 30, 2017.

Interest expense incurred from these short-term loan facilities amounted to \$849,505 and \$120,784 for the Nine months ended September 30, 2017 and 2016, respectively.

16. Long-term Debt

As of September 30, 2017 and December 31, 2016, the details of long-term debt are as follow:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Principal	\$39,020,000	\$44,250,000
Less deferred financing costs	305,502	390,029
	38,714,498	43,859,971
Less current portion - net of deferred financing costs	4,218,230	6,882,126
	\$34,496,268	\$36,977,845

CHPC

On July 25, 2012, the Parent Company entered into a \$10.0 million Notes Facility Agreement (NFA) 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 NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew \$10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

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

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.

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

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

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

redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

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

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

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company.

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

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

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

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

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

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company.

Quintel

Long-term debt amounting to \$770,000 as of September 30, 2017 pertains to a term note payable to a state development corporation accruing interest monthly through February 2019. The agreement includes a Convertible Loan Principal Reduction feature providing that if Quintel achieves annual minimum full-time permanent employment targets through 2019, 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.

Total interest expense (including amortization of deferred financing costs) recognized in the interim condensed consolidated statements of comprehensive income amounted \$1,123,399 and \$686,486 for the nine months ended September 30, 2017 and 2016, respectively.

Carrying values of long-term debt held by the Parent Company and Quintel follow:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Parent Company	\$37,944,498	\$43,859,971
Quintel	770,000	—
	<u>\$38,714,498</u>	<u>\$43,859,971</u>

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:

- Advances for operating requirements of CHI, former parent of CEC and CEIC;
- Rental of land and lease deposit with Cirtex Land Corporation (CLC), an affiliate, where the manufacturing building 1 and administrative building is situated;
- Payments and /or reimbursements of expenses made or in behalf of the affiliates; and
- Rental of land with Cayon Holdings, Inc. (Cayon), an affiliate, where the building 2 of the Group is situated.

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) 2017		2016	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)	Terms	Conditions
<i>Other related parties</i>								
Camerton	Working capital advances	\$4,268,578	\$–	\$4,268,578	\$–			
CLC	Rental	9,089	9,679	456,059	\$446,970	Due on demand; noninterest-bearing; to be settled in cash		Unsecured
Cayon	Rental	8,257	8,875	81,439	73,182	Due on demand; noninterest-bearing; to be settled in cash		Unsecured
				\$4,806,076	\$520,152			

b. Amounts owed by related parties

		Transactions		Balances as of				
		Nine Months Ended September 30 (Unaudited) 2017		2016	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)	Terms	Conditions
<i>Other related parties</i>								
Camerton	Reimbursement of expenses	(\$111,994)	\$–	\$–	\$111,994	Due on demand; noninterest - bearing; to be settled in cash	Unsecured; no impairment	
	Collection of proceeds from sale of stocks	4,401,827	–	–	–			
CHI	Advances for working capital	–	–	1,809,256	1,809,256	Due on demand; noninterest - bearing; to be settled in cash	Unsecured; no impairment	
Cayon	Reimbursement of expenses	7,944	–	214,228	206,284	Due on demand; noninterest - bearing; to be settled in cash	Unsecured; no impairment	
Jerry Liu	Reimbursement of expenses	507,853	1,863,297	9,801,188	10,309,041	Due on demand; noninterest - bearing; to be settled in cash	Unsecured; no impairment	
				\$11,824,672	\$12,436,575			

c. Rental deposit

	Transactions		Balances as of		Terms	Conditions
	Nine Months Ended		September 30, 2017 (Unaudited)	December 31, 2016 (Audited)		
	September 30 (Unaudited) 2017	2016				
<i>Other related parties</i>						
CLC	\$—	\$—	\$1,131,399	\$1,131,399	Due on demand; noninterest- bearing; to be settled in cash	Unsecured; no impairment

The above related parties, except Jerry Liu, are entities under common control of the ultimate parent company. Jerry Liu is a stockholder and the chairman of the Parent Company's BOD.

Transactions with CHI, Charmview Enterprises Ltd (CEL) and officer

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, 2017 and December 31, 2016 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

Transactions with Camerton

Camerton is the majority shareholder of the Parent Company. Amounts owed by Camerton as of September 30, 2017 pertain mainly to proceeds from sale of CHPC's shares collected on behalf of CEC amounting to \$4.40 million. Camerton remitted such proceeds to the Group in August 2017 to pay for the Quintel Acquisition.

Amounts owed by Camerton as of December 31, 2016 pertain mainly to working capital advances and advances for incorporation expenses of Camerton.

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 \$1.1 million as current asset as the deposit has become due and demandable anytime from CLC (see Note 8).

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 \$9,089 and \$9,679 for the Nine months ended September 30, 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. Total rent expense charged to operations amounted to \$8,257 and \$8,875 for the Nine months ended September 30, 2017 and 2016, respectively.

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

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Salaries and wages	\$1,446,328	\$1,282,539
Employee benefits	213,807	265,472
	\$1,660,135	\$1,548,011

18. Cost of Sales

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Raw materials, spare parts, supplies and other inventories used	\$38,856,878	\$31,626,530
Salaries, wages and employees' benefits (Note 20)	8,469,591	7,487,720
Utilities	2,911,916	2,649,070
Depreciation and amortization	2,350,994	1,851,023
Inward freight and duties and others	1,496,377	766,533
Others	622,865	686,998
	\$54,708,621	\$45,067,874

19. Operating Expenses

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Salaries, wages and employees' benefits (Note 20)	\$2,277,820	\$1,828,483
Taxes and licenses	610,895	216,435
Transportation and travel	333,776	244,339
Commissions	842,010	79,470
Professional fees	811,418	73,081
Utilities	267,236	267,393
Depreciation	242,048	56,016
Research costs	191,139	—
Entertainment, amusement and recreation	74,827	124,974
Insurance premiums	44,938	16,681
Office supplies	15,931	42,576
Others	76,520	116,183
	\$5,788,558	\$3,065,631

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

20. Salaries and Wages and Employees' Benefits

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Salaries and wages	\$9,555,655	\$8,224,730
Other employees' benefits	1,017,343	966,775
Retirement costs	174,413	124,698
	\$10,747,411	\$9,316,203

Other employees' benefits consist of allowances and mandatory contributions.

21. Retirement Benefit Obligation

The Group has a funded, noncontributory defined benefit retirement plan based on the normal retirement benefits equivalent to the minimum retirement benefit as provided by Republic Act (R.A.) No. 7641, otherwise known as the Retirement Pay Law, covering all of its 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.

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.

22. Other Income - Net

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Foreign exchange losses - net	\$144,557	\$93,306
Gain on condonation	100,000	—
Sale of scrap	58,671	88,187
Mark-to-market gain	—	315,749
Others - net	(30,575)	(76,977)
	\$272,653	\$420,265

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 activity, CATS - Philippine Branch is 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, 2017 and 2016 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

24. Earnings Per Share (EPS)

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

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Net income attributable to common shareholders of Parent Company*	\$5,571,017	\$5,648,338
Weighted average number of common shares outstanding	419,063,353	419,063,353
Basic and diluted EPS	\$0.013	\$0.013

**Net of dividends declared on preferred shares*

As of September 30, 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.

25. Operating Segments

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*. More specifically:

- There is no significant or obvious distinction among the products assembled by the Group. The assembly process is likewise similar;
- The Group's production facility and head office is located in the Philippines;
- Although production of goods is divided into thirteen divisions, the commercial, technical, operating, marketing and selling matters are made at the executive committee level and not at the division levels. The role of the respective division managers is to ensure that production is on track in meeting its volume forecasts, and that quality standards are consistently met.

Sales are reported internally per division, but profit or loss, assets and liabilities are reported on an entity-wide basis. Information is measured using the same accounting policies and estimates as the Group's consolidated financial statements.

Sales from external customers per division as reported internally are as follows (amounts in thousands):

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Quintel	\$8,555	\$-
Discrete	9,821	10,030
Multichip	8,174	7,739
Integrated Circuits (IC)	5,632	7,882
Quad-Flat No-Leads (QFN)	4,530	3,797
New Products	4,422	4,274
Outdoor Unit	2,197	3,889
Hermetics	1,631	1,166
Remec Manufacturing Services	1,368	2,868
Bridgewave	646	991
Indoor Radio Frequency Unit	426	1,072
Antenna Systems	20,239	10,178
Cougar	278	183
	\$67,919	\$54,069

Below are customers contributing at least 10% of the Group's total sales for each period. Sales to these customers are as follows (amounts in thousands):

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
Major Customer A	\$20,456	\$10,178
Major Customer B	6,816	7,555
Major Customer C	6,018	7,235

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

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
USA	\$42,196	\$33,078
Europe	16,980	13,547
Asia	8,743	7,444
	\$67,919	\$54,069

There are no sales made to entities under common control with the Group.

26. Financial Risk Management Objectives and Policies

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

Risk Management Structure

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

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

Credit risk

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

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

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash*	\$20,802,570	\$24,511,243
Trade and other receivables	22,730,888	23,172,423
Financial assets at FVPL	503	503
Amounts owed by related parties	11,824,671	12,436,575
Other current assets:		
Rental deposit	1,137,332	1,131,399
Security deposit	185,790	180,387
Loans to employees	182,489	239,823
HTM investments	482,733	371,520
AFS financial asset	1,667,000	1,667,000
Other noncurrent assets:		
Receivables from stock brokers	15,689,063	—
Loans to employees	6,023	7,889
Miscellaneous deposits	177,948	135,559
Total credit risk exposure	\$74,887,010	\$63,854,321

*Excluding cash on hand as of September 30, 2017 and December 31, 2016 amounting to \$248 and \$250, respectively.

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

	Neither Past Due nor Impaired	September 30, 2017 (Unaudited)				Impaired Financial Assets	Total
		Past Due but not Impaired					
		< 30 days	30-60 days	60-90 days	> 90 days		
Cash*	\$20,802,570	\$-	\$-	\$-	\$-	\$-	\$20,802,570
Trade and other receivables	18,812,364	2,577,884	710,282	496,280	134,078	-	22,730,888
Financial assets at FVPL	503	-	-	-	-	-	503
Amounts owed by related parties	11,824,671	-	-	-	-	-	11,824,671
Other current assets							
Rental deposit	1,137,332	-	-	-	-	-	1,137,332
Security deposit		-	-	-	185,790	-	185,790
Loans to employees	182,489	-	-	-	-	-	182,489
HTM investments	482,733	-	-	-	-	-	482,733
AFS financial asset	1,667,000	-	-	-	-	-	1,667,000
Other noncurrent assets							
Receivables from stock brokers	15,689,063	-	-	-	-	-	15,689,063
Loans to employees	6,023	-	-	-	-	-	6,023
Miscellaneous deposits	177,948	-	-	-	-	-	177,948
	\$70,782,696	\$2,577,884	\$ 710,282	\$ 496,280	\$319,868	\$-	\$74,887,010

*Excluding cash on hand amounting to \$248.

	NeitherPast Duenor Impaired	December 31, 2016 (Audited)				Impaired Financial Assets	Total
		Past Due but not Impaired					
		< 30 days	30-60 days	60-90 days	> 90 days		
Cash*	\$24,511,243	\$—	\$—	\$—	\$—	\$—	\$24,511,243
Trade and other receivables	17,226,175	2,031,535	601,105	3,286,553	27,055	—	23,172,423
Financial assets at FVPL	503	—	—	—	—	—	503
Amounts owed by related parties	12,436,575	—	—	—	—	—	12,436,575
Other current assets		—	—	—	—	—	
Rental deposit	1,131,399	—	—	—	—	—	1,131,399
Security deposit	—	—	—	—	180,387	—	180,387
Loans to employees	239,823	—	—	—	—	—	239,823
HTM investments	371,520	—	—	—	—	—	371,520
AFS financial asset	1,667,000	—	—	—	—	—	1,667,000
Other noncurrent assets							
Loans to employees	7,889	—	—	—	—	—	7,889
Miscellaneous deposits	135,559	—	—	—	—	—	135,559
	\$57,727,686	\$2,031,535	\$601,105	\$3,286,553	\$207,442	\$—	\$63,854,321

*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:

September 30, 2017 (Unaudited)

	Neither Past Due nor Impaired			Total
	High Grade	Medium Grade	Low Grade	
Cash*	\$20,802,570	\$—	\$—	\$20,802,570
Trade and other receivables	18,182,006	630,358	—	18,812,364
Financial assets at FVPL	503	—	—	503
Amounts owed by related parties	12,436,575	—	—	12,436,575
Other current assets:				
Rental deposit	1,131,399	—	—	1,131,399
Loans to employees	182,489	—	—	182,489
HTM investments	482,733	—	—	482,733
AFS financial asset	1,667,000	—	—	1,667,000
Other noncurrent assets:				
Receivables from stock brokers	15,689,063	—	—	15,689,063
Loans to employees	6,023	—	—	6,023
Miscellaneous deposits	177,948	—	—	177,948
	\$70,758,309	\$ 630,358	\$—	\$71,388,667

*Excluding cash on hand amounting to \$248.

December 31, 2016 (Audited)

	Neither Past Due nor Impaired			Total
	High Grade	Medium Grade	Low Grade	
Cash*	\$24,511,243	\$—	\$—	\$24,511,243
Trade and other receivables	17,194,529	31,646	—	17,226,175
Financial assets at FVPL	503	—	—	503
Amounts owed by related parties	12,436,575	—	—	12,436,575
Other current assets				
Rental deposit	1,131,399	—	—	1,131,399
Loans to employees	239,823	—	—	239,823
HTM investments	371,520	—	—	371,520
AFS financial asset	1,667,000	—	—	1,667,000
Other noncurrent assets				
Loans to employees	7,889	—	—	7,889
Miscellaneous deposits	135,559	—	—	135,559
	\$57,696,040	\$31,646	\$—	\$57,727,686

*Excluding cash on hand amounting to \$250.

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

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

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

Liquidity risk

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

The Group maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated 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:

September 30, 2017
(Unaudited)

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash	\$20,802,818	\$-	\$-	\$-	\$20,802,818
Trade and other receivables	-	22,730,888	-	-	22,730,888
Amounts owed by related parties	11,824,671	-	-	-	11,824,671
	\$32,627,489	\$22,730,888	\$-	\$-	\$55,358,377
Financial Liabilities					
Trade and other payables					
Trade payables	\$16,989,556	\$-	\$-	\$-	\$16,989,556
Accrued expenses*	-	8,257,526	-	-	8,257,526
Short-term loans	-	87,140,088	-	-	87,140,088
Amounts owed to related parties	4,806,076	-	-	-	4,806,076
Long-term debts**	-	5,548,385	14,689,493	21,487,335	41,725,213
	\$21,795,632	\$100,945,999	\$14,689,493	\$21,487,335	\$158,918,459

*Excluding statutory liabilities

**Includes future interest payments

December 31, 2016 (Audited)

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash	\$24,511,493	\$-	\$-	\$-	\$24,511,493
Trade and other receivables	17,743,459	5,428,964	-	-	23,172,423
Amounts owed by related parties	12,436,575	-	-	-	12,436,575
	\$54,691,527	\$5,428,964	\$-	\$-	\$60,120,491
Financial Liabilities					
Trade and other payables					
Trade payables	\$13,192,707	\$-	\$-	\$-	\$13,192,707
Accrued expenses*	-	1,328,378	-	-	1,328,378
Short-term loans	-	31,625,945	-	-	31,625,945
Amounts owed to related parties	327,336	-	-	-	327,336
Long-term debts**	-	8,504,914	16,579,760	24,450,000	49,534,674
	\$13,520,043	\$41,459,237	\$16,579,760	\$24,450,000	\$96,009,040

*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, 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 2017 and 2016.

The Company considers the following as capital:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Common stock	\$9,594,321	\$9,594,321
Preferred stock	710,380	221,239
Additional paid-in capital	35,896,893	35,896,893
Equity reserve	1,452,863	4,138,375
Other comprehensive income	40,329	40,329
Retained earnings	27,175,209	24,884,576
	\$74,869,995	\$74,775,733

As of September 30, 2017, the Group is subject to externally imposed capital requirements. As of September 30, 2017, the Group was able to meet its capital requirements and management objectives.

27. Fair Value Measurement

As of September 30, 2017 and December 31, 2016, the carrying values of the Group's financial assets and liabilities approximate their respective fair values.

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

Cash in banks, trade and other receivables, loans to employees, trade and other payables, short-term loans, amounts owed by and owed to related parties and deposits

The carrying amounts approximate fair value since these are mostly short-term in nature or a due and demandable.

Financial assets at FVPL - RCBC Senior Notes

The investment in RCBC Senior Notes classified as financial asset at FVPL is stated at its fair values based on the quoted prices in an active market (Level 1).

HTM Investments

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

Miscellaneous deposits

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

AFS financial assets

The investment in CloudMondo, Ltd. continues to be carried at cost since the shares do not have a quoted price in an active market and its fair value cannot be reliably measured. The subject company is a privately owned technology start-up, and the Group does not have access to relevant information that will enable management to estimate the fair value (e.g. through discounted cash flow analysis). The Group does not intend to dispose of this asset within twelve months after the reporting date.

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 3.63% to 3.70% in 2017 and 2016.

Fair Value Hierarchy

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

	September 30, 2017 (Unaudited)			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVPL	\$503	\$503	\$—	\$—
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
HTM investments	482,733	482,733	—	—
Long-term debt	38,714,498	—	38,714,498	—
	December 31, 2016 (Audited)			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVPL	\$503	\$503	\$—	\$—
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
HTM investments	371,520	371,520	—	—
Long-term debt	38,723,150	—	38,723,150	—

As at September 30, 2017 and December 31, 2016, there were no transfers between Level 1 and 2 fair value measurements.

28. Equity

a. Common Shares

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>Number of shares</i>		
Authorized - common shares (₱1.00 par value)	520,000,000	520,000,000
Issued	419,063,353	419,063,353
<i>Amount</i>		
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 is charged against "Additional paid-in capital" in 2011. As of December 31, 2011, the Parent Company 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 to stock dividend payable to stockholders as of record as of June 8, 2012, 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, 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, distributed on April 5, 2013.

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

On March 24, 2015, the BOD also declared a ten percent (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 and payment date of 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 common 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 common 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 is charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

On October 24, 2016, the Parent Company's BOD, by majority vote, approved 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 ₱2,000,000,000 divided into 1,400,000,000 common shares with a par value of ₱1.00 per share and 600,000,000 preferred shares classified into ₱140,000,000 "Preferred A" with a par value of ₱1.00 per share, and ₱460,000,000 worth of new preferred shares, the par values, series, classes, 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 aforementioned amendment of the articles of incorporation 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.

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 (\$49.6 million). The shares purchased were recorded at cost and deducted from equity in the consolidated balance sheet.

For the nine months ended September 30, 2017, CEC sold 84,438,627 common shares for ₱1.92 billion (\$38.12 million). The difference between the proceeds from the sale of shares held by CEC and the cost of these shares amounting to \$2.69 million was offset against “Equity reserve” as of September 30, 2017.

As of September 30, 2017 and December 31, 2016, the Parent Company has a total number of 25 stockholders.

b. Preferred Shares

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<i>Number of shares</i>		
Authorized		
Preferred share A (₱0.10 par value)	700,000,000	400,000,000
Preferred share B (₱1.00 par value)	270,000,000	—
Subscribed	770,000,000	400,000,000
<i>Amount</i>		
Subscribed		
Preferred share A - 700,000,000 shares (net of subscriptions receivable amounting to \$1,103,944)	\$367,981	\$221,239
Preferred share B - 1-70,000,000 shares (net of subscriptions receivable amounting to \$1,027,196)	342,399	—

On September 8, 2017, the Parent Company’s BOD, by majority vote, approved the amendment in the Parent Company’s articles of incorporation to increase the Company’s authorized capital stock by Three Hundred Million Pesos (₱300,000,000.00), or (a) from Five Hundred Sixty Million Pesos (₱560,000,000.00), consisting of: (i) Five Hundred Twenty Million Pesos (₱520,000,000.00) worth of Common Shares divided into five hundred twenty million (520,000,000) Common Shares with a par value of One Peso (₱1.00) per share, and (ii) Forty Million Pesos (₱40,000,000.00) worth of Preferred Shares divided into four hundred million (400,000,000) Preferred A Shares with a par value of Ten Centavos (₱0.10) per share, (b) to Eight Hundred Sixty Million Pesos (₱860,000,000.00), consisting of: (i) Five Hundred Twenty Million Pesos (₱520,000,000.00) worth of Common Shares divided into five hundred twenty million (520,000,000) Common Shares with a par value of One Peso (₱1.00) per share, (ii) Seventy Million Pesos (₱70,000,000.00) worth of Preferred A Shares divided into seven hundred million (700,000,000) Preferred A Shares with a par value of Ten Centavos (₱0.10) per share, and (iii) Two Hundred Seventy Million Pesos (₱270,000,000.00) worth of Preferred B Shares with a par value of One Peso (₱1.00) per share, the preferences, convertibility, voting rights and other features of which shall be determined by the BOD. The Preferred B Shares are further 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, both having a par value of ₱1.00 per share. On September 29, 2017, the Philippine SEC approved the Company’s application for the increase in authorized capital stock.

The features of the preferred 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.

CHPC's application to increase its authorized capital stock was approved by the Philippine SEC on September 29, 2017.

As of September 30, 2017, 700,000,000 preferred Ashares at par value of ₱0.10 and 70,000,000 preferred B-1 shares were subscribed by Camerton. Unpaid subscriptions amounted to \$2,131,140 and \$663,717 as of September 30, 2017 and December 31, 2016, 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 \$0.004322 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.

29. Commitments

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

Outsourcing Manufacturing Agreement (OMA)

On July 30, 2014, CATS entered into an OMA (herein referred to as the "Agreement") with REMEC in conjunction with the Share Purchase Agreement (SPA) entered into between CEIC and REMEC. CATS will perform manufacturing services to REMEC in accordance with the

production files and specifications as provided in the Agreement. The contract term is for ten (10) years with automatic renewal of additional one (1) year period. All payments to CATS shall be made in US Dollars and shall be paid sixty (60) days after the receipt of the invoice.

Master Service Agreement (MSA)

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

Manufacturing Services Agreement (MSA)

On October 20, 2015, CATS, “the Seller”, entered into a manufacturing service agreement with a customer, whereas the customer desires to purchase the products defined in the agreement specifically for its latest range of mm-Wave converter products. The term of the agreement is 3 years from the effective date subject to automatic renewal for one year every year thereafter.

On November 4, 2015, CATS and Quintel Technology Ltd. entered into a master supply agreement that covers the manufacturing of specific antennas and other Quintel products set forth in individual purchase order agreements. The initial term for this agreement shall be for a period of 3 years. CATS shall also provide support services for the following: New Product Introduction, Production experiments, and Mass volume production. All payments to CATS shall be placed within 90 days following the end of the month after receipt of invoice.

On April 20, 2016, the contract was amended to extend the contract term, from a period of 3 years to a period of 5 years from the commencement date of the original agreement.

On July 31, 2017, Quintel Technology Ltd. became a subsidiary of the Group following CHPC’s acquisition of Quintel Group.

30. Events After the Reporting Period

On November 3, 2017, the Philippine SEC approved the public offering of the Company of up to \$200,000,000 of its Preferred Shares B-2. On November 8, 2017, PSE approved the public offering of the Company of up to \$200,000,000 of its Preferred Shares B-2.

31. Other Matters

CEC is a defendant in certain legal cases which are currently pending before the courts and other government bodies. In the opinion of management and CEC’s legal counsel, any adverse decision on these cases would not materially affect the consolidated financial position as of September 30, 2017 and December 31, 2016 and results of operations for the Nine months ended September 30, 2017 and 2016.

Seasonality of operations

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

Management's Discussion and Analysis of Financial Conditions

Results of Operations

For the nine-month period ending September 30, 2017 compared to the nine-month period ending September 30, 2016

Revenue

The Company recorded consolidated revenues of US\$67.9 million for the nine months ending September 30, 2017 compared with US\$54 million for the same period in 2016, an increase of 26%. The growth was mainly accounted for by the sales contribution of Quintel, of which CHPC assumed control beginning August 2017, and by the Antenna Systems Business of CATS. Revenue of CEC as a business unit declined by 2%, while the majority of the RF / MW/ MM product sales experienced decline due to end of life for certain models.

Sales per division

<i>In US\$ 000</i>	For the Nine Months ended September 30		
	2017	2016	% Inc / (Dec)
<u>QUINTEL</u>	8,555	-	-
<u>CEC</u>			
Discrete	9,821	10,030	(2)
Multichip	8,174	7,739	6
IC	5,632	7,882	(29)
QFN	4,530	3,797	19
New Products	4,422	4,274	3
Hermetics	1,631	1,166	40
<u>CATS</u>			
Cougar	278	183	52
Outdoor Unit	2,197	4,889	(55)
Indoor Unit	426	1,072	(60)
Bridgewave	646	991	(35)
Antenna Systems	20,239	10,178	99
RMS	1,368	1,233	11
Other Income	-	635	-
Total	67,919	54,069	27%

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 21% to US\$54.7 million in the nine months ending September 30, 2017 from US\$45.1 million for the same period in 2016. The increase was mainly due to rise in raw materials expenses, salaries and wages, utilities, depreciation and amortization, and inward freight and duties.

- Raw materials, spare parts, supplies and other inventories grew by 23% to US\$38.8 million for the nine months ending September 30, 2017, from US\$31.6 million for the same period in 2016.
- Salaries, wages and employees' benefits increased by 13% to US\$8.5 million for the nine months ending September 30, 2017, from US\$7.5 million for the same period in 2016.
- Depreciation and amortization increased by 27% to US\$2.3 million for the nine months ending September 30, 2017, from US\$1.8 million for the same period in 2015.
- Utility expenses amounted to US\$2.9 million for the nine months ending September 30, 2017, from US\$2.6 million for the same period in 2016, a 10% increase.
- Freight and duties increased by 95% to US\$1.5 million for the nine months ending September 30, 2017 from US\$766 thousand for the same period in 2016.
- Other cost of sales decreased by 9% to US\$622 thousand for the nine months ending September 30, 2017, from US\$687 thousand for the same period in 2016.

The Company's gross margin was 19% for the nine months ending September 30, 2017, two percent higher than the gross margin recorded for the same period in 2016.

Operating Expenses

The Company's operating expenses for the nine months ending September 30, 2017 amounted to US\$5.8 million, 89% higher compared to the US\$3.1 million recorded during the same period in 2016.

Net Income (Loss) Before Income Tax

For the nine months ending September 30, 2017, the Company recorded a net income before income tax of US\$5.79 million, a decline of 1% compared with the US\$5.83 million recorded for the same period in 2016.

Provision for Income Tax

Provision for income tax for the nine months ending September 30, 2017 amounted to US\$214 thousand compared with US\$179 thousand for the same period in 2016, an increase of 19%.

Net Income After Tax

The Company's net income after tax for the nine months ending September 30, 2017 amounted to US\$5.6 million, a decrease of 1% compared with US\$5.7 million for the same period in 2016.

Financial Condition

For the nine-month period ending September 30, 2017 compared to the period ending December 31, 2016

Assets

The Company's cash and cash equivalent for the nine months ending September 30, 2017 amounted to US\$20.8 million, compared with US\$24.5 million for the period ending December 31, 2016, a decrease of 15%

Trade and other receivables for the nine months ending September 30, 2017 amounted to US\$22.7 million, compared with US\$23.2 million for the period ending December 31, 2016, a 2% decrease.

Inventory levels for the nine months ending September 30, 2017 amounted to US\$23.8 million, 56% higher compared with US\$15.3 million for the period ending December 31, 2016.

Amounts owed by related parties for the nine months ending September 30, 2017 was US\$11.8 million, a decrease of US\$12.4 million for the period ending December 31, 2016, a 5% decrease.

Other current assets for the nine months ending September 30, 2017 totaled US\$2.1 million, compared with US\$2.6 million for the period ending December 31, 2016, a decrease of 19%.

Non-current assets are comprised of property, plant and equipment (PPE), intangible assets, goodwill, available for sale investments, deferred income taxes and other noncurrent assets. For the nine months ending September 30, 2017, non-current assets amounted to US\$143 million compared with US\$32.7 million for the period ending December 31, 2016.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loan, long-term debt – current portion and net of deferred financing costs, amounts owed to related parties deferred revenue, dividends payable, and income tax payable. For the nine months ending September 30, 2017, current liabilities were at US\$128.9 million compared with US\$48.5 million for the period ending December 31, 2016, a 121%% increase.

For the nine months ending September 30, 2017, the Company's non-current liabilities, comprised of long-term debt – net of current portion and deferred financing costs, deferred tax liability, and retirement benefit obligation, amounted to US\$40.9 million, a 6% increase compared to US\$38.8 million for the period ending December 31, 2016.

Equity

The Company's shareholders' equity as of the nine months ending September 30, 2017 amounted to US\$66.2 million, a 163% increase compared with the US\$25.2 million for the period ending December 31, 2016.

Liquidity and Capital Resources

For the nine months ending September 30, 2017, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its follow-on offering in 2015, and

proceeds from its 5-year corporate notes issuance. 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 corporate notes issuance, proceeds from its follow-on offering in 2015, short-term credit facilities cash flows from operations, and proceeds from its planned follow-on offering in December 2017. 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 expand the business by increasing volume deliveries to existing customers, entering into new production agreements, expanding its customer base by intensifying its sales and marketing activities and manufacturing new products, strengthening its R&D capabilities to develop its own brand and products, and making strategic acquisitions to move up the value chain.

The following table sets out the Company's cash flows for the six months ending September 30, 2017 and the same period in 2016:

<i>In US\$ Thousands</i>	For the nine months ending September 30	
	2017	2016
Net cash flows provided by/ (used for) operating activities	6,776	4,869
Net cash flows provided by/ (used for) investing activities	(100,969)	(34,155)
Net cash flows provided by/ (used for) financing activities	90,278	37,621
Net increase (decrease) in cash equivalents	8,335	8,335

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US\$6.8 million for the nine months ending September 30, 2017, compared with US\$4.9 million for the same period in 2016.

For the nine months ending September 30, 2017, net income before tax was US\$5.8 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\$10 million. Working capital decreased by US\$548 thousand.

Investing Activities

Net cash used in investing activities amounted to US\$101 million for the nine months ending September 30, 2016. Investing activities mainly involved purchase of production-related machinery and equipment, net payment for the acquisition of Quintel, investments in financial assets at FVPL, proceeds of HTM investments, and increase in other noncurrent assets. For the same period in 2016, cash used in investing activities totaled US\$34.1 million, the bulk of which was in investment in financial assets at FVPL and on production-related machinery and equipment and facility and production tools.

Financing Activities

Net cash flow from financing activities for the nine months ending September 30, 2017 amounted to US\$90.3 million. Major financing activities involved availing of short-term loans, sale of parent

company shares held by subsidiary, payment of: cash dividends, interest, long-term debt, and short-term loans. For the same period in 2016 financing activities amounted to US\$37.6 million and mainly involved availment of short-term loans and long-term loans, payment of cash dividends, interest payments, payments of long-term and short-term loans, net movement in related party accounts.

Material Changes to the Company's Unaudited Income Statement as of September 30, 2017 compared to the Unaudited Income Statement as of September 30, 2016 (increase/decrease of 5% or more)

- 26% increase in net sales
Sales contribution of Quintel, of which CHPC assumed control beginning August 2017, and increase in sales of the Antenna Systems Business of CATS.
- 21% increase in cost of sales
Increase in net sales
- 47% increase in operating expenses
Increase in salaries, wages and employees' benefits, taxes and licenses, transportation and travel, commissions, professional fees, depreciation, research costs, and insurance premiums
- 262% increase in net financial expenses
Higher interest expenses as a result of increased short-term and long-term loans
- 19% increase in income tax
Higher sales recognized under CEC

Material Changes to the Company's Unaudited Balance Sheet as of September 30, 2017 compared to the Audited Balance Sheet as of December 31, 2016 (increase/decrease of 5% or more)

- 15% decrease in cash and cash equivalents
Major investing activity (Quintel acquisition)
- 56% increase in inventories
Increase in finished goods inventory
- 100% decrease in non-current Held to Maturity Investments
Full redemption of investments
- 19% decrease in Other Current Assets
Decrease in advances to suppliers
- 10% increase in Property, Plant and Equipment
Acquisition of new assets
- 70% increase in Trade Payables
Increase in production volume

- 176% increase in Short-term Loan
Additional short-term borrowings to partly fund Quintel acquisition
- 39% decrease in Long-term Debt -- current portion
Reduction in maturing long-term debt
- 39% increase in amounts owed to related parties
Advance from Camerton to partly finance the acquisition of Quintel
- 29% reduction in income tax payable
Increase in new products sold entitled to ITH
- 7% decrease in Long-term Debt -- net of current portion
Reduction in long-term debt
- 1,244% increase in deferred income tax liabilities
Future tax liability that may arise from unrecognized intangible assets
- 221% increase in preferred shares
Increase in the number of preferred shares
- 65% decrease in equity reserve
Difference between the proceeds from the sale of shares held by CEC and the cost of these shares was offset against "Equity reserve"
- 9% increase in retained earnings
Net income registered by the Company as of September 30, 2017
- 83% decrease in Parent Company shares held by a subsidiary
Sale of Parent Company shares held by a subsidiary

KEY PERFORMANCE INDICATORS

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

<i>Amounts in thousand US\$, except ratios, and where indicated</i>	2014	2015	2016	Nine months ended June 30 2017
EBITDA	8,383	8,767	11,862	10,429
EBITDA Margin	18%	15%	16%	15%
Sales Growth	18%	15%	25%	26%*
Current Ratio (x)	3.5 x	3.1 x	1.5 x	0.72 x
Earnings per share** (US\$)	0.017	0.014	0.018	0.013

Note:

**Compared with same period in 2016*

***Earnings per Share was calculated using CHPC's average outstanding common shares from January 1 to September 30 2017 and 2016 and full year for the years 2014, and 2015*

▪ 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		Nine months Ended September 30	
	2014	2015	2016	2017
<i>In US\$ 000</i>				
Net income	5,644	5,121	7,608	5,571
Add back:				
Interest expense/income	519	941	995	1,909
Provision for income tax	79	516	547	365
Depreciation and amortization	2,901	2,190	2,712	2,593
EBITDA	8,383	8,767	11,862	10,429

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

	For the years ended December 31		Nine months Ended September 30	
	2014	2015	2016	2017
<i>In US\$ 000</i>				
EBITDA	8,385	8,768	11,862	10,429
Deduct:				
Interest expense/(income)	(519)	(941)	(995)	(1,909)
Provision for income tax	(79)	(516)	(547)	(365)
Depreciation and amortization	(2,901)	(2,190)	(2,712)	(2,593)
Net Income	5,844	5,121	7,608	5,571

- *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\$10 Million for capital expenditure for full year 2016, from the proceeds of the Company's Initial Public 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.

FINANCIAL RATIOS

Ratios	Formula	September 30, 2017	December 31, 2016
(i) Current Ratio	Current Assets/Current Liabilities	0.72	1.54
(ii) Debt/Equity Ratio	Bank Debts ¹ /Total Equity	1.90	2.99
(iii) Net Debt/Equity Ratio	Bank Debts ¹ -Cash & Equivalents/Total Equity	1.59	2.02
(iii) Asset to Equity Ratio	Total Assets/Total Equity	3.57	4.86
(iv) Interest Cover Ratio	EBITDA ² /Interest Expense	5.05	8.90
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	0.19	0.17
Net Profit Margin	Net Income/Revenues	0.08	0.10
EBITDA Margin	EBITDA/Revenues	0.15	0.16
Return on Assets	Net Income/Total Assets ³	0.02	0.06
Return on Equity	Net Income/Total Equity ³	0.08	0.30

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, 2017 and December 31, 2016

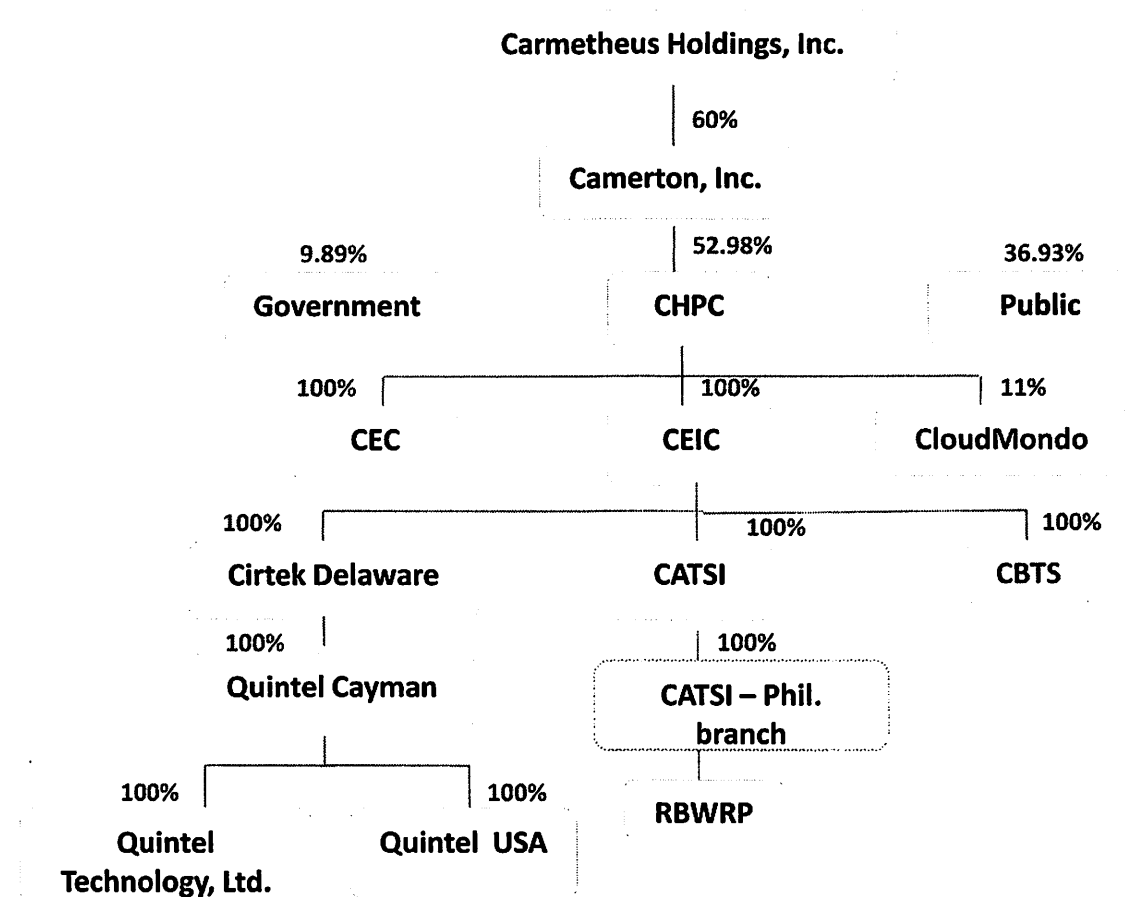
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2017

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<i>Supplementary Schedules</i>	
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, 2017



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS
SEPTEMBER 30, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Changes in Method 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	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Servicing Contracts			✓
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 Asset			✓
PFRS 9	Financial Instruments		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Clarification of the Scope of the Standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Amendments 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
	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	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and 38: Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
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	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and 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			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
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 8	Scope of PFRS 2			✓
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 11	PFRS 2- Group and Treasury Share Transactions			✓
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
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			✓
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, 2017

Unappropriated retained earnings, as adjusted, beginning		\$456,036
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	3,370,736	
Add: Non-actual losses	-	
Less: Non-actual/unrealized income net of tax	-	
Net income actually earned during the period		3,370,736
Unappropriated retained earnings, as adjusted, ending		3,826,772
Less: Cash dividends declared		(3,760,000)
Retained earnings available for dividend declaration		\$66,772

CIRTEK HOLDINGS PHILIPPINES CORPORATION**FINANCIAL SOUNDNESS INDICATORS****SEPTEMBER 30, 2017 AND DECEMBER 31, 2016**

Ratios	Formula	September 30, 2017	December 31, 2016
(i) Current Ratio	Current Assets/Current Liabilities	0.72	1.54
(ii) Debt/Equity Ratio	Bank Debts ¹ / Total Equity	1.90	2.99
(iii) Net Debt/Equity Ratio	Bank Debts ¹ -Cash & Equivalents/Total Equity	1.59	2.02
(iii) Asset to Equity Ratio	Total Assets/Total Equity	3.57	4.86
(iv) Interest Cover Ratio	EBITDA ² /Interest Expense	5.05	8.90
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	0.19	0.17
Net Profit Margin	Net Income/Revenues	0.08	0.10
EBITDA Margin	EBITDA/Revenues	0.15	0.16
Return on Assets	Net Income/Total Assets ³	0.02	0.06
Return on Equity	Net Income/Total Equity ³	0.08	0.30

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, 2017 and December 31, 2016

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2017

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash	N/A	\$20,802,818	\$20,802,818	\$
Trade and other receivables	N/A	22,730,888	22,730,888	–
Financial asset at fair value through profit or loss	N/A	503	503	–
Amounts owed by related parties	N/A	11,824,672	11,824,672	–
Other current assets				
Rental deposit	N/A	1,137,332	1,134,611	–
Security deposit	N/A	185,790	185,790	–
Loan to employees	N/A	182,489	182,489	–
HTM investments	N/A	482,733	482,733	–
AFS financial asset	N/A	1667,000	166,700	–
Other noncurrent assets:				
Receivables from stock brokers	N/A	15,689,063	15,689,063	–
Loans to employees	N/A	6,023	6,023	–
Miscellaneous deposits	N/A	177,948	177,948	–
		\$73,384,238	\$73,384,238	\$

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, 2017

Amounts Receivable from Officers, Employees and Related Parties under Trade and other receivables

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Jerry Liu (Chairman)	\$10,309,041	\$1,100,000	\$1,607,851	\$9,801,188	\$-	\$9,801,188
Employees	239,823	103,364	154,675	188,512		188,512
	\$10,548,862	\$1,203,364	\$1,762,526	\$9,989,700	\$-	\$9,989,700

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 Holding, Inc.	\$1,809,256	\$-	\$-	\$1,809,256	\$-	\$1,809,256
Carmerton, Inc.	111,994	-	111,994	-	-	-
Cayon Holdings, Inc.	206,284	7,944	-	214,228	-	214,228
	\$2,127,534	\$7,944	\$111,994	\$2,023,484	\$-	\$2,023,484

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, 2017

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
Cirtek Electronics Corporation	\$41,802,664	\$67,089,946	\$29,533,728	\$-	\$79,358,881	\$-	79,358,881
Cirtek Electronics International Corporation	23,015,861	8,826,321	8,302,681	-	23,539,501	-	23,539,501
Cirtek Holdings Philippines Corporation	90,335,790	-	-	-	90,335,790	-	90,335,790
Cirtek Advanced Technologies and Solutions Inc.	192,816	225,956	389,448	-	29,324	-	29,324
	\$155,347,131	\$76,142,222	\$38,225,857	\$-	\$193,263,496	\$-	\$193,263,496

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non current	Balance at end of period
Cirtek Electronics Corporation	\$102,011,786	\$8,826,321	\$8,302,681	\$-	\$102,535,426	\$-	\$102,535,426
Cirtek Electronics International Corporation	9,192,816	225,956	389,448	-	9,029,324	-	9,029,324
Cirtek Holdings Philippines Corporation	24,204,798	58,258,717	25,763,178	-	56,700,337	-	56,700,337
Cirtek Advanced Technologies and Solutions Inc.	19,937,731	15,310,737	10,250,059	-	24,998,409	-	24,998,409
	\$155,347,131	\$82,621,731	\$44,705,366	\$-	\$193,263,496	\$-	\$193,263,496

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER
ASSETS
AS OF SEPTEMBER 30, 2017

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
Product development costs	\$922,220	\$648,725	(\$139,996)	\$-	\$-	\$1,430,949
Customer relationships	-	18,100,000	-	-	-	18,100,000
Technology	-	8,000,000	(133,333)	-	-	7,866,667
Trademark	-	5,100,000	-	-	-	5,100,000
Total	\$922,220	\$31,848,725	(\$273,329)	\$-	\$-	\$32,497,616

SCHEDULE E**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF SEPTEMBER 30, 2017

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	\$76,678,898	\$42,182,630	\$34,496,268

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, 2017

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, 2017

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, 2017

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	—	236,965,380	9	—
Preferred Stock A	700,000,000	—	—	—	—	—
Preferred Stock B	270,000,000	—	—	—	—	—