COVER SHEET

CS201102137

SEC Registration Number

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

(Business Address: No. Street City/Town/Province)

Mr. Carlos Gacusana Jr.,

(Contact Person)

7729-6205

(Company Telephone Number)

SEC Form 17Q

12 31

Month *Day*

(Calendar Year)

(Form Type)

05 31

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

28

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2019

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

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

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

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

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

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

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	**419,063,353 / n/a**
Preferred B2 Shares	**67,000,000/ n/a**

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

    Yes [✔] No [ ]

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

Philippine Stock Exchange – Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [✔] No [ ]

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

Yes [✔] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

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

Please see attached

SIGNATURES

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

Issuer.:

Signature and Title **Ma.Lourdes Laraño**
Chief Compliance Officer

Date: November 19, 2019

Principal Financial/Accounting Officer/Controller:

Signature and Title: **Carlos Gacusana Jr.**
Deputy Chief Financial Officer

Date: November 19, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2019

(With Comparative Audited Figures as at December 31, 2018)

	September 30,2019 (Unaudited)	December 31,2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$15,511,686**	$17,443,001
Trade and other receivables (Note 6)	**26,965,333**	14,725,878
Inventories (Note 7)	**28,035,647**	28,303,005
Amounts owed by related parties (Note 17)	**29,930,881**	57,004,906
Other current assets (Note 8)	**3,451,036**	2,617,509
Total Current Assets	**103,894,583**	120,094,299
Noncurrent Assets		
Other financial asset at amortized cost (Note 9)	**469,588**	469,588
Investment properties (Note 11)	**10,605,040**	10,605,040
Property, plant and equipment (Note 10)	**37,008,882**	38,160,729
Intangible assets (Note 12)	**100,037,553**	93,083,644
Deferred income tax assets - net (Note 23)	**205,074**	205,074
Other noncurrent assets (Note 13)	**804,943**	1,950,980
Total Noncurrent Assets	**149,131,080**	144,475,055
TOTAL ASSETS	**253,025,663**	$264,569,354
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**$19,583,210**	$16,810,575
Short-term loans (Note 15)	**48,260,000**	53,710,000
Current portion of long-term debt (Note 16)	**6,644,496**	11,045,751
Amounts owed to related parties (Note 17)	**617,932**	601,193
Dividend payable	**20,601**	20,601
Income tax payable (Note 23)	**94,470**	458,785
Total Current Liabilities	**75,220,709**	82,646,905
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**58,259,623**	62,300,920
Deposit for future stock subscriptions	**189,107**	189,107
Retirement benefit obligation (Note 21)	**1,497,008**	1,555,062
Deferred income tax liabilities - net (Note 23)	**4,447,068**	4,090,991
Other noncurrent liabilities	**–**	–
Total Noncurrent Liabilities	**64,392,806**	68,136,080
Total Liabilities	**139,613,515**	150,782,985
Equity		
Common stock (Note 27)	**9,594,321**	9,594,321
Preferred stock (Note 27)	**2,615,995**	2,615,995
Additional paid-in capital (Note 27)	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income (loss)	**(1,255,830)**	(1,255,830)
Retained earnings (Note 27)	**24,770,469**	25,144,690
	140,224,828	140,599,049
Parent Company shares held by a subsidiary (Note 27)	**(26,812,680)**	(26,812,680)
Total Equity	**113,412,148**	113,786,369
TOTAL LIABILITIES AND EQUITY	**253,025,663**	$264,569,354

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2019	2018	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS	**$69,560,076**	$88,475,110	**$20,916,979**	$33,628,323
COST OF SALES(Note 18)	**(54,366,678)**	(62,741,522)	**(16,606,271)**	(23,475,462)
GROSS PROFIT	**15,193,398**	25,733,588	**4,310,708**	10,152,861
OPERATING EXPENSES(Note 19)	**(7,138,656)**	(15,560,046)	**(1,487,304)**	(5,381,842)
FINANCIAL INCOME (EXPENSE)				
Interest income (Note 5)	**15,212**	34,403	**3,105**	10,593
Interest expense(Notes 15 and 16)	**(4,644,093)**	(3,755,632)	**(1,359,251)**	(1,283,034)
	(4,628,881)	(3,721,229)	**(1,356,146)**	(1,272,441)
OTHER INCOME- Net (Note 22)	**642,909**	4,846,389	**34,207**	79,918
INCOME BEFORE INCOME TAX	**4,068,770**	11,298,702	**1,501,465**	3,578,496
PROVISION FOR (BENEFITS FROM) INCOME TAX(Note 23)				
Current	**380,858**	390,867	**100,050**	181,710
Deferred	–	(178,572)	–	(162,126)
	380,858	212,295	**100,050**	19,584
NET INCOME	**3,687,912**	11,086,407	**1,401,415**	3,558,912
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 21)	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**$3,687,912**	$11,086,407	**$1,401,415**	$3,558,912
Basic/Diluted Earnings Per Share(Note 24)	**$0.001**	$0.010		$0.003

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

For the Nine Months Ended September 30, 2019 (Unaudited)

	Common Stock Issued	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Treasury Shares	Parent Company Shares Held by a Subsidiary	Total
Balances at December 31, 2018	$9,594,321	$2,615,995	$100,469,659	$4,030,214	($1,255,830)	$ 25,144,690	–	($26,812,680)	$113,786,369
Net income	–	–	–	–	–	3,687,912	–	–	3,687,912
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	3,687,912	–	–	3,687,912
Issuance of additional preferred stock (Note 28)	–	–	–	–	–	–	–	–	–
Cash dividends declared (Note 28)	–	–	–	–	–	(4,062,133)	–	–	(4,062,133)
Shares held by the company (Note 28)	–	–	–	–	–	–	–	–	–
Acquisition of parent company shares held by a subsidiary(Note 28)	–	–	–	–	–	–	–	–	–
Balances at September 30, 2019	$9,594,321	$2,615,995	$100,469,659	$4,030,214	($1,255,830)	$24,770,469	–	($26,812,680)	$113,412,148

For the Nine Months Ended September 30, 2018 (Unaudited)

	Common Stock Issued	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Treasury Shares	Parent Company Shares Held by a Subsidiary	Total
Balances at December 31, 2017	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$25,819,024	–	($2,499,307)	$139,647,316
Net income	–	–	–	–	–	11,086,407	–	–	11,086,407
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	11,086,407	–	–	11,086,407
Issuance of additional preferred stock (Note 28)	–	578,882	–	–	–	–	–	–	578,882
Cash dividends declared (Note 28)	–	–	–	–	–	(7,038,415)	–	–	(7,038,415)
Shares held by the company (Note 28)	–	–	–	–	–	–	(34,059,586)	–	(34,059,586)
Acquisition of parent company shares held by a subsidiary (Note 28)	–	–	–	–	–	–		(13,307,586)	(13,307,586)
Balances at September 30, 2018	$9,594,321	$2,615,995	$100,469,659	$4,030,214	$196,292	$29,867,016	($34,059,586)	($15,806,893)	$96,907,018

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$4,068,770	$11,298,702
Adjustments for:		
Depreciation and amortization (Notes19 and 20)	3,426,925	3,591,578
Interest expense (Notes 16 and 17)	4,644,093	3,755,632
Movement in net retirement benefit obligation (Note 22)	(58,054)	(121,387)
Net unrealized foreign exchange gains	174,185	6,589
Interest income (Note 5)	(15,212)	(34,403)
Operating income before working capital changes	12,240,707	18,496,711
Decrease (increase) in:		
Trade and other receivables	(12,230,698)	(31,453,618)
Inventories	267,358	(36,247)
Other current assets	(905,454)	151,197
Increase (decrease) in trade and other payables	3,778,678	(10,069,974)
Net cash generated fromoperations	3,150,591	(22,911,931)
Interest received	6,455	53,914
Income taxes paid	(389,096)	(515,612)
Net cash flows from operating activities	2,767,950	(23,373,629)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions ofproperty, plant and equipment (Note 11)	(2,143,757)	(4,693,836)
Net payment for the acquisition of Quintel		(1,977,281)
Investment in HTM investments		–
Decrease (increase) in Intangible Assets	(6,953,909)	–
Increase in other noncurrent assets		(606,016)
Net cash flows used in investing activities	(9,097,666)	(7,277,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term loans (Note 15)	5,350,000	11,138,000
Issuance of preferred stock		578,882
Sale of Parent Company shares held by a subsidiary (Note 28)		–
Payments of:		
Cash dividends (Note 28)	(4,041,532)	(6,033,954)
Interest (Notes 16and 17)	(4,644,093)	(3,818,637)
Long-term debt (Note 17)	(8,540,000)	(3,625,789)
Short-term loans (Note 16)	(10,800,000)	(200,000)
Acquisition of Parent Company shares held by a subsidiary		(13,307,586)
Net movements in amounts owed by and owed to related parties	27,074,025	15,969,561
Net cash flows from financing activities	4,398,400	700,477
EFFECT OF EXCHANGE RATE CHANGES ON CASH		–
NET INCREASE (DECREASE) IN CASH	(1,931,315)	(29,950,285)
CASH AT BEGINNING OF PERIOD	17,443,001	37,222,737
CASH AT END OF PERIOD	$15,511,686	$7,272,452

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

1. **Corporate Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Statement of Compliance</u>
The interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's December 31, 2018 annual consolidated financial statements.

<u>Basis of Consolidation</u>
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of the September 30, 2019 and December 31, 2018:

	Country of Incorporation	Percentage of Ownership September 30, 2019 Direct	Indirect	December 31, 2018 Direct	Indirect
CEC	Philippines	**100**	–	100	–
CEIC	BVI	**100**	–	100	–
CATS (formerly known as RBWI)	BVI	–	**100**	–	100
CATS - Philippine Branch	Philippines	–	**100**	–	100
RBW Realty and Property, Inc. (RBWRP)	Philippines	–	**100**	–	100
Cirtek Corporation	United States of America	–	**100**	–	100
Quintel Cayman	Cayman Islands	–	**100**	–	100
Quintel Technology, Ltd.	United Kingdom	–	**100**	–	100
Quintel USA	United States of America	–	**100**	–	100
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	**100**	–	100

***In the process of dissolution.**

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;

- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Common control business combinations

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies for the first time PFRS 16, Leases, applying the modified retrospective approach which does not require restatement of previous financial statements. As required by PAS 34, the nature and effect of these changes are disclosed below.

PFRS 16, Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-ofuse asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-ofuse asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group applied PFRS 16 using the modified restrospective (alternative2) transition approach with the date of initial application of January 1, 2019. Under this approach, the lease liability is also measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The carrying amount of the right-of-use asset is an amount equal to the carrying amount of the lease liability on the date of initial application.

The Group applied the following practical expedients for leases previously classified as operating leases, on a lease-by lease basis:

- The Group did not reassess whether its contracts contains a lease at the date of initial application and applied PFRS 16 to contracts previously identified as leases.
- If applicable, applied a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- Adjusted the right-of-use asset for any recognized onerous lease provisions, instead of performing an impairment review.
- Applied a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use asset
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. When performing its hindsight assessment, an entity should consider events and circumstances that occurred up to the effective date of the new leases standard (January 1, 2019).

The adoption did not have a material impact on the Group's financial performance, financial position and operating, investing and financing cash flows.

Several other amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact to the Group.

- Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Adoption of these amendments did not have significant impact on the Group's interim condensed consolidated financial statements.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

Since the Group does not have such long-term interests in its associate and joint venture, the amendments do not have an impact on its interim condensed consolidated financial statements.

- Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatmentsinvolves uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Annual Improvements to PFRS 2015-2017 Cycle

- Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, Definition of a Business

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.
  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The amendments will apply on future disclosures of the Group.

Effective beginning on or after January 1, 2021

- PFRS 17, Insurance Contracts

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

PFRS 17 is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2017, the Financial Reporting Standards Council deferred the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Operating Segments

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

For the nine months ended September 30, 2019:

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

Other financial information of the operating segments as of September 30, 2019 is as follows:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$101,596,741	$49,733,638	$17,037,007	$(64,472,803)	$103,894,583
Noncurrent assets	38,309,685	18,101,433	7,560,009	85,159,952	149,131,080
	$139,906,426	$67,835,071	$24,597,016	$20,687,150	$253,025,663
Liabilities:					
Current liabilities	$62,777,568	$45,468,153	$29,592,553	$(62,617,565)	$75,220,709
Noncurrent liabilities	59,845,550	650,549	-	3,896,707	64,392,806
	$122,623,118	$46,118,702	$29,592,553	$(58,720,858)	$139,613,516

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

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

For the nine months ended September 30, 2018:

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

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

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$124,850,608	$46,770,966	$17,004,639	($68,531,914)	$120,094,299
Noncurrent assets	39,417,569	18,590,653	2,971,351	83,495,482	144,475,055
	$164,268,177	$65,361,619	$19,975,990	$14,963,568	$264,569,354
Liabilities:					
Current liabilities	$73,965,589	$44,637,894	$29,539,870	($65,307,341)	$82,836,012
Noncurrent liabilities	63,352,537	693,806	360,000	3,540,630	67,946,973
	$137,318,126	$45,331,700	$29,899,870	($61,766,711)	$150,782,985

4. Business Combination

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

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

Assets	
Current Assets	
Cash	$1,849,741
Accounts receivable – net	3,920,576
Inventories – net	10,029,461
Prepayments and other current assets	306,517
Noncurrent Assets	
Intangible assets (Note 12)	37,083,900
Property and equipment	499,842
Total Assets	$53,690,037
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	$ 20,612,773
Decommissioning liability	122,800
Deferred grants	520,000
Current portion of long-term debt	300,000
Noncurrent Liabilities	
Long-term debt - net of current portion	625,962
Deferred income tax liabilities – net	3,896,706
Total Liabilities	**26,078,241**
Fair value of identifiable net assets	27,611,796
Acquisition cost	83,152,953
Goodwill	**$55,541,157**

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

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

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

As provided for under PFRS 3, the Group has initially applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date.

The Group has completed the identification of the intangible assets arising from the acquisition and has effected adjustments such as inventories and contingent liabilities, among others, that impact the amount of goodwill.

5. Cash and Cash Equivalents

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	**$ 245**	$245
Cash in banks	**15,511,441**	17,439,717
Cash equivalents	**–**	3,039
	$ 15,511,686	$17,443,001

Cash in banks earn interest at prevailing bank deposit rates.

Interest income earned from cash in banks amounted to$15,212and$34,403for the ninemonths endedSeptember 30, 2019 and2018, respectively.

6. Trade and Other Receivables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	**$ 22,021,645**	$14,940,815
Others	**5,434,700**	276,075
	27,456,345	15,216,890
Less allowance for impairment losses on trade receivables	**491,012**	491,012
	$26,965,333	$14,725,878

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

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

7. Inventories

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
At cost:		
Raw materials	**$12,480,774**	$9,814,321
Work in process	**591,022**	4,901,773
Finished goods	**13,007,657**	11,985,157
Spare parts and others	**952,586**	847,330
Supplies and others	**1,003,608**	754,424
	28,035,647	28,303,005
At NRV:		
Finished goods	–	827,378
Supplies and others	–	96,884
Allowance for inventory obsolescence	–	(924,262)
	–	–
Total inventories at lower of cost and NRV	**$28,035,647**	$28,303,005

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

The allowance for inventory obsolescence of supplies and other inventories as ofSeptember 30, 2019and December 31, 2018 amounted toNIL and$924,262, respectively.

8. Other Current Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Rental deposit (Note 18)	**$1,132,086**	$1,142,374
Prepaid expenses	**172,011**	389,399
Advances to suppliers	**1,302,293**	288,767
Loans to employees	**419,169**	612,792
Security deposit	**180,507**	182,409
Others	**244,970**	1,768
	$3,451,036	$2,617,509

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

9. Other Financial Asset at Amortized Cost

The movement of other financial assets at amortized cost areas follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning of year	**$469,588**	$480,563
Acquisition	–	–
Maturity	–	–
Amortization of premium	–	(10,975)
End of year	**$469,588**	$469,588

In compliance with the Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with market values equivalent to a certain percentage of the amount by which CATS - Philippine Branch's gross income exceeds $0.1 million (₱5.0 million). The Philippine SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

The Group's other financial asset at amortized cost (previously classified as HTM investment) pertains to a government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation.

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

Property, plant and equipment

During the nine months ended September 30, 2019 and 2018, the Group acquired assets with a cost of$2,135,637and $4,693,836respectively.

Noncurrent assets held for sale

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

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

The fair value of the noncurrent assets held for sale was determined as the sum of:

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

The valuations were performed by a Philippine SEC accredited appraiser as of December 31, 2018.

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

Replacement Cost New is estimated as follows:

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

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

For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history, is also considered.Cots to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive at the amount of fair value less costs to sell.

11. Investment Properties

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Land	$6,466,337	$6,466,337
Building	4,138,703	4,138,703
	$10,605,040	$10,605,040

As at September 30, 2019, the Group's investment properties (see Note 12) amounted to $10.6 million. In 2018, net gain on fair value measurement amounted to $2.0 million presented under"Other income (charges)" account in profit or loss.

As at September 30, 2019, the fair values of land and building are based on valuations performed by AVISO Valuation and Advisory, aPhilippine-SEC-accredited independent appraiser, last April 2019. The valuation model in accordance with thatrecommended by the IVSC has been applied.Market Approach is a method of comparing recent sales and sales offerings of similar propertieslocated in the surrounding area, adjusted for time, size, location and other relevant factors. Pricepersquare meter of market comparable range from $130 to $240. Significant increases (decreases) inestimated price per square meter in isolation would result in a significantly higher (lower) fair valueon a linear basis (Level 2).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements as at June 30, 2019.

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

12. Intangible Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Goodwill	$55,541,157	$55,541,157
Customer relationships (Note 4)	23,736,500	23,736,500
Technology	5,874,600	4,210,130
Trademark (Note 4)	7,472,800	7,472,800
Product development costs	7,412,496	2,123,057
	$ 100,037,553	$93,083,644

Goodwill
The goodwill recognized for the acquisition of Quintel is at fair value as ofSeptember 30,2019and December 31, 2018.

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

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

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

On the other hand, trademark is estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Product development costs
Product development costs pertain to CEC's and CATS - Philippine Branch's capitalized cost of developing certain packages or products for specific customers. The development costs met the requirements of PAS 38 for capitalization. Amortization of product development cost charged to the consolidated statements of comprehensive income amounted toNIL and$151,043for the nine months ended September 30, 2019 and 2018 respectively, as these are available for use.

13. Other Noncurrent Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Advances to suppliers	**$448,135**	$875,662
Miscellaneous deposits	**122,246**	166,646
Loans to employees	**–**	902,161
Others	**234,562**	6,511
	$804,943	$1,950,980

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

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

14. Trade and Other Payables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	**$11,642,310**	$10,835,308
Accruals:		
Utilities	**486,679**	355,676
Payroll	**2,577,052**	630,701
Interest	**250,066**	755,977
Others	**867,830**	628,723
Contract liabilities	**1,801,916**	2,041,270
Provisions	**530,776**	1,272,860
Others	**1,426,581**	290,060
	$19,583,210	$16,810,575

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

Accruals comprise mainly of accruals for electricity, water, communication, security, shuttle services and professional services.

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

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

15. Short-term Loans

The Group has the following loan facilities:

		September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Rizal Commercial Banking Corporation (RCBC)	(a)	**$25,610,000**	$25,610,000
China Banking Corporation (CBC)	(b)	**12,750,000**	11,000,000
Security Bank Corporation (SBC)	(c)	**9,900,000**	10,000,000
BDO Unibank, Inc. (BDO)	(d)	**–**	5,400,000
Metropolitan Bank and Trust Company (MBTC)	(e)	**–**	1,700,000
		$48,260,000	$53,710,000

a. Revolving loan facilities with RCBC which have payment terms ranging from 60 to 360 days. The facility is unsecured and charged interest of 3.45% to 4.00% and 2.25% to 4.00% per annum in 2019 and 2018, respectively.

b. Revolving loan facilities with CBC which have payment terms ranging from 30 to 180 days. The facility is unsecured and charged interest of 5.00% per annum in 2019 and 2018.

c. Revolving loan facilities with SBC, which have payment terms ranging from 90 to 180 days, are unsecured and charged interest of 4.00% to 5.00% and 1.95% to 2.54% per annum in 2019 and 2018, respectively.

d. Revolving loan facilities with BDO which have payment terms ranging from 30 to 365 days. The facility is unsecured and charged interest of 2.75% per annum in 2018.

e. Revolving loan facilities with MBTC which have payment terms of 180 days. The facility is unsecured and charged interest of 3% to 3.88% per annum in 2018, respectively.

Interest expense incurred from these short-term loan facilities amounted to $ 1,673,357and $1,708,597 for the nine months ended September 30, 2019 and 2018, respectively.

16. Long-term Debt

As of September 30, 2019and December 31, 2018, the details of long-term debt are as follow:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Principal	**$65,250,000**	$73,790,000
Less deferred financing costs	**345,881**	443,329
	64,904,119	73,346,671
Less current portion - net of deferred financing costs	**6,644,496**	11,045,751
	$58,259,623	$62,300,920

Parent Company

2012 Note Facility Agreement (NFA)

On July 25, 2012, the Parent Company entered into a $10.0 million NFA with MBTC (Initial Note Holder), MBTC - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

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

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

Equity is defined in the agreement as the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latestconsolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.
Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments owing, scheduled repayments of principal, interest expenses (including capitalized interest expenses) and fees payable, whether or not actually paid, in respect of any debt, whether or not actually paid.

The loan was fully paid in 2017.

2014 NFA
On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment

Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

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

The Parent Company is in compliance with the debt covenants as of September 30, 2019.

The carrying amount of the loan from the 2014 NFA as of September 30, 2019 and December 31, 2018 amounted to$1.75million and $7.0 million, respectively.

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

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000,the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

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

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

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

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

The carrying amount of the loan from the 2016 NFAas of September 30, 2019 and December 31, 2018 amounted to$23.90million and $26.1 million, respectively.The Parent Company is in compliance with the debt covenants as ofSeptember 30, 2019 and 2018.

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

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem, in whole or in part, equivalent to an amount not less than and in multiples of $5,000,000 on any interest payment date beginning on the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption was made on a non-interest payment date. The prepayment penalty shall not apply if the redemption is due to: (i) interest costs or (ii) illegality. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9.

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

- debt to equity ratio shall not, at any time, exceed 70:30;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.15; and
- current ratio shall not, at any time, be less than 1.10

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

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

The carrying amount of the loan from the 2018 NFA amounted to $39.26 millionas of September 30, 2019.

The Parent Company is in compliance with the debt covenants as of September 30,2019.

<u>CATS</u>
In 2012, CATS obtained a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in 28 quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan (see Note 14). The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

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

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4.7 million.

<u>Quintel USA</u>
Long-term debt amounting to $540,000and $900,000 as of December 31, 2018 and 2017 pertains to a term note payable to a state development corporation accruing interest monthly through July 2021. The agreement includes a Convertible Loan Principal Reduction feature providing that if Quintel achieves annual minimum full-time permanent employment targets through 2021, as

defined in the loan agreement, the principal is reduced by 20% at each annual measurement date. The first measurement date was amended to June 30, 2015. The note bears interest at 3.0% per annum.

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

Quintel USA is in compliance with the financial reporting requirements as of September 30, 2018 and 2017.

Interest Expense
Total interest expense (including amortization of deferred financing costs) recognized in the consolidated statements of comprehensive income amounted to $2,970,736and $2,047,035 for the nine months ended September 30, 2019 and 2018, respectively.

17. Related Party Disclosures

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

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

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

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

a. Amounts owed to related parties

		Transactions		Balances as of			
		Nine Months Ended September 30(Unaudited)		September 30, 2019	December 31, 2018		
		2019	2018	(Unaudited)	(Audited)	Terms	Conditions
Other related parties							
CLC	Rental	$8,770	$11,559	$479,377	$470,607	Due on demand; noninterest-bearing; to be settled in cash	Unsecured
Cayon	Rental	7,969	10,503	102,627	94,658	Due on demand; noninterest-bearing; to be settled in cash	Unsecured
Stockholders	Payment made on behalf of the Group	–	35,928	35,928	35,928	Due on demand; noninterest-bearing	Unsecured
				$617,932	$601,193		

b. Amounts owed by related parties

		Transactions Nine Months Ended September 30 (Unaudited) 2019	2018	Balances as of September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Terms	Conditions
Parent							
Camerton	Collections on behalf of the Group	($27,074,029)	$54,888,948	$27,886,037	$54,960,066	Due on demand; non-interest bearing	Unsecured; no impairment
	Reimbursement of expenses	–	18,809	18,809	18,809	Due on demand; non-interest bearing	Unsecured; no impairment
(Forward)							
Other related entities							
CHI	Advances for working capital	–	–	$1,809,256	$1,809,256	Due on demand; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	4	2,548	216,779	216,775	Due on demand; non-interest bearing	Unsecured; no impairment
				$29,930,881	$57,004,906		

c. Rental deposit

		Transactions Nine Months Ended September 30 (Unaudited) 2019	2018	Balances as of September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	Terms	Conditions
Other related parties							
CLC	Rental deposit	$ 16,531	$–	$1,158,904	$1,142,374	Due on demand; noninterest-bearing	Unsecured; no impairment
Camerton	Deposit for future stock subscription	–	189,107	189,107	189,107		
	Dividend payable	–	20,601	20,601	20,601		

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

Transactions with individual stockholders, Camerton
As of December 31, 2017, advances to individual stockholders, which are due and demandable and noninterest-bearing, amounted to $48.3 million. In 2018, additional advances amounted to $7.1 million, net of collections amounting to $17.1 million.

On December 27, 2018, the Group and Camerton executed a Sworn Corporate Undertaking, whereby Camerton undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. Camerton undertakes to repay portion of the outstanding advances amounting to $5.0 million on or before May 31, 2019 and the remaining balance in 2019. Loan agreements between Camerton and the Group were executed on the same day which indicates the terms and conditions disclosed in the table.

Transactions with CHI, Charmview Enterprises Ltd (CEL)
The amount owed by an officer amounting to $7.7 million as of December 31, 2010 was

transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, the parent of CHPC.
The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.
For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

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

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

The amount owed by CHI as of September 30, 2019 and December 31, 2017 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

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

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to₱60.1 million ($1.1 million and $1.2 million as of September 30, 2019 and December 31, 2018, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to$8,697, and $9,089for the nine months ended September 30, 2019 and 2018, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon.Total rent expense charged to operations amounted to $7,906and $8,257for the nine months ended September 30, 2019 and 2018, respectively.

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

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Salaries and wages	**$1,670,705**	$1,148,883
Employee benefits	**139,929**	$234,061
	$1,810,634	$1,382,944

18. Cost of Sales

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Raw materials, spare parts, supplies and other inventories used	**$ 37,273,742**	$44,455,435
Salaries, wages and employees' benefits	**6,947,136**	8,382,157
Depreciation and amortization	**3,125,206**	3,311,587
Utilities	**2,862,690**	3,162,213
Inward freight and duties and others	**3,097,519**	2,830,896
Others	**1,060,385**	599,234
	$ 54,366,678	$62,741,522

19. Operating Expenses

	NineMonths Ended September30 (Unaudited)	
	2019	2018
Salaries, wages and employees' benefits(Note 21)	**3,339,690**	$9,194,328
Professional fees	**817,499**	1,807,189
Taxes and licenses	**120,281**	1,264,239
Research costs	**-**	1,263,239
Transportation and travel	**338,203**	524,524
Utilities	**905,069**	438,592
Depreciation	**301,719**	279,991
Office supplies	**17,139**	170,217
Entertainment, amusement and recreation	**320,966**	142,254
Insurance premiums	**107,401**	109,877
Commissions	**537,084**	63,355
Sevice Fee	**18,631**	-
Others	**314,974**	302,241
	$7,138,656	$15,560,046

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

20. Salaries and Wages and Employees' Benefits

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Salaries and wages	**$ 8,812,974**	$15,718,593
Other employees' benefits	**1,134,219**	1,667,200
Retirement costs	**339,633**	190,692
	$ 10,286,826	$ 17,576,485

Other employees' benefits consist of allowances and mandatory contributions.

21. Retirement Benefit Obligation

Defined Benefit Plans

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

Under the existing regulatory framework, R.A. No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not requireminimum funding of the plan.
CEC has an agreement with an insurance company to fund the retirement benefits of itsemployees. CEC believes that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to pay or fund the retirement benefits. As of September 30, 2019 and December 31, 2018, the asset mix is a combination of 34% long-term investments, composed of government securities and corporate bonds, 62% investments in quoted equity securities and 4% short-term investments, composed of short-term placements and others.

Defined Contribution Plans

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

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

22. Other Income - Net

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Foreign exchange losses - net	**$102,425**	($1,192,094)
Gain on condonation		5,504,982
Sale of scrap	**80,908**	203,225
Mark-to-market gain		–
Others - net	**459,576**	330,280
	$642,909	$4,846,393

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

23. Income Taxes

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

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

CATS - Philippine Branch
CATS-Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeterwave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ) and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

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

The provision for current income tax for the nine months ended September 30, 2019 and 2018pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

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

<u>Changes in Legislation</u>
United States of America (U.S.)
The Group is subject to income taxes in the U.S. owing to Quintel USA.
The Tax Act was enacted on December 22, 2017 and introduces significant changes to U.S.

income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to21%and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

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

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

24. Earnings Per Share (EPS)

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

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
Net income attributable to common shareholders of Parent Company*	**$610,000**	$7,987,996
Weighted average number of common shares outstanding	**419,063,353**	838,126,706
Basic and diluted EPS	**$0.001**	$0.010

**Net of dividends declared on preferred A, preferred B-1 and preferred B-2 shares for the nine months ended September 30, 2019 and 2018 totaling to $3,687,912 and $3,098,415, respectively.*

As ofSeptember 30, 2019and 2018, the Parent Company has no potential dilutive common shares.

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

25. Financial Risk Management Objectives and Policies

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

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

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

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

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.
For cash in bank and cash equivalents, other receivables, amounts owed by related parties, rental deposits, loans to employees, and miscellaneous deposits, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other counterparties to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

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

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

- Gross domestic products
- Inflation rates

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

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

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

	September 30, 2019 (Unaudited)						
	Neither Past Due nor Impaired	Past Due but not Impaired < 30 days	30-60 days	60-90 days	> 90 days	ECLs	Total
Cash and cash equivalent*	$15,511,441	$–	$–	$–	$–	$–	$15,511,441
Trade and other receivables	22,973,977	3,461,599	776,927	242,462	1,380	(491,012)	26,965,333
Amounts owed by related parties	29,930,881	–	–	–	–	–	29,930,881
Other current assets							
Financial assets at FVPL	–						–
Rental deposit	1,132,086	–	–	–	–	–	1,132,086
Security deposit	180,507	–	–	–		–	180,507
Loans to employees	419,169	–	–	–	–	–	419,169
Other financial assets at amortized cost	469,588	–	–	–	–	–	469,588
Other noncurrent assets							
Miscellaneous deposits	122,246	–	–	–	–	–	122,246
	$70,739,895	$3,461,599	$776,927	$242,462	$1,380	($491,012)	$74,731,251

**Excluding cash on hand amounting to $245.*

	December 31, 2018 (Audited)						
	Neither Past Due nor Impaired	Past Due but not Impaired < 30 days	30< 60 days	60-90 days	> 90 days	Impaired Financial Assets	Total
Cash and cash equivalents*	$17,442,756	$–	$–	$–	$–	$–	$17,442,756
Trade and other receivables	7,918,628	2,047,259	443,572	138,429	4,669,001	(491,012)	14,725,877
Amounts owed by related parties	57,004,906	–	–	–	–	–	57,004,906
Other current assets:							
Financial assets at FVPL	475						475
Rental deposit	1,142,374	–	–	–	–	–	1,142,374
Loans to employees	612,792	–	–	–	–	–	612,792
Security deposit	182,409	–	–	–	–	–	182,409
HTM investments	469,588	–	–	–	–	–	469,588
Other noncurrent assets:							
Loans to employees	902,161	–	–	–	–	–	902,161
Miscellaneous deposits	166,646	–	–	–	–	–	166,646
	$85,842,735	$2,047,259	$443,572	$138,429	$4,669,001	($491,012)	$92,649,984

**Excluding cash on hand amounting to $245.*

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

September 30, 2019(Unaudited)

	Neither Past Due nor Impaired High Grade	Medium Grade	Low Grade	Total
Cash*	$15,511,411	$–	$–	$15,511,411
Trade and other receivables	26,965,333	–	–	26,965,333
Amounts owed by related parties	29,930,881	–	–	29,930,881
Other current assets:				
Financial assets at FVPL	–	–	–	–
Rental deposit	1,132,086	–	–	1,132,086
Security deposit	180,507	–	–	180,507
Loans to employees	419,169	–	–	419,169

Other financial assets at amortized cost	**469,588**	**–**	**–**	**469,588**
Other noncurrent assets:				
Miscellaneous deposits	**122,246**	**–**	**–**	**122,246**
	$74,731,251	**$–**	**$–**	**$74,731,251**

Excluding cash on hand amounting to $245.

December 31, 2018(Audited)

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

Excluding cash on hand amounting to $243.

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

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

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

Liquidity risk

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

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

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

September30, 2019 (Unaudited)	**On demand**	**<1 year**	**1 to 2 years**	**> 2 to 5 years**	**Total**
Financial Assets					
Cash and cash equivalents	**$15,511,686**	**$–**	**$–**	**$–**	**$15,511,686**
Trade and other receivables	**26,965,333**		**–**	**–**	**26,965,333**
Amounts owed by related parties	**29,930,881**	**–**	**–**	**–**	**29,930,881**
	$72,407,900	**$**	**$–**	**$–**	**$72,407,900**

Financial Liabilities					
Trade and other payables					
Trade payables	**$11,642,310**	**$–**	**$–**	**$–**	**$11,642,310**
Accrued expenses*		**4,181,628**	**–**	**–**	**4,181,628**
Short-term loans	**–**	**48,260,000**	**–**	**–**	**48,260,000**
Amounts owed to relatedparties	**617,932**	**–**	**–**	**–**	**617,932**
Long-term debts**	**–**		**20,962,335**	**37,297,288**	**58,259,623**
	$12,260,242	**$ 52,441,628**	**$20,962,335**	**$37,297,288**	**$122,961,493**

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

December 31, 2018
(Audited)

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$17,443,001	$–	$–	$–	$17,443,001
Trade and other receivables	7,918,628	6,807,349	–	–	14,725,877
Amounts owed by related parties	57,004,906	–	–	–	57,004,906
	$82,366,535	$6,807,249	$–	$–	$89,173,784
Financial Liabilities					
Trade and other payables					
Trade payables	$10,154,008	$–	$–	$–	$10,154,008
Accrued expenses	–	1,740,376	–	–	1,740,376
Short-term loans*	–	54,783,580	–	–	54,783,580
Amounts owed to related parties	930,745	–	–	–	930,745
Dividend payable	20,601				20,601
Long-term debts*	–	15,132,560	13,416,991	63,359,019	91,908,570
	$11,105,354	$71,656,516	$13,416,991	$63,359,019	$159,537,880

**Includes future interest payments*

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

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

The Group manages its capital structure, which pertains to its equity as shown in the balance sheet,and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.No changes were made to the objectives, policies or processes in 2019and 2018.

The Company considers the following as capital:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Common stock	**$9,594,321**	$9,594,321
Preferred stock	**2,615,995**	2,615,995
Additional paid-in capital	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income (loss)	**(1,255,830)**	(1,225,830)
Retained earnings	**24,770,469**	25,144,690

Parent company shares held by a subsidiary	**(26,812,680)**	(26,812,680)
	$ 113,412,148	$113,786,369

As of September 30, 2019 and December 31, 2018, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of September 30, 2019 and December 31, 2018, the Group was able to meet its capital requirements and management objectives.

26. Fair Value Measurement

As of September 30, 2019 and December 31, 2018, the carrying values of the Group's financial assets and liabilities, excluding AFS financial asset carried at cost because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

Cash and cash equivalents, trade and other receivables, loans to employees, trade and otherpayables, short-term loans, amounts owed by and owed to related parties and deposits

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

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

Investment properties
The fair value of the investment properties are determined by a Philippine SEC-accredited independent appraiser using the market data approach, a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors.

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

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

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans.Discounts rates used range from 4.74% to6.37% and 4.19% to 4.29% in September 30, 2019 and December 31, 2018, respectively (Level 3).

Fair Value Hierarchy

	September 30, 2019 (Unaudited)			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVPL	**$–**	**$–**	**$–**	**$–**
Investment properties	**10,605,040**	**–**	**10,605,040**	**–**
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
Other financial assets at amortized cost	**469,588**	**469,588**	**–**	**–**
Long-term debt	**58,259,623**	**–**	**–**	**58,259,623**

	December 31, 2018 (Audited)			
	Total	Level 1	Level 2	Level 3
Financial asset measured at fair value				
Financial asset at FVPL	$475	$–	$475	$–
Investment properties	10,605,040	–	10,605,040	–
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	469,588	469,588	–	–
Long-term debt	74,119,113	–	–	74,119,113

As at September 30, 2019and December 31, 2018, there were no transfers between Level 1 and 2 fair value measurements.

27. Equity

a. Common Shares

The depreciationof the capital stock of the Parent Company follows:

	September 30, 2019 (Unaudited)	December 31,2018 (Audited)
Number of shares		
Authorized - common shares (₱0.50 par value)	**520,000,000**	520,000,000
Issued	**419,063,353**	419,063,353
Amount		
Issued - 838,126,706 shares	**$9,594,321**	$9,594,321

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

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

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

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

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

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

On March 24, 2015, the Parent Company's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of ₱1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share. The BOD also authorized the Parent Company to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

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

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

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

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

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

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱40,000,000. Furthermore, the par value of the common shares was reduced from ₱1.00 to ₱0.50 per share.

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

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

As of September 30, 2019 and December 31, 2018, the Parent Company has a total number of 26 and 25 stockholders, respectively.

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

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

As of September 30, 2019 and December 31, 2018, the Parent Company has a total number of25 stockholders.

b. Preferred Shares

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Number of shares		
Authorized		
Preferred A shares (₱0.05 par value)	**2,200,000,000**	700,000,000
Preferred B-1 shares (₱1.00 par value)	**70,000,000**	70,000,000
Preferred B-2 shares (₱1.00 par value)	**100,000,000**	200,000,000
Preferred C shares (₱1.00 par value)	**100,000,000**	–
Issued and Subscribed		
Preferred A shares	**1,400,000,000**	700,000,000
Preferred B-1 shares	**70,000,000**	70,000,000
Preferred B-2 shares	**67,000,000**	67,000,000
Amount		
Preferred A shares - (net of subscriptions receivable amounting to $1,103,944 as of September 30, 2018 and December 31, 2017)	**$946,863**	$367,981
Preferred B-1 shares - (net of subscriptions September 30, 2018)	**342,399**	342,399
Preferred B-2shares	**1,326,733**	1,326,733

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

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

a) from ₱560,000,000, consisting of:

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

b) to ₱860,000,000, consisting of:

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

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

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

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

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

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

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

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Parent Company is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Parent Company pursuant to the

Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;

f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

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

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2shares with par value of ₱1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively. The Parent Company incurred transaction costs incidental to FOO amounting to $1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to $324,866recorded under "Accrued expenses and other payables" account.

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

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

On September 7, 2018, the Parent Company's shareholders representing at least two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to determine and fix the terms and conditions of preferred C shares.

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

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

As of September 30, 2019 and December 31, 2018, the Parent Company has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to $0.1 million and $0.3 million, respectively.

c. Retained Earnings

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

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

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

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

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

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

On February 27, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount remained unpaid as of December 31, 2018.

On the same date, the Parent Company's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares

amounting to an aggregate sum of $1,025,938, for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.
On June 4, 2018, the Parent Company's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

(i) June 8, 2018 to shareholders of record as of June 6, 2018
(ii) September 10, 2018 to shareholders of record as of September 6, 2018
(iii) December 10, 2018 to shareholders of record as of December 6, 2018

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

On September 3, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.0048 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.
On January 30, 2019, the Parent Company's BOD approved the declaration of cash dividends of 0.015313 (US$ 0.015313) per share for each of the Sixty Seven Million (67,000,000) outstanding and issued Preferred B-2 shares amounting to an aggregate sum of US Dollars One Million Twenty Five Thousand Nine Hundred Thirty Seven and Fifty Cents (US$1,025,937.50), for payment and distribution on the following dates:

a. for payment and distribution on March 8, 2019 to shareholders of record as of March 6, 2019;
b. for payment and distribution on June 10, 2019 to shareholders of record as of June 6, 2019;
c. for payment and distribution on September 09, 2019 to shareholders of record as of September 05, 2019;

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

Retained earnings include undistributed earnings amounting to $21.5 million, $24.3 million and $24.4 million as of December 31, 2018, 2017 and 2016, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2018 amounted to $3.6 million.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the parent company shares held by a subsidiary, unrealized foreign exchange gains except those attributable to cash and cash equivalents, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of September 30, 2019 and December 31, 2018.

28. Commitments

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

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

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

29. Event After the Reporting Period

The Parent Company has not entered into any significant / reportable transaction/s after the reporting period.

Results of Operations

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

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

For the nine-month period ending September 30, 2019 compared to the nine-month period ending September 30, 2018

Revenue

The Company recorded consolidated revenueof US$69.6 million for the nine months ending September 30, 2019, a decrease of 21% from US$88.5 million for the same period in 2018. The decrease accounted for was mainly due to 50% decrease in revenue contribution of Quintel, a US-based product and R&D company acquired in August 2017.

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

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

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

Cost of Sales and Gross Margin

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

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

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

Operating Expenses

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

- Professional fees decreased by 55% to US$0.8million for the ninemonths ending September 30, 2019, from US$1.8 million for the same period in 2018. 2018 professional fees included Quintel's legal expenses to secure the settlement in Huawei litigation.
- Salaries and wages decreased by 64% to US$3.3 million for the nine months ending September 30, 2019, from US$9.2million for the same period in 2018.
- Taxes and licenses decreased by90% to US$0.1million for the nine months ending September 30, 2019 from US$1.3 million for the same period in 2018.
- Research and development cost decreased by 100% to NIL for the nine months ending September 30, 2019, from US$1.3 million for the same period in 2018.

Income Before Income Tax

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

Provision for / Benefit from Income Tax

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

Net Income After Tax

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

Financial Condition

For the six-month period ending September 30, 2019 compared to the period ending December 31, 2018

Assets

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

Trade and other receivables for the nine months ending September 30, 2019 amounted to US$ 27million, compared with US$14.7million for the period ending December 31, 2018, an83% increase.

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

Amounts owed by related parties for the nine months ending September 30, 2019 amounted to US$29.9million compared to US$57 million for the period ending December 31, 2018, a47% decrease.

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

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

Liabilities

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

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

Equity

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

Liquidity and Capital Resources

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

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

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

In US$ Thousands	**For the ninemonths ending September 30**	
	2019	**2018**
Net cash flows provided by/ (used for) operating activities	2,768	(23,374)
Net cash flows provided by/ (used for) investing activities	(9,098)	(7,277)
Net cash flows provided by/ (used for) financing activities	4,398	700
Net increase (decrease) in cash equivalents	1,932	(29,950)

Net Cash Flows from Operating Activities

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

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

Investing Activities

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

Financing Activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 40%Decrease in Current Portion of Long-term Debt
  -Repayment of maturing long term credit facilities

- 79%Decrease in Income Tax Payable

-Payment of income tax due

KEY PERFORMANCE INDICATORS

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

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

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

- *EBITDA and EBITDA Margin*

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

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

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

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

In US$ 000	For the years ended December 31 2017	2018	For Nine Months Ended September 30 2019
Net income	4,296	8,334	3,688
Add back:			
Interest expense/income-net	3,320	4,805	4,629
Provision for / Benefit from income tax	-889	1,452	381
Depreciation and amortization	3,970	5,861	3,427
EBITDA	**10,697**	**20,452**	**12,125**

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

In US$ 000	For the years ended December 31 2017	2018	For NineMonths Ended September 30 2019
EBITDA	10,697	20,452	12,125
Deduct:			
Interest expense/income-net	(3,320)	(4,805)	(4,629)
Provision for / Benefit from income tax	(889)	(1,452)	(381)
Depreciation and amortization	(4,126)	(5,861)	(3,427)
Net Income	**3,150**	**8,334**	**3,688**

- *Sales growth*

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

- *Current ratio*

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

- *Earnings per share*

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

FINANCIAL RISK DISCLOSURE

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

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

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

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

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

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

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

Ratios	**Formula**	**September 30, 2019**	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	**1.38**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.81**	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.86**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.23**	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**2.61**	4.23
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.22**	0.21
Net Profit Margin	Net Income/Revenues	**0.05**	0.08
EBITDA Margin	EBITDA/Revenues	**0.17**	0.19
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.03
Return on Equity	Net Income/Total Equity[3]	**0.03**	0.07

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

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

[3] Based on balances as at September 30, 2019 and December 31, 2018

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

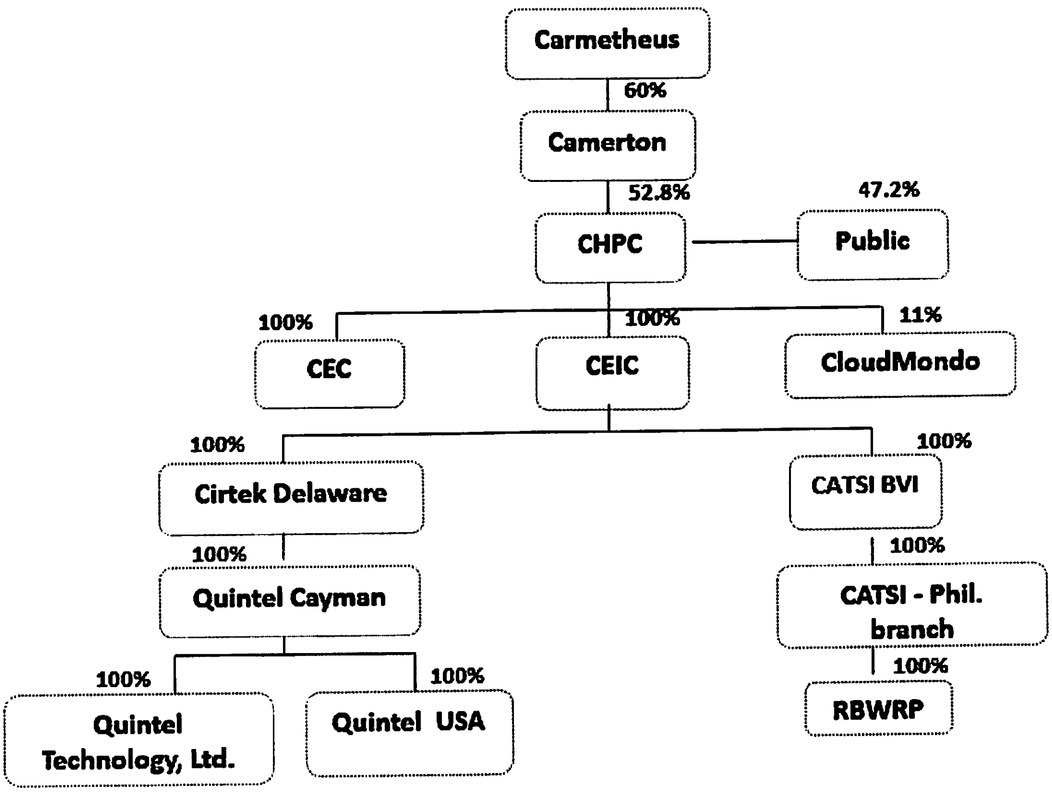
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

SEPTEMBER 30, 2019



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
SEPTEMBER 30, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards		✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to September 30, 2019. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

CIRTEK HOLDINGS PHILIPPINES CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2019

Unappropriated retained earnings, beginning	$875,746
Add net income actually earned during the period	3,687,912
Less cash dividends declared	(4,062,133)
Retained earnings available for dividend declaration	**$501,525**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

Ratios	**Formula**	**September 30, 2019**	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	**1.38**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.81**	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.86**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.23**	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**2.61**	4.22
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.22**	0.21
Net Profit Margin	Net Income/Revenues	**0.05**	0.08
EBITDA Margin	EBITDA/Revenues	**0.17**	0.19
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.03
Return on Equity	Net Income/Total Equity[3]	**0.03**	0.07

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

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

[3] Based on balances as at September 30, 2019 and December 31, 2018

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE THIRD QUARTERENDED SEPTEMBER 30, 2019

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valuedbased on market quotations at end of reporting period	Income received or accrued
Cash	N/A	$15,511,686	$15,511,686	$–
Trade and other receivables	N/A	26,965,333	26,965,333	–
Financial asset at fair value through profit or loss	N/A	–	–	–
Amounts owed by related parties	N/A	29,930,881	29,930,881	–
Other current assets				
Rental deposit	N/A	1,132,086	1,132,086	–
Security deposit	N/A	180,507	180,507	
Loan to employees	N/A	419,588	419,588	–
Other financial assets at amortized cost	N/A	469,588	469,588	–
AFS financial asset	N/A	1,667,000	1,667,000	–
Other noncurrent assets:				
Miscellaneous deposits	N/A	122,246	122,246	–
		$74,731,496	**$74,731,496**	**$–**

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2019

Amounts owed by Related Parties

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holdings Philippines Corporation from:						
Cirtek Holdings, Inc.	$1,809,256	$–	$–	$1,809,256	$–	$1,809,256
Cirtek Electronics Corporation from:						
Carmerton, Inc.	54,978,875	–	(27,074,029)	27,904,846	–	27,904,846
Cayon Holdings, Inc.	216,775	4	–	216,779	–	216,779
TOTAL	$57,004,906	$4	($27,074,029)	$29,930,881	$–	$29,930,881

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2019

Receivables from related parties which are eliminated during the consolidation

(under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non current	Balance at end of period
Quintel	$27,555,008	$–	$–	$–	$27,555,008	$–	$27,555,008

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$81,335,790	$–	$–	$–	$81,335,790	$–	$81,335,790
CEIC	8,325,739	–	–	–	8,325,739	–	8,325,739
Total	89,661,529	–	–	–	89,661,529	–	89,661,529
Cirtek Electronics Corporation from:							
CHPC	38,243,036	1,510,504	–	–	39,753,540	$–	39,753,540
CATS	31,587,453	–	(1,955,586)	–	29,631,867	–	29,631,867
Total	69,830,489	1,510,504	(1,955,586)	–	69,385,407	–	69,385,407
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	–	(2,200,000)	–	139,865	–	139,865
CATS	164,776	117,743	–	–	282,519	–	282,519
CEC	21,066,892	–	(4,069,095)	–	16,997,797	–	16,997,797
C5rtek Corporation	82,478,692	–	–	–	82,478,692	–	82,478,692
Total	106,050,225	117,743	(6,269,095)	–	99,898,873	–	99,898,873
Cirtek Advanced Technologies and Solutions, Inc from:.							
RBWRP	36,184	697	–	–	36,881	–	36,881
Total	36,184	697	–	–	36,881		36,881
RBW Realty and Property, Inc from:							
CATS	18,389	–	–	–	18,389	–	18,389
Total	18,389	–	–	–	18,389	–	18,389
TOTAL	$265,596,816	$1,628,944	($8,224,681)	$–	$259,001,079	$–	$259,001,079

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS OF SEPTEMBER 30, 2019

Intangible Assets - Other Assets						
Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$55,541,157	$–	$–	$–	$–	$55,541,157
Product development costs	2,123,057	5,289,439	–	–	–	7,412,496
Customer relationships	23,736,500	–	–	–	–	23,736,500
Technology	4,210,130	1,664,470	–	–	–	5,874,600
Trademark	7,472,800	–	–	–	–	7,472,800
Total	**$93,083,644**	**$6,953,909**	**$–**	**$–**	**$–**	**$100,037,553**

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS OF SEPTEMBER 30, 2019

Long-term Debt			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	$64,904,119	$6,644,496	$58,259,623

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

AS OF AS OF SEPTEMBER 30, 2019

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

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
AS OF SEPTEMBER 30, 2019

Guarantees of Securities of Other Issuers

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

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS OF SEPTEMBER 30, 2019

Capital Stock

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