

# COVER SHEET

for  
QUARTERLY FINANCIAL STATEMENTS

SEC Registration Number

|   |   |   |   |   |   |   |   |   |   |   |
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Company Name

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |   |   |   |   |   |   |   |   |   |   |   |   |  |  |
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| C | I | R | T | E | K |   | H | O | L | D | I | N | G | S |  | P | H | I | L | I | P | P | I | N | E | S |   |  |  |
| C | O | R | P | O | R | A | T | I | O | N |   | A | N | D |  | S | U | B | S | I | D | I | A | R | I | E | S |  |  |
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Principal Office ( No./Street/Barangay/City/Town)Province)

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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| S | E | Z | , |   | L | A | G | U | N | A |   | T | E | C | H | N | O | P | A | R | K | , |   | B | I | Ñ | A | N |
| L | A | G | U | N | A |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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Form Type

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Department requiring the report

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Secondary License Type, if Applicable

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| S | T | O | C | K |  | I | S | S | U | E | R |
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## COMPANY INFORMATION

Company's Email Address

|     |
|-----|
| N/A |
|-----|

Company's Telephone Number/s

|                 |
|-----------------|
| (632) 7729-6205 |
|-----------------|

Mobile Number

|     |
|-----|
| N/A |
|-----|

No. of Stockholders

|    |
|----|
| 26 |
|----|

Annual Meeting  
Month/Day

|        |
|--------|
| 30-Jul |
|--------|

Fiscal Year  
Month/Day

|        |
|--------|
| 31-Dec |
|--------|

## CONTACT PERSON INFORMATION

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

Name of Contact Person

|                   |
|-------------------|
| Brian Gregory Liu |
|-------------------|

Email Address

|                     |
|---------------------|
| brian.liu@cirtek.ph |
|---------------------|

Telephone Number/s

|                 |
|-----------------|
| (632) 7729-6205 |
|-----------------|

Mobile Number

|     |
|-----|
| N/A |
|-----|

Contact Person's Address

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

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

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



# **CIRTEK HOLDINGS**

## **Philippines Corporation**

### **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The Management of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the interim consolidated financial statements including the schedules attached therein, as of September 30, 2020 and December 31, 2019 and for the periods ended September 30, 2020 and 2019, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**R.S. Bernaldo & Associates**, the independent auditor appointed by the stockholders, has reviewed the interim consolidated financial statements of the Group in accordance with Philippine Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.



**JERRY LIU**  
Chairman of the Board

  
**JORGE AGUILAR**

Vice-Chairman and President



**BRIAN GREGORY LIU**  
EVP& Chief Financial Officer


Signed this 13<sup>th</sup> day of November 2020.

NOV 13 2020

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

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

Doc. No. 29;  
Page No. 17;  
Book No. Xxviii;  
Series of 2020

  
Atty. Ma. Fatima Ungson-Liu  
Unit 109 Humana Wellness Ctr. Sta. Rosa City, Laguna  
Notary Public for the City of Sta. Rosa, Laguna  
Until December 31, 2021  
Roll No. 46386, IBP LRN no. 03411  
MCLE no. VI-0024880/4-17-19  
TIN no. 172-447-973-000  
PTR no. 3930181/01-02-2020/Sta. Rosa, Laguna

**Report on Review of Interim Consolidated Financial Statements**

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

*Introduction*

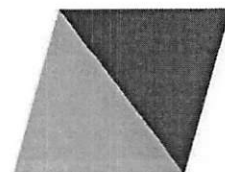
We have reviewed the accompanying interim consolidated statement of financial position of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as of September 30, 2020 and the related interim consolidated statement of comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial statements in accordance with Philippine Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements is not prepared, in all material respects, in accordance with Philippine Financial Reporting Standards.



**R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300

Valid until October 10, 2021

SEC Conditional Group A Accredited

Accreditation No. 0300-SEC

Valid until October 7, 2021

BSP Group B Accredited

Valid until 2021 audit period

BIR Accreditation No. 08-007679-000-2020

Valid from February 24, 2020 until February 23, 2023

IC Accreditation No. F-2019-004-R

Valid until October 1, 2022



**PERCIVAL R. DE GUZMAN**

Partner

CPA Certificate No. 92437

SEC Conditional Group A Accredited

Accreditation No. 92437-SEC

Valid until October 7, 2021

BIR Accreditation No. 08-006019-1-2020

Valid from November 10, 2020 until November 9, 2023

Tax Identification No. 195-808-180

PTR No. 8125458

Issued on January 8, 2020 at Makati City


November 13, 2020

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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, 2020
2. Commission identification number CS2011102137 3. BIR Tax Identification No 007-979-726
- .....
4. Exact name of issuer as specified in its charter **Cirtek Holdings Philippines Corporation**
- .....
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
- .....
6. Industry Classification Code:  (SEC Use Only)
- 116 East Main Avenue, Phase V-SEZ Laguna Technopark, Binan Laguna 4024**
7. Address of issuer's principal office Postal Code
- .....
8. Issuer's telephone number, including area code +63 2 7729 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<br>stock outstanding and amount<br>of debt outstanding |
|----------------------------|---|
| <u>Common Shares</u>       | <b>419,063,353 / n/a</b>  |
| <u>Preferred B2 Shares</u> | <b>67,000,000/ n/a</b>  |

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 and Preferred B2 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 16, 2020

Principal Financial/Accounting Officer/Controller:

Signature and Title.

  
**Brian Gregory Liu**  
EVP & Chief Financial Officer

Date: November 16, 2020

**CIRTEK HOLDINGS PHILIPPINES CORPORATION**

**TABLE OF CONTENTS**

**Page No.**

**PART 1 – FINANCIAL STATEMENTS**

|          |   |                   |
|----------|---|-------------------|
| <b>1</b> | <b>Consolidates Balance Sheet</b>                     | <b>Schedule 1</b> |
| <b>2</b> | <b>Consolidated Statement of Comprehensive Income</b> | <b>Schedule 2</b> |
| <b>3</b> | <b>Consolidated Statement of Changes in Equity</b>    | <b>Schedule 3</b> |
| <b>4</b> | <b>Consolidated Statement of Cash Flow</b>            | <b>Schedule 4</b> |
| <b>5</b> | <b>Notes to Financial Statements</b>                  | <b>1</b>          |

**PART II – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS**

|          |   |           |
|----------|---|-----------|
| <b>6</b> | <b>Management’s Discussion and Analysis of Financial Conditions</b> | <b>52</b> |
|----------|---|-----------|



**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In US Dollars)

|   | NOTES | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---|-------|----------------------------------|--------------------------------|
| <b>ASSETS</b>                                     |       |                                  |                                |
| <b>Current Assets</b>                             |       |                                  |                                |
| Cash and cash equivalents                         | 5     | 10,228,784                       | 15,354,711                     |
| Trade and other receivables – net                 | 6     | 61,356,426                       | 43,749,775                     |
| Inventories                                       | 7     | 49,669,376                       | 36,841,095                     |
| Amounts owed by related parties                   | 18.01 | 6,210,661                        | 22,973,970                     |
| Other current assets                              | 8     | 8,259,478                        | 4,138,465                      |
|   |       | <b>135,724,725</b>               | <b>123,058,016</b>             |
| Assets held for sale                              | 9     | 10,605,040                       | 10,605,040                     |
|   |       | <b>146,329,765</b>               | <b>133,663,056</b>             |
| <b>Non-current Assets</b>                         |       |                                  |                                |
| Other financial asset at amortized cost           | 10    | 456,055                          | 458,873                        |
| Property, plant and equipment – net               | 11    | 42,212,279                       | 36,739,251                     |
| Intangible assets – net                           | 12    | 94,625,085                       | 94,319,719                     |
| Right-of-use asset – net                          | 13    | 236,875                          | 490,807                        |
| Deferred income tax assets – net                  |       | 256,959                          | 256,958                        |
| Other non-current assets                          | 14    | 5,392,228                        | 902,248                        |
|   |       | <b>143,179,481</b>               | <b>133,167,856</b>             |
| <b>TOTAL ASSETS</b>                               |       | <b>289,509,246</b>               | <b>266,830,912</b>             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |       |                                  |                                |
| <b>LIABILITIES</b>                                |       |                                  |                                |
| <b>Current Liabilities</b>                        |       |                                  |                                |
| Trade and other payables                          | 15    | 25,788,610                       | 17,620,029                     |
| Short-term loan                                   | 16.01 | 82,612,215                       | 64,699,593                     |
| Long-term debt – current portion                  | 16.02 | 23,108,515                       | 9,651,136                      |
| Amounts owed to related parties                   | 18.02 | 607,218                          | 565,867                        |
| Dividend payable                                  | 29.03 | 20,601                           | 20,601                         |
| Lease liabilities – current portion               | 17    | 91,647                           | 330,095                        |
| Deposit for future stock subscription             | 29.02 | 189,107                          | 189,107                        |
| Income tax payable                                |       | 34,495                           | 298,125                        |
|   |       | <b>132,452,408</b>               | <b>93,374,553</b>              |
| <b>Non-current Liabilities</b>                    |       |                                  |                                |
| Long-term debt – net of current portion           | 16.02 | 35,317,387                       | 52,829,784                     |
| Lease liabilities – net of current portion        | 17    | 162,983                          | 162,983                        |
| Retirement benefit obligation                     | 23    | 2,144,216                        | 2,054,769                      |
| Deferred income tax liabilities – net             |       | 3,973,692                        | 4,141,118                      |
|   |       | <b>41,598,278</b>                | <b>59,188,654</b>              |
| <b>TOTAL LIABILITIES</b>                          |       | <b>174,050,686</b>               | <b>152,563,207</b>             |
| <b>STOCKHOLDERS' EQUITY</b>                       |       |                                  |                                |
| Common Stock                                      | 29.01 | 9,594,321                        | 9,594,321                      |
| Preferred Stock                                   | 29.02 | 2,615,995                        | 2,615,995                      |
| Additional Paid-in Capital                        | 27    | 100,469,659                      | 100,469,659                    |
| Equity Reserve                                    | 27    | 4,030,214                        | 4,030,214                      |
| Other Comprehensive Loss                          | 27    | (906,973)                        | (906,973)                      |
| Retained Earnings                                 | 29.03 | 26,301,216                       | 26,217,617                     |
| Parent Company shares held by a subsidiary        | 27    | (26,645,872)                     | (27,753,128)                   |
|   |       | <b>115,458,560</b>               | <b>114,267,705</b>             |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                 |       | <b>115,458,560</b>               | <b>114,267,705</b>             |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> |       | <b>289,509,246</b>               | <b>266,830,912</b>             |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In US Dollars)

|  |       | For the Nine Months Ended September 30 |                     | For the Three Months Ended September 30 |                     |
|--|-------|--|---------------------|---|---------------------|
|  | NOTES | 2020<br>(Reviewed)                     | 2019<br>(Unaudited) | 2020<br>(Reviewed)                      | 2019<br>(Unaudited) |
| <b>REVENUE FROM CONTRACTS</b>              |       |  |                     |   |                     |
| CUSTOMERS                                  | 19    | 59,521,876                             | 69,560,076          | 17,232,905                              | 20,916,979          |
| <b>COST OF SALES</b>                       | 20    | 44,375,138                             | 54,366,678          | 13,753,760                              | 16,606,271          |
| <b>GROSS PROFIT</b>                        |       | 15,146,738                             | 15,193,398          | 3,479,145                               | 4,310,708           |
| <b>OPERATING EXPENSES</b>                  | 21    | 7,364,393                              | 7,138,656           | 2,718,354                               | 1,487,304           |
| <b>FINANCIAL EXPENSE (INCOME)</b>          |       |  |                     |   |                     |
| Finance income                             | 5     | (88,080)                               | (15,212)            | (26,040)                                | (3,105)             |
| Finance costs                              | 16.01 | 4,560,638                              | 4,644,093           | 1,352,556                               | 1,359,251           |
| <b>OTHER INCOME - net</b>                  | 24    | 437,481                                | 642,909             | (803,873)                               | 34,207              |
| <b>PROFIT/ (LOSS) BEFORE TAX</b>           |       | 3,747,258                              | 4,068,770           | (1,369,598)                             | 1,501,485           |
| <b>INCOME TAXES</b>                        | 25    | 123,111                                | 380,858             | (12,870)                                | 100,050             |
| <b>PROFIT/ (LOSS)</b>                      |       | 3,624,157                              | 3,687,912           | (1,356,728)                             | 1,401,415           |
| <b>OTHER COMPREHENSIVE INCOME</b>          |       |  |                     |   |                     |
| <b>ITEMS THAT WILL NOT BE RECLASSIFIED</b> |       |  |                     |   |                     |
| <b>SUBSEQUENTLY TO PROFIT OR LOSS:</b>     |       |  |                     |   |                     |
| Remeasurement - net                        |       |  |                     |   |                     |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b> |       | 3,624,157                              | 3,687,912           | (1,356,728)                             | 1,401,415           |
| <b>Basic Earnings per Share</b>            | 26    | 0.0013                                 | 0.0015              | (0.0057)                                | 0.0009              |

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

# CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In US Dollars)

For the Nine Months Ended September 30, 2020 (Reviewed)

|   | Note | Common Stock | Preferred Stock | Additional Paid-in Capital | Equity Reserve | Remeasurement | Net Changes in Fair Value of Equity Investment at |  | Retained Earnings | Parent Company shares held by a subsidiary | Total       |
|---|------|--------------|-----------------|----------------------------|----------------|---------------|---|--|-------------------|--|-------------|
|   |      |              |                 |                            |                |               | FVOCI   |  |                   |  |             |
| Balance, December 31, 2019                                    |      | 9,594,321    | 2,615,995       | 100,469,659                | 4,030,214      | 760,027       | (1,667,000)                                       |  | 26,217,617        | (27,753,128)                               | 114,267,705 |
| Net Income  |      |              |                 |                            |                |               |   |  | 3,624,157         |  | 3,624,157   |
| Other comprehensive income                                    |      |              |                 |                            |                |               |   |  |                   |  |             |
| Cash dividends declared                                       | 29   |              |                 |                            |                |               |   |  | (3,540,558)       |  | (3,540,558) |
| Acquisition/Disposal of subsidiary of Parent Company's shares |      |              |                 |                            |                |               |   |  |                   | 1,107,256                                  | 1,107,256   |
| Balance as of September 30, 2020                              |      | 9,594,321    | 2,615,995       | 100,469,659                | 4,030,214      | 760,027       | (1,667,000)                                       |  | 26,301,216        | (26,645,872)                               | 115,458,560 |

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

|  | Note | Common Stock | Preferred Stock | Additional Paid-in Capital | Equity Reserve | Remeasurement | Net Changes in Fair Value of Equity Investment at |  | Retained Earnings | Parent Company shares held by a subsidiary | Total       |
|--|------|--------------|-----------------|----------------------------|----------------|---------------|---|--|-------------------|--|-------------|
|  |      |              |                 |                            |                |               | FVOCI   |  |                   |  |             |
| Balance, December 31, 2018                           |      | 9,594,321    | 2,615,995       | 100,469,659                | 4,030,214      | 411,170       | (1,667,000)                                       |  | 25,144,690        | (26,812,680)                               | 113,785,359 |
| Net Income   |      |              |                 |                            |                |               |   |  | 3,667,912         |  | 3,667,912   |
| Other comprehensive income                           |      |              |                 |                            |                |               |   |  |                   |  |             |
| Cash dividends declared                              | 29   |              |                 |                            |                |               |   |  | (4,062,133)       |  | (4,062,133) |
| Acquisition of subsidiary of Parent Company's shares |      |              |                 |                            |                |               |   |  |                   |  |             |
| Balance as of September 30, 2019                     |      | 9,594,321    | 2,615,995       | 100,469,659                | 4,030,214      | 411,170       | (1,667,000)                                       |  | 24,770,469        | (26,812,680)                               | 113,412,148 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In US Dollars)

|   | NOTES | September 30, 2020<br>(Reviewed) | September 30, 2019<br>(Unaudited) |
|---|-------|----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |       |                                  |                                   |
| Profit before tax   |       | 3,747,268                        | 4,068,770                         |
| Adjustments for:  |       |                                  |                                   |
| Depreciation and amortization                                 | 20,21 | 5,770,074                        | 3,426,925                         |
| Finance costs   | 16.01 | 4,560,638                        | 4,644,093                         |
| Retirement benefit costs                                      |       | 89,447                           | (58,054)                          |
| Net unrealized foreign exchange losses                        |       | 2,818                            | 174,185                           |
| Finance income  | 5     | (88,080)                         | (15,212)                          |
| Operating cash flows before changes in working capital        |       | 14,082,165                       | 12,240,707                        |
| Decrease (Increase) in operating assets:                      |       |                                  |                                   |
| Trade and other receivables                                   |       | (17,606,651)                     | (12,230,698)                      |
| Inventories   |       | (12,828,281)                     | 267,358                           |
| Other current assets  |       | (4,121,013)                      | (905,454)                         |
| Increase in trade and other payables                          |       | 8,168,581                        | 3,778,678                         |
| Cash used in operations                                       |       | (12,305,199)                     | 3,150,591                         |
| Interest received   |       | 88,080                           | 6,455                             |
| Income taxes paid   |       | (554,167)                        | (389,096)                         |
| Net cash used in operating activities                         |       | (12,771,286)                     | 2,767,950                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |       |                                  |                                   |
| Acquisitions of:  |       |                                  |                                   |
| Property, plant and equipment                                 | 11    | (9,461,713)                      | (2,143,757)                       |
| Product development costs                                     | 12    | (1,779,730)                      | (6,953,909)                       |
| Decrease (increase) in other noncurrent assets                |       | (4,543,074)                      | -                                 |
| Net cash used in investing activities                         |       | (15,784,517)                     | (9,097,666)                       |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                    |       |                                  |                                   |
| Proceeds from:  |       |                                  |                                   |
| Proceeds from loans & CP reissuances                          | 16.01 | 89,013,765                       | 5,350,000                         |
| Proceeds from sale by a subsidiary of Parent Company's shares | 29.01 | 1,107,256                        | -                                 |
| Payments of:  |       |                                  |                                   |
| Cash dividends  | 29.03 | (3,540,558)                      | (4,041,532)                       |
| Finance costs   | 16.01 | (4,560,638)                      | (4,644,093)                       |
| Debt issuance costs   | 16.02 | (54,332)                         | -                                 |
| Long-term loan  | 16.02 | (4,000,685)                      | (8,540,000)                       |
| Short-term loan   | 16.01 | (71,101,143)                     | (10,800,000)                      |
| Lease liability at amortized cost                             | 17    | (238,448)                        | -                                 |
| Net movement in amounts owed by and owed to related parties   | 18    | 16,804,660                       | 27,074,025                        |
| Net cash from financing activities                            |       | 23,429,877                       | 4,398,400                         |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>              |       | <b>(5,125,927)</b>               | <b>(1,931,316)</b>                |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>         | 5     | <b>15,354,711</b>                | <b>17,443,001</b>                 |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>             |       | <b>10,228,784</b>                | <b>15,511,685</b>                 |

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

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**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As of September 30, 2020 and December 31, 2019 and for the Periods Ended September 30, 2020 and 2019

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**1. Corporate Information**

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

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

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

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

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

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

*Incorporation of Cirtek Corporation and Cirtek Cayman Ltd. (CCL, Merger Subsidiary)*

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

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

*Acquisition of Quintel*

On July 28, 2017, the Parent Company's Board of Directors, (BOD) approved the acquisition of

Quintel and its subsidiaries for \$83.2 million. Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

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

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

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.

#### *Commercial Papers*

On February 19, 2020, the Securities and Exchange Commission (SEC) approved the P2,000,000,000 worth of Commercial Papers (CPs) of the Parent Company. On the following day, the CPs have been listed in the Philippine Dealing and Exchange Corporation. The CPs were issued in lump-sum or in tranches as follows:

| Series | Discount Rate | Tenor    | Denomination  |
|--------|---------------|----------|---|
| A      | 5.332%        | 91 days  | Minimum of P5,000,000 face value and increments of P100,000 |
| B      | 5.582%        | 182 days | Minimum of P5,000,000 face value and increments of P100,000 |
| C      | 5.832%        | 364 days | Minimum of P500,000 face value and increments of P100,000   |

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

The Parent Company is 73.68% owned by Camerton, Inc., a domestic Corporation, 23.39% owned by Filipino individuals and 0.28% owned by foreign individuals.

On May 29, 2020, the Corporation issued P275,000,000 worth of Series C1 CP maturing on February 18, 2021 which has been listed with Philippine Dealing and Exchange Corporation (PDEX) on February 20, 2020. Multinational Investment Corporation acted as the sole arranger and lead underwriter for the transaction.

On July 15, 2020, the Corporation issued the remaining balance of the CP Program available for the issuance amounting to P494,000,000 which shall mature on February 18, 2021, bearing an interest of discount rate of five percent (5.00%).

On September 01, 2020, the Corporation issued P545,200,000 worth of Series C3 CP which shall mature on February 18, 2021, bearing an interest discount of four-point-seventy-five percent (4.75%)

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

### **Impact of COVID-19**

Cirtek Group essentially an export-oriented enterprise, remained fully operational even during quarantine periods at the outbreak of Corona Virus Disease 2019 (COVID-19) having carefully followed government mandated guidelines for operations. The Group will monitor the developments of the COVID-19 situation closely and continue to assess its impact on the 2020 financial position and performance of the Group. However, the Group does not expect that this will have significant impact on the 2019 judgments and estimates.

Cirtek Group in its disclosure informed the investing public that the release of 9 new antenna models enabled with CBRS (Citizens Broadband Radio Service) radio-frequency spectrum and approval by one of the top two US largest carriers for the supply of CBRS antennas comes at an opportune time as these new models are designed to improve wireless broadband access and performance in the US. The CBRS frequency band, previously reserved for the Federal Government's navy, aircraft and satellite applications, was recently released for commercial use by the Federal Communications Commission (FCC). Under the FCC rule, wireless carriers may deploy 5G mobile networks using the CBRS spectrum without acquiring additional licenses. The COVID-19 pandemic has forced millions of companies and employees to work from home that it shifted rapid growth opportunities and traffic to voice and data networks. Students faced with closed schools were also forced from conventional schooling to internet based distance learning.

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## **2. 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 final 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             |
| <b>Total Assets</b>         | <b>\$53,690,037</b> |

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**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 |

|                          |                   |
|--------------------------|-------------------|
| <b>Total Liabilities</b> | <b>26,078,241</b> |
|--------------------------|-------------------|

|  |                   |
|--|-------------------|
| <b>Fair value of identifiable net assets</b> | <b>27,611,796</b> |
|--|-------------------|

|                         |                   |
|-------------------------|-------------------|
| <b>Acquisition cost</b> | <b>83,152,953</b> |
|-------------------------|-------------------|

|                 |                      |
|-----------------|----------------------|
| <b>Goodwill</b> | <b>\$ 55,541,157</b> |
|-----------------|----------------------|

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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 \$ 4,690,762;
- Intangible assets comprising of technology, trademark and customer relationships valued at \$ 33,363,320 (see Note 12); and
- Carryforward benefit of net operating loss.

As a result, net deferred income tax liability on the fair value adjustment amounting to \$3,896,706 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.

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### 3. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The



interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's December 31, 2019 annual consolidated financial statements.

#### Basis of Consolidation

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

|                                       | Country of Incorporation | Percentage of Ownership |          |                   |          |
|---------------------------------------|--------------------------|-------------------------|----------|-------------------|----------|
|                                       |                          | September 30, 2020      |          | December 31, 2019 |          |
|                                       |                          | Direct                  | Indirect | Direct            | Indirect |
| CEC                                   | Philippines              | 100                     |          | 100               |          |
| CEIC                                  | BVI                      | 100                     |          | 100               |          |
| CATS                                  | BVI                      |                         | ✓ 100    |                   | ✓ 100    |
| CATS - Philippine Branch              | Philippines              |                         | ✓ 100    |                   | ✓ 100    |
| RBW Realty and Property, inc. (RBWRP) | Philippines              |                         | ✓ 100    |                   | ✓ 100    |
| Cirtek Corporation                    | United States of America |                         | ✓ 100    |                   | ✓ 100    |
| Quintel Cayman                        | Cayman Islands           |                         | ✓ 100    |                   | ✓ 100    |
| Quintel USA                           | United States of America |                         | ✓ 100    |                   | ✓ 100    |

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;

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

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the

procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

#### *Common control business combinations*

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

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the 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 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, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim condensed consolidated financial statements of the Group.

### **3.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements**

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

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

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

The amendments are effective beginning on or after January 1, 2020.

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

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

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

### **3.02 New and Revised PFRSs in Issue but Not Yet Effective**

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

#### **3.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)**

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The following are the amendments to PFRS 16:

- provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted.

- PFRS 17, *Insurance Contracts*

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

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

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The following are the amendments in reference to the conceptual framework:

- update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
- add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1, *Subsidiary as a first-time adopter* - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments to PAS 1 are the following:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or

after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

- Amendments to PFRS 17, *Insurance Contracts*

The amendments cover the following areas:

- Insurance acquisition cash flows for renewals outside the contract boundary;
- Reinsurance contracts held—onerous underlying insurance contracts;
- Reinsurance contracts held—underlying insurance contracts with direct participation features; and
- Recognition of the contractual service margin in profit or loss in the general model.

The amendments are effective to annual reporting periods beginning on or after January 1, 2023

### 3.02.02 Deferred

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

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

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

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## 4. Operating Segments

Financial information on the Group's business segments as of September 30, 2020 and 2019 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the nine months ended September 30, 2020:

|   | CEC                   | CATS-<br>Philippine<br>Branch | Quintel              | Eliminations and<br>Consolidation<br>Adjustments | Consolidated         |
|---|-----------------------|-------------------------------|----------------------|--|----------------------|
| Net sales:                                      |                       |                               |                      |  |                      |
| External customers                              | 25,938,616            | 17,072,209                    | 16,511,051           |  | \$ 59,521,876        |
| Inter-segment                                   |                       |                               |                      |  | \$ -                 |
|   | <b>\$ 25,938,616</b>  | <b>\$ 17,072,209</b>          | <b>\$ 16,511,051</b> | <b>\$ -</b>                                      | <b>\$ 59,521,876</b> |
| Segment depreciation and amortization           | 2,824,221             | 895,040                       | 1,169,623            | 881,190  | \$ 5,770,074         |
| Segment interest income                         | 59,268                | 9,828                         | 18,984               |  | \$ 88,080            |
| Segment interest expense                        | 4,443,904             | -                             | 116,734              |  | \$ 4,560,638         |
| Segment profit(loss) before income tax          | (2,177,502)           | 3,095,521                     | 3,710,439            | (881,190)  | \$ 3,747,268         |
| Segment provision for (benefit from) income tax | 226,212               | 54,250                        | 10,075               | (167,426)  | \$ 123,111           |
| Segment profit (loss) after income tax          | <b>\$ (2,403,714)</b> | <b>\$ 3,041,271</b>           | <b>\$ 3,700,364</b>  | <b>\$ (713,764)</b>                              | <b>\$ 3,624,157</b>  |

Other financial information of the operating segments as of September 30, 2020 is as follows:

|                         | CEC                   | CATS- Philippine<br>Branch | Quintel              | Eliminations and<br>Consolidation<br>Adjustments | Consolidated          |
|-------------------------|-----------------------|----------------------------|----------------------|--|-----------------------|
| Assets                  |                       |                            |                      |  |                       |
| Current assets          | \$ 77,967,326         | \$ 89,791,248              | \$ 14,594,687        | \$ (36,023,497)                                  | \$ 146,329,764        |
| Non-current assets      | 129,399,916           | 14,004,237                 | 9,021,879            | (9,246,550)                                      | 143,179,482           |
|                         | <b>\$ 207,367,242</b> | <b>\$ 103,795,485</b>      | <b>\$ 23,616,566</b> | <b>\$ (45,270,047)</b>                           | <b>\$ 289,509,246</b> |
| Liabilities             |                       |                            |                      |  |                       |
| Current liabilities     | \$ 112,925,960        | \$ 35,762,746              | \$ 16,369,233        | \$ (32,605,531)                                  | \$ 132,452,408        |
| Non-current liabilities | 37,496,226            | 551,047                    | -                    | 3,551,005  | 41,598,278            |
|                         | <b>\$ 150,422,186</b> | <b>\$ 36,313,793</b>       | <b>\$ 16,369,233</b> | <b>\$ (29,054,526)</b>                           | <b>\$ 174,050,686</b> |

For the nine months ended September 30, 2019:

|   | CEC                  | CATS-<br>Philippine<br>Branch | Quintel              | Eliminations and<br>Consolidation<br>Adjustments | Consolidated         |
|---|----------------------|-------------------------------|----------------------|--|----------------------|
| Net sales:                                      |                      |                               |                      |  |                      |
| External customers                              | 29,569,746           | 16,409,285                    | 23,581,045           |  | \$ 69,560,076        |
| Inter-segment                                   |                      |                               |                      |  | \$ -                 |
|   | <b>\$ 29,569,746</b> | <b>\$ 16,409,285</b>          | <b>\$ 23,581,045</b> | <b>\$ -</b>                                      | <b>\$ 69,560,076</b> |
| Segment depreciation and amortization           | 2,764,171            | 547,282                       | 115,473              | -  | \$ 3,426,926         |
| Segment interest income                         | 14,022               | 1,056                         | 134                  |  | \$ 15,212            |
| Segment interest expense                        | 4,577,749            | -                             | 66,344               |  | \$ 4,644,093         |
| Segment profit(loss) 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 (loss) after income tax          | <b>\$ 3,419,972</b>  | <b>\$ 2,346,387</b>           | <b>\$ 2,155,551</b>  | <b>\$ (4,233,998)</b>                            | <b>\$ 3,687,912</b>  |

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



|                         | CEC                   | CATS- Philippine Branch | Quintel              | Eliminations and Consolidation Adjustments | Consolidated          |
|-------------------------|-----------------------|-------------------------|----------------------|--|-----------------------|
| <b>Assets</b>           |                       |                         |                      |  |                       |
| Current assets          | \$ 76,048,497         | \$ 67,786,574           | \$ 11,841,571        | \$ (21,767,782)                            | \$ 133,908,860        |
| Non-current assets      | 29,969,954            | 7,845,290               | 4,433,983            | 89,785,667                                 | 132,034,894           |
|                         | <b>\$ 106,018,451</b> | <b>\$ 75,631,864</b>    | <b>\$ 16,275,554</b> | <b>\$ 68,017,885</b>                       | <b>\$ 265,943,755</b> |
| <b>Liabilities</b>      |                       |                         |                      |  |                       |
| Current liabilities     | \$ 79,593,866         | \$ 17,091,057           | \$ 16,587,589        | \$ (19,912,551)                            | \$ 93,359,961         |
| Non-current liabilities | 54,559,174            | 596,008                 | 360,000              | 3,673,470                                  | 59,188,652            |
|                         | <b>\$ 134,153,040</b> | <b>\$ 17,687,065</b>    | <b>\$ 16,947,589</b> | <b>\$ (16,239,081)</b>                     | <b>\$ 152,548,613</b> |

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.

#### 5. Cash and Cash Equivalents

|               | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---------------|----------------------------------|--------------------------------|
| Cash on hand  | \$ 252                           | \$ 248                         |
| Cash in banks | 10,228,532                       | 15,354,463                     |
|               | <b>\$ 10,228,784</b>             | <b>\$ 15,354,711</b>           |

Cash in banks earn interest at prevailing bank deposit rates.

Interest income earned from cash in banks amounted to \$88,080 and \$15,212 for the nine months ended September 30, 2020 and 2019, respectively.

#### 6. Trade and Other Receivables- net

|  | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|--|----------------------------------|--------------------------------|
| Trade receivables                          | \$ 47,302,452                    | \$ 29,294,780                  |
| Less: Allowance for expected credit losses | (741,012)                        | (741,012)                      |
|  | 46,561,440                       | 28,553,768                     |
| Others                                     | 14,794,986                       | 15,196,007                     |
|  | <b>\$ 61,356,426</b>             | <b>\$ 43,749,775</b>           |

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

Management believes that expected credit losses provided are sufficient based on the changes of the related financial assets' credit risks.

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

## 7. Inventories

|                        | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|------------------------|----------------------------------|--------------------------------|
| Raw materials          | \$ 25,073,921                    | \$ 13,299,410                  |
| Finished goods         | 12,213,726                       | 11,217,838                     |
| Work-in-process        | 9,334,330                        | 9,454,196                      |
| Spare parts and others | 1,208,756                        | 1,223,379                      |
| Supplies and others    | 1,838,643                        | 1,646,272                      |
|                        | <b>\$ 49,669,376</b>             | <b>\$ 36,841,095</b>           |

The cost of inventories charged to expenses amounted to \$27,842,105 and \$37,273,742, in September 30, 2020 and 2019, respectively as disclosed in Note 20.

## 8. Other Current Assets

|                                  | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|----------------------------------|----------------------------------|--------------------------------|
| Prepaid expenses                 | \$ 299,500                       | \$ 271,018                     |
| Advances to suppliers and others | 5,890,944                        | 1,880,903                      |
| Rental deposit                   | 1,209,682                        | 1,157,496                      |
| Loans to employees               | 362,114                          | 621,206                        |
| Security deposits                | 182,569                          | 182,482                        |
| Others                           | 314,669                          | 25,360                         |
|                                  | <b>\$ 8,259,478</b>              | <b>\$ 4,138,465</b>            |

Loans to employees include loans extended to key management personnel as disclosed in Note 18.03

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

Others include investment classified as financial asset at FVPL amounted to \$456,055 and \$458,873, as of September 30, 2020 and December 31, 2019, respectively.

## 9. Assets Held for Sale

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

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

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

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

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

In 2019, the Group reclassified land and building with a total carrying value of \$10,605,040 presented as investment properties as assets held for sale. The Group's Management is committed to selling the assets, which are available for immediate sale and is actively in talk or negotiations with various potential buyers. Management assessed that the sale of these properties is probable and will meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. As of September 30, 2020, and December 31, 2019, the Group's assets held for sale amounted to \$10,605,040 and \$10,605,040 respectively.

#### 10. Other Financial Asset at Amortized Cost

The movement of the Group's financial asset at amortized cost is as follows:

|                         | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|-------------------------|----------------------------------|--------------------------------|
| Beginning of year       | \$ 458,873                       | \$ 469,588                     |
| Amortization of premium | (2,818)                          | (10,715)                       |
| End of year             | \$ 456,055                       | \$ 458,873                     |

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 pertains to a government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation.

## 11. Property, Plant and Equipment- net

|                                | Machinery and Equipment | Buildings and Improvements | Facility and Production Tools | Furniture, Fixtures and Equipment | Transportation Equipment | Construction in Progress | Total         |
|--------------------------------|-------------------------|----------------------------|-------------------------------|-----------------------------------|--------------------------|--------------------------|---------------|
| January 1, 2019                |                         |                            |                               |                                   |                          |                          |               |
| Cost                           | 63,956,185              | 9,210,197                  | 11,740,517                    | 1,323,553                         | 171,177                  | 346,699                  | 86,748,328    |
| Accumulated depreciation:      | 34,997,001              | 5,796,624                  | 6,465,632                     | 1,191,647                         | 136,695                  | -                        | 48,587,599    |
| Carrying amount                | 28,959,184              | 3,413,573                  | 5,274,885                     | 131,906                           | 34,482                   | 346,699                  | 38,160,729    |
| Movements during 2019          |                         |                            |                               |                                   |                          |                          |               |
| Balance January 1, 2019        | 28,959,184              | 3,413,573                  | 5,274,885                     | 131,906                           | 34,482                   | 346,699                  | 38,160,729    |
| Cost:                          |                         |                            |                               |                                   |                          |                          |               |
| Additions                      | 1,370,154               | 137,159                    | 1,347,301                     | 315,339                           | -                        | -                        | 3,169,953     |
| Disposal:                      |                         |                            | (504,010)                     |                                   |                          |                          | (504,010)     |
| Accumulated depreciation:      |                         |                            |                               |                                   |                          |                          |               |
| Depreciation (Notes 20 and 21) | (2,624,291)             | (576,638)                  | (1,071,157)                   | (212,246)                         | (16,939)                 | -                        | (4,501,271)   |
| Disposal:                      |                         |                            | 413,850                       |                                   |                          |                          | 413,850       |
| Balance, December, 2019        | 27,705,047              | 2,974,094                  | 5,460,869                     | 234,999                           | 17,543                   | 346,699                  | 36,739,251    |
| December 31, 2019              |                         |                            |                               |                                   |                          |                          |               |
| Cost                           | 65,326,339              | 9,347,356                  | 12,583,808                    | 1,638,892                         | 171,177                  | 346,699                  | 89,414,271    |
| Accumulated depreciation       | 37,621,292              | 6,373,262                  | 7,122,939                     | 1,403,893                         | 153,634                  | -                        | 52,675,020    |
| Carrying amount                | 27,705,047              | 2,974,094                  | 5,460,869                     | 234,999                           | 17,543                   | 346,699                  | 36,739,251    |
| Movements during 2020          |                         |                            |                               |                                   |                          |                          |               |
| Balance January 1, 2020        | 27,705,047              | 2,974,094                  | 5,460,869                     | 234,999                           | 17,543                   | 346,699                  | 36,739,251    |
| Cost:                          |                         |                            |                               |                                   |                          |                          |               |
| Additions                      | 8,780,708               | 40,239                     | 613,342                       | 27,424                            | -                        | -                        | 9,461,713     |
| Accumulated depreciation:      |                         |                            |                               |                                   |                          |                          |               |
| Depreciation (Notes 20 and 21) | (2,520,983)             | (409,562)                  | (922,850)                     | (122,586)                         | (12,704)                 | -                        | (3,988,685)   |
| Balance, September, 2020       | 33,964,772              | 2,604,771                  | 5,151,361                     | 139,837                           | 4,839                    | 346,699                  | 42,212,279    |
| September 30, 2020             | 33,964,772.00           | 2,604,771.00               | 5,151,361.00                  | 139,837.00                        | 4,839.00                 | 346,699.00               | 42,212,279.00 |
| Cost                           | 74,107,047              | 9,387,595                  | 13,197,150                    | 1,666,316                         | 171,177                  | 346,699                  | 98,875,984    |
| Accumulated depreciation       | 40,142,275              | 6,782,824                  | 8,045,789                     | 1,526,479                         | 166,338                  | -                        | 56,663,705    |
| Carrying amount                | 33,964,772              | 2,604,771                  | 5,151,361                     | 139,837                           | 4,839                    | 346,699                  | 42,212,279    |

The Group acquired assets as of September 30, 2020 and December 31, 2019 with a cost of \$9,461,713 and \$3,169,953, respectively.

Depreciation expense amounted to \$3,988,685 and \$3,426,925 for the nine-month period ended September 30, 2020 and September 30, 2019, respectively.

## 12. Intangible Assets - net

|                           | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---------------------------|----------------------------------|--------------------------------|
| Goodwill                  | \$ 55,541,157                    | \$ 55,541,157                  |
| Customer relationships    | 23,736,500                       | 23,736,500                     |
| Trademark                 | 7,472,800                        | 7,472,800                      |
| Technology                | 2,154,020                        | 3,228,946                      |
| Product development costs | 5,720,608                        | 4,340,316                      |
|                           | <b>\$ 94,625,085</b>             | <b>\$ 94,319,719</b>           |

### Goodwill

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

Customer relationships

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

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

Technology and Trademark

Movements of technology are as follows:

|   | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---|----------------------------------|--------------------------------|
| <b>Carrying amount</b>                        |                                  |                                |
| Cost  | \$ 6,068,336                     | \$ 5,874,600                   |
| Accumulated amortization                      | (2,839,390)                      | (1,664,470)                    |
|   | <b>\$ 3,228,946</b>              | <b>\$ 4,210,130</b>            |
| <b>Movements during the year</b>              |                                  |                                |
| Balance, January 1                            | \$ 3,228,946                     | \$ 4,210,130                   |
| Additions                                     | -                                | 193,736                        |
| Reclassification to Product Development costs | (193,736)                        | -                              |
| Amortization                                  | (881,190)                        | (1,174,920)                    |
| <b>Balances</b>                               | <b>\$ 2,154,020</b>              | <b>\$ 3,228,946</b>            |

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 five (5) years.

Trademark is estimated to have an indefinite useful life.

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

Product development costs

Movements of product development costs are as follows:

|  | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|--|----------------------------------|--------------------------------|
| <b>Carrying amount</b>                         |                                  |                                |
| Cost   | \$ 5,482,284                     | \$ 2,944,300                   |
| Accumulated amortization                       | (1,141,968)                      | (821,243)                      |
|  | \$ 4,340,316                     | \$ 2,123,057                   |
| <b>Movements during the year</b>               |                                  |                                |
| Balance, January 1                             | 4,340,316                        | 2,123,057                      |
| Additions                                      | 1,779,730                        | 2,537,984                      |
| Reclassification from Technology and Trademark | 193,736                          | -                              |
| Amortization                                   | (593,174)                        | (320,725)                      |
| <b>Balances</b>                                | <b>\$ 5,720,608</b>              | <b>\$ 4,340,316</b>            |

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

#### Software

As of September 30, 2020, and December 31, 2019, CEC has software with a total cost of \$39,278 which are fully amortized but are still used for in operations.

### 13. Right-of-Use Asset - net

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

|                                 | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---------------------------------|----------------------------------|--------------------------------|
| Balance, January 1              | \$ 490,807                       | \$ -                           |
| Additions                       | -                                | 509,015                        |
| Depreciation ( Notes 20 and 21) | (253,932)                        | (18,208)                       |
| <b>Balances</b>                 | <b>\$ 236,875</b>                | <b>\$ 490,807</b>              |
| Cost, January 1                 | 509,015                          | 509,015                        |
| Accumulated Depreciation        | (272,140)                        | (18,208)                       |
| <b>Carrying Amounts</b>         | <b>\$ 236,875</b>                | <b>\$ 490,807</b>              |

As of September 30, 2020, and December 31, 2019, lease liabilities related to right-of-use asset amounted to \$254,630 and \$493,078, respectively as disclosed in Note 17.

### 14. Other Non-current Assets

|                        | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|------------------------|----------------------------------|--------------------------------|
| Loans to employees     | \$ 300,000                       | \$ 600,000                     |
| Miscellaneous deposits | 176,644                          | 171,205                        |
| Advances to suppliers  | 4,841,528                        | -                              |
| Others                 | 74,056                           | 131,043                        |
|                        | <b>\$ 5,392,228</b>              | <b>\$ 902,248</b>              |

Loans to employees include loans extended to key management personnel in 2020 (see Note 18.03).

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

Advances to suppliers pertain to down payments for additional plant capacity and building expansion.

## 15. Trade and Other Payables

|                      | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|----------------------|----------------------------------|--------------------------------|
| Trade                | \$ 17,820,125                    | \$ 8,373,400                   |
| Accruals             | 4,438,779                        | 6,366,967                      |
| Contract liabilities | 1,821,303                        | 1,807,952                      |
| Provisions           | 720,179                          | 641,949                        |
| Others               | 988,224                          | 429,761                        |
|                      | <b>\$ 25,788,610</b>             | <b>\$ 17,620,029</b>           |

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

Accruals comprise mainly of accruals for payroll, utilities, communication, security, shuttle services and professional services. Accruals includes accruals of interest amounting to \$495,165 and \$634,136 in September 30, 2020 and December 31, 2019, respectively.

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

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

The movements in the provisions are as follows:

|  | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|--|----------------------------------|--------------------------------|
| Beginning at January 1                         | \$ 641,949                       | \$ 1,272,860                   |
| Reversal of warranty claims                    | -                                | (630,911)                      |
| Provision for legal and other claims (Note 20) | 78,230                           | -                              |
|  | <b>\$ 720,179</b>                | <b>\$ 641,949</b>              |

## 16. LOANS PAYABLE

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

|                           | Current               | Non-current          | Total                 |
|---------------------------|-----------------------|----------------------|-----------------------|
| <b>September 30, 2020</b> |                       |                      |                       |
| Short-term loans          | \$ 82,612,215         | \$ -                 | \$ 82,612,215         |
| Long-term loans           | 23,108,515            | 35,317,387           | 58,425,902            |
|                           | <b>\$ 105,720,730</b> | <b>\$ 35,317,387</b> | <b>\$ 141,038,117</b> |
| <b>December 31, 2019</b>  |                       |                      |                       |
| Short-term loans          | \$ 64,699,593         | \$ -                 | \$ 64,699,593         |
| Long-term loans           | 9,651,136             | 52,829,784           | 62,480,920            |
|                           | <b>\$ 74,350,729</b>  | <b>\$ 52,829,784</b> | <b>\$ 127,180,513</b> |

## 16.01 Short-term loans

Details of the short-term loans are as follows:

|   |     | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---|-----|----------------------------------|--------------------------------|
| Rizal Commercial Banking Corporation (RCBC) | (a) | \$ 28,447,150                    | \$ 40,399,593                  |
| China Banking Corporation (CBC)             | (b) | -                                | 10,500,000                     |
| Security Bank Corporation (SBC)             | (c) | 8,575,000                        | 9,800,000                      |
| Shinhan Bank                                | (d) | 3,600,000                        | 4,000,000                      |
| Citibank                                    | (e) | 748,700                          | -                              |
|   |     | 41,370,850                       | 64,699,593                     |
| Commercial Paper                            | (f) | 41,241,365                       | -                              |
|   |     | \$ 82,612,215                    | \$ 64,699,593                  |

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

- Revolving loan facilities with RCBC, which have payment terms of 60 to 360 days, are unsecured and charged interest of 2.25% to 5.00% and 2.80% to 4.00% per annum in 2020 and 2019, respectively.
- Revolving loan facilities with CBC, which have payment terms ranging of 180 days, are unsecured and charged interest of 5.00% per annum in 2019.
- Revolving loan facilities with SBC, which have payment terms ranging from 177 days to 180 days, are unsecured and charged interest of 1.95% to 6.00% and 2.54% to 6.00% per annum in 2020 and 2019, respectively.
- Short term loan with ShinhanBank with 1 year payment term from an extended promissory note, unsecured and charged of interest by 3.75% p.a. payable quarterly
- A Paycheck Protection Program loan through Citibank N.A. (the private lender) established by US Federal government Coronavirus Aid, Relief, and Economic Security Act (CARES Act) - a USA economic stimulus in response to the economic fallout of COVID-19 pandemic. With a 1% fixed interest rate and without collateral it is eligible for loan forgiveness as the proceeds will all be used for allowable payroll costs. Application for loan forgiveness will be filed during the 24 week period beginning on the date of first disbursement of loan.
- Commercial Paper, The Initial Issuance of Series A, B and C will carry Discount Rates of 5.332%, 5.582, and 5.832% and will have the following tenors: 91 days, 182 days, and 364 days for Series A, B and C, respectively

Movements of the short-term loans are as follows:

|                                       | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|---------------------------------------|----------------------------------|--------------------------------|
| Balance at January 1                  | \$ 64,699,593                    | \$ 53,710,000                  |
| Proceeds from loans and CP reissuance | 89,013,765                       | 69,449,593                     |
| Loan repayments                       | (71,101,143)                     | (58,460,000)                   |
| <b>Balances</b>                       | <b>\$ 82,612,215</b>             | <b>\$ 64,699,593</b>           |

Finance costs incurred and paid from these short-term loan facilities amounted to \$4,560,638 and \$4,644,093 for the nine months ended September 30, 2020 and 2019, respectively.



## 16.02 Long-term Loans

Details of long-term loans are as follows:

|                           | Current              | Non-current          | Total                |
|---------------------------|----------------------|----------------------|----------------------|
| <b>September 30, 2020</b> |                      |                      |                      |
| Principal                 | \$ 23,180,650        | \$ 35,500,000        | \$ 58,680,650        |
| Deferred finance cost     | \$ (72,135)          | \$ (182,613)         | \$ (254,748)         |
|                           | <b>\$ 23,108,515</b> | <b>\$ 35,317,387</b> | <b>\$ 58,425,902</b> |
| <b>December 31, 2019</b>  |                      |                      |                      |
| Principal                 | \$ 9,680,000         | \$ 53,110,000        | \$ 62,790,000        |
| Deferred finance cost     | \$ (28,864)          | \$ (280,216)         | \$ (309,080)         |
|                           | <b>\$ 9,651,136</b>  | <b>\$ 52,829,784</b> | <b>\$ 62,480,920</b> |

Movements of deferred finance costs are as follows:

|                      | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|----------------------|----------------------------------|--------------------------------|
| Balance at January 1 | \$ 309,080                       | \$ 443,329                     |
| Amortization         | (54,333)                         | (134,249)                      |
| <b>Balances</b>      | <b>\$ 254,747</b>                | <b>\$ 309,080</b>              |

### 16.02.012014 Note Facility Agreement (NFA)

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

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

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

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 ration shall not, as of relevant testing date, be less than 1.5; and
- Current ratio shall not, at any time, be less than 1:1. Provided however, this ratio shall not apply after the fourth anniversary of the issue date.

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

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all 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 Parent Company is in compliance with the debt covenants as of December 31, 2019

The loan was fully paid in 2019.

**16.02.022016 Notes Facility Agreement (NFA)**

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

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

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

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

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

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

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

The carrying amount of the loan from the 2016 NFA as of September 30, 2020 and December 31, 2019 amounted to \$21.00 million and \$23.25 million, respectively.

The creditors assess the Group's compliance with the debt covenants at year end.

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

16.02.032018 Note Facility Agreement (NFA)

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

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in 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 \$37.5 million and \$39.0 million as of September 30, 2020 and December 31, 2019.

The creditors assess the Group's compliance with the debt covenants at year end.

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

#### Quintel USA

Long-term debt amounting to \$302,350 and \$540,000 as of September 30, 2020 and December 31, 2019 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, 2020 and December 31, 2019.

#### Finance Costs

Total finance costs (including amortization of deferred financing costs) recognized in the Interim Consolidated Statements of Comprehensive Income amounted to \$4,560,638 and \$4,644,093 for the nine months ended September 30, 2020 and 2019, respectively.

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### **17. Lease Liabilities**

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Note 18.01.02. The following are the amounts of lease liabilities:

|   | Minimum Lease Payments           |                                | Present Value of Minimum Lease Payments |                                |
|---|----------------------------------|--------------------------------|---|--------------------------------|
|   | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) | September 30, 2020<br>(Reviewed)        | December 31, 2019<br>(Audited) |
| Not later than one year                           | \$ 91,647                        | \$ 23,265                      | \$ 91,647                               | \$ 14,767                      |
| Later than one year but not later than five years | 184,827                          | 407,465                        | 126,301                                 | 315,328                        |
| Later than five years                             | 36,682                           | 120,874                        | 36,682                                  | 162,983                        |
|   | 313,156                          | 551,604                        | 254,630                                 | 493,078                        |
| Discount  | (58,526)                         | (58,526)                       | -                                       | -                              |
| Present value of minimum lease payments           | 254,630                          | 493,078                        | 254,630                                 | 493,078                        |
| Current lease liabilities                         | 91,647                           | 330,095                        | 91,647                                  | 330,095                        |
| Non-current lease liabilities                     | \$ 162,983                       | \$ 162,983                     | \$ 162,983                              | \$ 162,983                     |

Movement in the lease liabilities is as follows:

|                    | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|--------------------|----------------------------------|--------------------------------|
| Balance, January 1 | \$ 502,344                       | \$ 502,344                     |
| Payment            | 238,448                          | 9,266                          |
| <b>Balances</b>    | <b>\$ 263,896</b>                | <b>\$ 502,344</b>              |

The Group is required to pay security deposit and advanced rental equivalent to one (1) month rent amounting to \$1,939. These shall be applied to the last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract. Rental deposits amounted to \$1,209,682 and \$1,157,496 as of September 30, 2020 and December 31, 2019, respectively as disclosed in Note 8.

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

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

The total payment recognized amounted to \$238,438 and \$9,266 as of September 30, 2020 and December 31, 2019, respectively.

## 18. Related Party Disclosures

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

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

## 18.01 Amounts Owed by Related Parties

Details of due from related parties are as follows:

|                             | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|-----------------------------|----------------------------------|--------------------------------|
| Immediate parent            | \$ 5,262,149                     | \$ 20,981,130                  |
| Under common key management | \$ 948,512                       | 1,992,840                      |
| <b>Balances</b>             | <b>\$ 6,210,661</b>              | <b>\$ 22,973,970</b>           |

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

### 18.01.01 Immediate Parent

Transactions with immediate parent are detailed as follows:

|                           | September 30, 2020 (Reviewed) |          |                      | December 31, 2019 (Audited) |          |                      |
|---------------------------|-------------------------------|----------|----------------------|-----------------------------|----------|----------------------|
|                           | Amount/                       | Volume   | Outstanding Balances | Amount/                     | Volume   | Outstanding Balances |
| Assignment of liabilities | \$                            | -        | \$ 5,243,340         | \$                          | -        | \$ 20,962,321        |
| Reimbursements            |                               | -        | 18,809               |                             | -        | 18,809               |
| <b>Balances</b>           | <b>\$</b>                     | <b>-</b> | <b>\$ 5,262,149</b>  | <b>\$</b>                   | <b>-</b> | <b>\$ 20,981,130</b> |

The following are the nature, terms and conditions:

#### *a) Transactions with Camerton, Inc (CI)*

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.

The amounts outstanding are non-interest bearing, unsecured and will be settled on or before December 31, 2020. Payment received from these advances amounted to \$15.7M as of September 30, 2020. No provisions have been made for credit losses in respect of the amounts owed by related party.

### 18.01.02 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows

|                 | September 30, 2020 (Reviewed) |                    |                      | December 31, 2019 (Audited) |                         |                     |
|-----------------|-------------------------------|--------------------|----------------------|-----------------------------|-------------------------|---------------------|
|                 | Amount/                       | Volume             | Outstanding Balances | Amount/<br>Volume           | Outstanding<br>Balances |                     |
| CHI             |                               |                    |                      |                             |                         |                     |
| Advances        | \$                            | (1,052,452)        | \$ 756,804           | \$                          | -                       | \$ 1,809,256        |
| Cayon           |                               |                    |                      |                             |                         |                     |
| Reimbursements  |                               | 8,124              | 191,708              | (33,191)                    |                         | 183,584             |
| <b>Balances</b> | <b>\$</b>                     | <b>(1,044,329)</b> | <b>\$ 948,512</b>    | <b>\$</b>                   | <b>(33,191)</b>         | <b>\$ 1,992,840</b> |

The following are the nature, terms and conditions:

*a) Transactions with CHI*

Result of assignments and settlements in 2011 represents the advances for working capital in the normal course of business when CEC and CEIC were then subsidiaries of CHI. For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to \$7.7 million and \$0.8 million, respectively.

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

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

The amount owed by CHI as of September 30, 2020 and December 31, 2019 pertains to the outstanding receivable arising from the assignments and set-off agreements. The amounts outstanding are non-interest bearing, unsecured and will be settled in cash.

*b) Transactions with Cayon*

The Group also entered into an agreement with Cayon starting January 1, 2011 to lease the land where Group's Building 2 is located. The agreement calls for an annual rental of P282,144 for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to \$10,503, \$11,551 and \$11,690 in 2018, 2017 and 2016, respectively

**18.02 Amounts Owed to Related Parties**

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

*18.02.01 Under Common Key Management Personnel*

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

|                                      | September 30, 2020 (Reviewed) |               |                      | December 31, 2019 (Audited) |              |                      |
|--------------------------------------|-------------------------------|---------------|----------------------|-----------------------------|--------------|----------------------|
|                                      | Amount/                       | Volume        | Outstanding Balances | Amount/                     | Volume       | Outstanding Balances |
| <b>Cirtek Land Corporation (CLC)</b> |                               |               |                      |                             |              |                      |
| Rental                               | \$                            | -             | \$ 460,184           | \$                          | -            | \$ 431,720           |
| <b>Cayon</b>                         |                               |               |                      |                             |              |                      |
| Rental                               |                               | 12,887        | 111,106              |                             | 3,561        | 98,219               |
| <b>Balances</b>                      | <b>\$</b>                     | <b>12,887</b> | <b>\$ 571,290</b>    | <b>\$</b>                   | <b>3,561</b> | <b>\$ 529,939</b>    |

The following are the nature, terms and conditions:

*a) Transactions with CirtekLand Corporation (CLC)*

The Group had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another twenty-five (25) years at the option of the Group. The lease agreement provided for an annual rental of \$.15 Million subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2011, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of ₱0.64 Million (\$0.01 Million) for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. The total rent expense charged to operations amounted to \$0.01 million in both years.

*b) Transactions with Cayon*

The Group entered into an agreement with Cayon starting January 1, 2011 to lease the land where the Group's Building 2 is located. The agreement calls for a fixed annual rate of ₱.58 Million or \$0.01 Million for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to \$0.01 Million in both years. The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given.

18.02.02Key Management Personnel

Transaction with key management personnel is detailed as follows:

|                     | September 30, 2020 (Reviewed) |          |                      | December 31, 2019 (Audited) |          |                      |
|---------------------|-------------------------------|----------|----------------------|-----------------------------|----------|----------------------|
|                     | Amount/                       | Volume   | Outstanding Balances | Amount/                     | Volume   | Outstanding Balances |
| <b>Stockholders</b> |                               |          |                      |                             |          |                      |
| Advances            | \$                            | -        | \$ 35,928            | \$                          | -        | \$ 35,928            |
| <b>Balances</b>     | <b>\$</b>                     | <b>-</b> | <b>\$ 35,928</b>     | <b>\$</b>                   | <b>-</b> | <b>\$ 35,928</b>     |



### 18.03 Remuneration of Key Management Personnel

|                          | Nine Months Ended September 30 |                     |
|--------------------------|--------------------------------|---------------------|
|                          | (Reviewed)                     | (Unaudited)         |
|                          | 2020                           | 2019                |
| Salaries and Wages       | \$ 1,417,760                   | \$ 1,670,705        |
| Other Employees benefits | 66,821                         | 139,929             |
|                          | <b>\$ 1,484,581</b>            | <b>\$ 1,810,634</b> |

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

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

The remunerations above include the carrying amount of the loan as of September 30, 2020 and December 31, 2019, amounting to \$662,114 and \$1,352,249 respectively, as disclosed in Notes 8 and 14. Interest income recognized amounted to nil in both years.

### 19. Revenue from contracts with customers

Below is the disaggregation of the Group's revenue from contracts with customers for the nine months ended September 30, 2020 and 2019.

|                               | Nine Months Ended September 30 |                      |
|-------------------------------|--------------------------------|----------------------|
|                               | (Reviewed)                     | (Unaudited)          |
|                               | 2020                           | 2019                 |
| 6 port antennas               | \$ 13,725,029                  | \$ 8,665,373         |
| 8 port antennas               | 10,218,400                     | 17,520,447           |
| Multichips                    | 6,958,198                      | 5,644,778            |
| New product                   | 5,952,309                      | 6,972,251            |
| Discrete                      | 5,515,554                      | 5,841,897            |
| Dual and quad flat no leads   | 3,981,140                      | 4,704,622            |
| Integrated Circuits           | 3,267,459                      | 5,668,484            |
| Remec, manufacturing services | 3,001,656                      | 4,147,970            |
| 12 port antennas              | 2,055,934                      | 6,216,410            |
| Hermetics                     | 1,513,413                      | 1,280,111            |
| Others                        | 1,385,608                      | 1,545,337            |
| Indoor radio frequency        | 1,117,375                      | 556,130              |
| Brackets                      | 421,725                        | 387,221              |
| Cougar                        | 244,140                        | 130,969              |
| Outdoor unit                  | 88,666                         | 97,651               |
| 10 port antennas              | 66,333                         | 169,907              |
| Bridgewave                    | 8,937                          | 10,518               |
|                               | <b>\$ 59,521,876</b>           | <b>\$ 69,560,076</b> |

The Group has no contract assets as of September 30, 2020 and December 31, 2019.

The Group's contract liabilities pertain to advance payments from customers amounting to \$1,821,303 and \$1,807,952 as at September 30, 2020 and December 31, 2019, respectively, as disclosed in Note 15.

## 20. Cost of Sales

Components of cost of sales account are as follows:

|   | Nine Months Ended September 30 |                      |
|---|--------------------------------|----------------------|
|   | (Reviewed)<br>2020             | (Unaudited)<br>2019  |
| Raw materials, spare parts, supplies and other inventories used | \$ 27,842,105                  | \$ 37,273,742        |
| Salaries, wages and employees' benefits                         | 6,403,433                      | 6,947,136            |
| Depreciation and amortization                                   | 4,863,334                      | 3,125,206            |
| Utilities   | 2,278,904                      | 2,862,690            |
| Inward freight and duties and others                            | 1,949,446                      | 3,097,519            |
| Others  | 1,037,916                      | 1,060,385            |
|   | <b>\$ 44,375,138</b>           | <b>\$ 54,366,678</b> |

## 21. Operating Expenses

The account is composed of the following expenses:

|   | Nine Months Ended September 30 |                     |
|---|--------------------------------|---------------------|
|   | (Reviewed)<br>2020             | (Unaudited)<br>2019 |
| Salaries, wages and employees' benefits | \$ 3,062,220                   | \$ 3,339,690        |
| Depreciation Amortization               | 906,740                        | 301,719             |
| Professional fees                       | 889,621                        | 817,499             |
| Commissions                             | 577,301                        | 537,084             |
| Others                                  | 500,743                        | 314,974             |
| Utilities                               | 452,032                        | 905,069             |
| Taxes and licenses                      | 333,625                        | 120,281             |
| Service fee                             | 327,162                        | 18,631              |
| Entertainment, amusement and recreation | 113,310                        | 320,966             |
| Transportation and travels              | 107,096                        | 338,203             |
| Insurance premiums                      | 81,699                         | 107,401             |
| Office supplies                         | 12,844                         | 17,139              |
|   | <b>\$ 7,364,393</b>            | <b>\$ 7,138,656</b> |

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

"Others" pertain to repairs and maintenance and bank charges.

## 22. Salaries and Wages and Employees' Benefits

|                          | Nine Months Ended September 30 |               |
|--------------------------|--------------------------------|---------------|
|                          | (Reviewed)                     | (Unaudited)   |
|                          | 2020                           | 2019          |
| Salaries and Wages       | \$ 7,917,799                   | \$ 8,812,974  |
| Other Employees benefits | 1,211,024                      | 1,134,219     |
| Retirement costs         | 336,830                        | 339,633       |
|                          | \$ 9,465,653                   | \$ 10,286,826 |

Other employees benefits consist of allowances and mandatory contributions.

## 23. Retirement Benefit Obligation

### Defined Benefit Plans

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

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

CEC has an agreement with an insurance company to fund the retirement benefits of its employees. CEC believes that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to pay or fund the retirement benefits. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The latest actuarial reports of the Group are as of December 31, 2019. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years.

### 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. For the nine months period ended September 30, 2020 and 2019 contributions made were \$16,605 and \$13,817, respectively.

## 24. Other Income- net

The account is composed of the following:

|  | Nine Months Ended September 30 |             |
|--|--------------------------------|-------------|
|  | (Reviewed)                     | (Unaudited) |
|  | 2020                           | 2019        |
| Foreign exchange gains (losses)- net           | \$ (1,278,850)                 | \$ 102,425  |
| Sale of scrap                                  | 50,723                         | 80,908      |
| Gain on sale or disposal of shares (Note 29.1) | 1,343,058                      | -           |
| Others - net                                   | 322,550                        | 459,576     |
|  | \$ 437,481                     | \$ 642,909  |

## 25. Income Taxes

### CEC

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

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

### CATS - Philippine Branch

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

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

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

|          | Nine Months Ended September 30 |             |
|----------|--------------------------------|-------------|
|          | (Reviewed)                     | (Unaudited) |
|          | 2020                           | 2019        |
| Current  | \$ 290,537                     | \$ 380,858  |
| Deferred | (167,426)                      | -           |
|          | \$ 123,111                     | \$ 380,858  |

The provision for current income tax for the ninemonths ended September 30 2020 and year ended December 31, 2019 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

Based on the National Internal Revenue Code Sec. 27, MCIT of two percent (2%) of the gross

income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Parent Company is subject to MCIT beginning 2015.

#### Changes in Legislation

##### United States of America (U.S.)

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

##### Philippines

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

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## 26. Basic Earnings Per Share

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

|   | Nine Months Ended September 30 |                     |
|---|--------------------------------|---------------------|
|   | (Reviewed)<br>2020             | (Unaudited)<br>2019 |
| Net income attributable to common shareholders of Parent Company* | \$ 546,311                     | \$ 610,000          |
| Weighted average number of common shares outstanding              | 419,063,353                    | 419,063,353         |
| Basic and diluted EPS   | \$ 0.0013                      | \$ 0.0015           |

*\*Net of dividends declared on preferred A, preferred B-1 and preferred B-2 shares for the months ended September 30, 2020 and 2019 totaling to \$3,077,846 and \$3,077,912 respectively, and undeclared dividends on cumulative preferred B-1 and B-2 shares amounting to \$872,837 for the three months ended March 31, 2018 [(nil for the three months ended March 31, 2017)]*

As of September 30, 2020, and 2019, 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.

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## 27. 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 consolidated financial statements is to support the

Group's operations. The Group has various other financial instruments such as trade and other receivables, amounts owed by related parties, rental deposits and loans to employees (presented as part of other current assets), miscellaneous deposits (presented under other noncurrent assets), trade and other payables, and amounts owed to related parties and derivative liability which generally arise directly from its operations.

#### 27.01 Credit Risk Management

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

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

##### *Credit risk*

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

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

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

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

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

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

- Gross domestic products
- Inflation rates

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

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

The aging per class of financial assets and expected credit loss as of September 30, 2020 and December 31, 2019 are follows:

**September 30, 2020:**

|   | 12-Month ECL  | Lifetime ECL<br>Not Credit<br>Impaired | Lifetime ECL<br>Not Credit<br>Impaired | Simplified<br>Approach | Total         |
|---|---------------|--|--|------------------------|---------------|
| <b>Amortized cost</b>                       |               |  |  |                        |               |
| Cash and cash equivalents                   | \$ 10,228,532 |  |  |                        | \$ 10,228,532 |
| Trade and other receivables                 |               |  | 741,012                                | 61,356,426             | 62,097,438    |
| Amounts owed by related parties             | 6,210,661     |  |  |                        | 6,210,661     |
| Other current assets:                       |               |  |  |                        |               |
| Rental deposits                             | 1,209,682     |  |  |                        | 1,209,682     |
| Loans to employees                          | 362,114       |  |  |                        | 362,114       |
| Security deposits                           | 182,569       |  |  |                        | 182,569       |
| Other financial assets at<br>amortized cost | 456,055       |  |  |                        | 456,055       |
| Miscellaneous deposits                      | 176,644       |  |  |                        | 176,644       |
|   | \$ 18,826,257 | \$ -                                   | \$ 741,012                             | \$ 61,356,426          | \$ 80,923,695 |

*\*Excludes cash on hand*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of September 30, 2020.

| Trade receivables and other receivables             |               |               |            |              |              |                                 |               |
|---|---------------|---------------|------------|--------------|--------------|---------------------------------|---------------|
| Days past due                                       |               |               |            |              |              |                                 |               |
|   | Current       | <30 days      | 30-60 days | 61-90 days   | >91 days     | Impaired<br>Financial<br>Assets | Total         |
| Expected credit loss rate                           | 0%            | 0%            | 0%         | 0%           | 0%           | 13.08%                          |               |
| Estimated total gross<br>carrying amount at default | \$ 22,122,941 | \$ 25,352,418 | \$ 672,300 | \$ 6,956,853 | \$ 1,327,542 | \$ 5,665,384                    | \$ 62,097,438 |
| Expected credit loss                                | \$ -          | \$ -          | \$ -       | \$ -         | \$ -         | \$ 741,012                      | \$ 741,012    |

**December 31, 2019:**

|   | 12-Month ECL  | Lifetime ECL<br>Not Credit<br>Impaired | Lifetime ECL<br>Not Credit<br>Impaired | Simplified<br>Approach | Total         |
|---|---------------|--|--|------------------------|---------------|
| <b>Amortized cost</b>                       |               |  |  |                        |               |
| Cash and cash equivalents                   | \$ 15,354,463 |  |  |                        | \$ 15,354,463 |
| Trade and other receivables                 |               |  | 741,012                                | 43,749,775             | 44,490,787    |
| Amounts owed by related parties             | 22,973,970    |  |  |                        | 22,973,970    |
| Other current assets:                       |               |  |  |                        |               |
| Rental deposits                             | 1,157,496     |  |  |                        | 1,157,496     |
| Loans to employees                          | 621,206       |  |  |                        | 621,206       |
| Security deposits                           | 182,482       |  |  |                        | 182,482       |
| Other financial assets at<br>amortized cost | 458,873       |  |  |                        | 458,873       |
| Miscellaneous deposits                      | 171,205       |  |  |                        | 171,205       |
|   | \$ 40,919,695 | \$ -                                   | \$ 741,012                             | \$ 43,749,775          | \$ 85,410,482 |

*\*Excludes cash on hand*

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

| Trade receivables and other receivables             |               |              |              |              |          |                                 |               |
|---|---------------|--------------|--------------|--------------|----------|---------------------------------|---------------|
| Days past due                                       |               |              |              |              |          |                                 |               |
|   | Current       | <30 days     | 30-60 days   | 61-90 days   | >91 days | Impaired<br>Financial<br>Assets | Total         |
| Expected credit loss rate                           | 0%            | 0%           | 0%           | 0%           | 0%       | 5.96%                           |               |
| Estimated total gross<br>carrying amount at default | \$ 25,818,637 | \$ 1,988,950 | \$ 1,976,532 | \$ 2,279,326 | \$ -     | \$ 12,427,342                   | \$ 44,490,787 |
| Expected credit loss                                | \$ -          | \$ -         | \$ -         | \$ -         | \$ -     | \$ 741,012                      | \$ 741,012    |

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

**September 30, 2020**

| Past due                                    |               |               |            |              |              |              |               |
|---|---------------|---------------|------------|--------------|--------------|--------------|---------------|
|   | Current       | <30 days      | 30-60 days | 61-90 days   | >91 days     | ECL          | Total         |
| Cash and cash equivalents                   | \$ 10,228,532 |               |            |              |              |              | \$ 10,228,532 |
| Trade and other receivables                 | 22,122,941    | 25,352,418    | 672,300    | 6,956,853    | 6,992,926    | (741,012)    | 61,356,426    |
| Amounts owed by related parties             | 6,210,661     |               |            |              |              |              | 6,210,661     |
| Other current assets:                       |               |               |            |              |              |              |               |
| Financial asset at FVTPL                    | 568           |               |            |              |              |              | 568           |
| Rental deposits                             | 1,209,682     |               |            |              |              |              | 1,209,682     |
| Loans to employees                          | 362,114       |               |            |              |              |              | 362,114       |
| Security deposits                           | 182,569       |               |            |              |              |              | 182,569       |
| Other financial assets at<br>amortized cost | 456,055       |               |            |              |              |              | 456,055       |
| Other noncurrent assets:                    |               |               |            |              |              |              |               |
| Loans to employees                          | 300,000       |               |            |              |              |              | 300,000       |
| Miscellaneous deposits                      | 176,644       |               |            |              |              |              | 176,644       |
| Others                                      | \$ 74,056     |               |            |              |              |              | \$ 74,056     |
|   | \$ 41,323,822 | \$ 25,352,418 | \$ 672,300 | \$ 6,956,853 | \$ 6,992,926 | \$ (741,012) | \$ 80,557,307 |



*\*Excludes cash on hand*

**December 31, 2019**

|   | Current       | Past due     |              |              |               | Impaired<br>Financial<br>Assets | Total         |
|---|---------------|--------------|--------------|--------------|---------------|---------------------------------|---------------|
|   |               | <30 days     | 30-60 days   | 61-90 days   | >91 days      |                                 |               |
| Cash and cash equivalents                   | \$ 15,354,463 |              |              |              |               |                                 | \$ 15,354,463 |
| Trade and other receivables                 | 25,818,637    | 1,988,950    | 1,976,532    | 2,279,326    | 12,427,342    | (741,012)                       | 43,749,775    |
| Amounts owed by related parties             | 22,973,970    |              |              |              |               |                                 | 22,973,970    |
| Other current assets:                       |               |              |              |              |               |                                 | -             |
| Financial asset at FVTPL                    | 494           |              |              |              |               |                                 | 494           |
| Rental deposits                             | 1,157,496     |              |              |              |               |                                 | 1,157,496     |
| Loans to employees                          | 621,206       |              |              |              |               |                                 | 621,206       |
| Security deposits                           | 182,482       |              |              |              |               |                                 | 182,482       |
| Other financial assets at<br>amortized cost | 458,873       |              |              |              |               |                                 | 458,873       |
| Other noncurrent assets:                    |               |              |              |              |               |                                 | -             |
| Loans to employees                          | 600,000       |              |              |              |               |                                 | 600,000       |
| Miscellaneous deposits                      | 171,205       |              |              |              |               |                                 | 171,205       |
| Others                                      | 131,043       |              |              |              |               |                                 | 131,043       |
|   | \$ 67,469,869 | \$ 1,988,950 | \$ 1,976,532 | \$ 2,279,326 | \$ 12,427,342 | \$ (741,012)                    | \$ 85,401,007 |

*\*excludes cash on hand*

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

**September 30, 2020:**

|   | High Grade    | Neither Past due nor Impaired |           |      | Total         |
|---|---------------|-------------------------------|-----------|------|---------------|
|   |               | Medium Grade                  | Low Grade |      |               |
| Cash and cash equivalents                   | \$ 10,228,532 | \$ -                          | \$ -      | \$ - | \$ 10,228,532 |
| Trade and other receivables                 | 22,122,941    | -                             | -         | -    | 22,122,941    |
| Amounts owed by related parties             |               | 6,210,661                     | -         | -    | 6,210,661     |
| Other current assets:                       |               |                               |           |      |               |
| Rental deposits                             | 1,209,682     | -                             | -         | -    | 1,209,682     |
| Loans to employees                          | 362,114       | -                             | -         | -    | 362,114       |
| Security deposits                           | 182,569       | -                             | -         | -    | 182,569       |
| Other financial assets at<br>amortized cost | 456,055       | -                             | -         | -    | 456,055       |
| Other noncurrent assets:                    |               |                               |           |      |               |
| Loans to employees                          | 300,000       | -                             | -         | -    | 300,000       |
| Miscellaneous deposits                      | 176,644       | -                             | -         | -    | 176,644       |
| Others                                      | 74,056        | -                             | -         | -    | 74,056        |
|   | \$ 35,112,593 | \$ 6,210,661                  | \$ -      | \$ - | \$ 41,323,254 |

*\*excludes cash on hand*

**December 31, 2019:**

|   | High Grade    | Neither Past due nor Impaired |           |      | Total         |
|---|---------------|-------------------------------|-----------|------|---------------|
|   |               | Medium Grade                  | Low Grade |      |               |
| Cash and cash equivalents                   | \$ 15,354,463 | \$ -                          | \$ -      | \$ - | \$ 15,354,463 |
| Trade and other receivables                 | 25,818,637    | -                             | -         | -    | 25,818,637    |
| Amounts owed by related parties             |               | 22,973,970                    | -         | -    | 22,973,970    |
| Other current assets:                       |               |                               |           |      |               |
| Rental deposits                             | 1,157,496     | -                             | -         | -    | 1,157,496     |
| Loans to employees                          | 621,206       | -                             | -         | -    | 621,206       |
| Security deposits                           | 182,482       | -                             | -         | -    | 182,482       |
| Other financial assets at<br>amortized cost | 458,873       | -                             | -         | -    | 458,873       |
| Other noncurrent assets:                    |               |                               |           |      |               |
| Loans to employees                          | 600,000       | -                             | -         | -    | 600,000       |
| Miscellaneous deposits                      | 171,205       | -                             | -         | -    | 171,205       |
| Others                                      | 131,043       | -                             | -         | -    | 131,043       |
|   | \$ 44,495,405 | \$ 22,973,970                 | \$ -      | \$ - | \$ 67,469,375 |

*\*excludes cash on hand*

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

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

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

### *Liquidity Risk*

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

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

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

### **September 30, 2020**

|                                  | On Demand     | Less than 1 year | 1-2 years    | >2 to 5 years | Total          |
|----------------------------------|---------------|------------------|--------------|---------------|----------------|
| <b>September 30, 2020:</b>       |               |                  |              |               |                |
| Cash and cash equivalents        | \$ 10,228,784 |                  |              |               | \$ 10,228,784  |
| Trade and other receivables      | 22,122,941    | 39,233,485       |              |               | 61,356,426     |
| Due from related parties         | 6,210,661     |                  |              |               | 6,210,661      |
| Other current assets:            | 38,562,386    | 39,233,485       | -            | -             | 77,795,871     |
| <b>Trade and other payables:</b> |               |                  |              |               |                |
| Trade payables                   | \$ 17,820,125 |                  |              |               | \$ 17,820,125  |
| Accrued expenses                 |               | 4,438,779        |              |               | 4,438,779      |
| Short term loans                 |               | 82,612,215       |              |               | 82,612,215     |
| Due to related parties           | 607,218       |                  |              |               | 607,218        |
| Dividends payable                | 20,601        |                  |              |               | 20,601         |
| Long term debts                  |               | 23,108,515       | 3,817,387    | 31,500,000    | 58,425,902     |
|                                  | \$ 18,447,944 | \$ 110,159,509   | \$ 3,817,387 | \$ 31,500,000 | \$ 163,924,840 |

## December 31, 2019

|                             | On Demand     | Less than 1 year | 1-2 years     | >2 to 5 years | Total          |
|-----------------------------|---------------|------------------|---------------|---------------|----------------|
| December 31, 2019           |               |                  |               |               |                |
| Cash and cash equivalents   | \$ 15,354,711 |                  |               |               | \$ 15,354,711  |
| Trade and other receivables | 25,818,637    | 17,931,138       |               |               | 43,749,775     |
| Due from related parties    | 22,973,970    |                  |               |               | 22,973,970     |
| Other current assets:       | \$ 64,147,318 | \$ 17,931,138    | \$ -          | \$ -          | \$ 82,078,456  |
| Trade and other payables:   |               |                  |               |               |                |
| Trade payables              | \$ 8,373,400  |                  |               |               | \$ 8,373,400   |
| Accrued expenses            |               | 6,366,967        |               |               | 6,366,967      |
| Short term loans            |               | 64,699,593       |               |               | 64,699,593     |
| Due to related parties      | 565,867       |                  |               |               | 565,867        |
| Dividends payable           | 20,601        |                  |               |               | 20,601         |
| Long term debts             |               | 10,011,136       | 19,692,272    | 32,777,512    | 62,480,920     |
|                             | \$ 8,959,868  | \$ 81,077,696    | \$ 19,692,272 | \$ 32,777,512 | \$ 142,507,348 |

### 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 2019 and 2018.

The Company considers the following as capital:

|  | September 30,<br>2020<br>(Reviewed) | December 31,<br>2019<br>(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)           | (906,973)                           | (906,973)                         |
| Retained Earnings                          | 26,301,216                          | 26,217,617                        |
| Parent company shares held by a subsidiary | (26,645,872)                        | (27,753,128)                      |
|  | \$ 115,458,560                      | \$ 114,267,705                    |

As of September 30, 2020, and December 31, 2019, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of September 30, 2020, and December 31, 2019, the Group was able to meet its capital requirements and management objectives.

## 28. Fair Value Measurements

As of September 30, 2020, and December 31, 2019, the carrying values of the Group's financial assets and liabilities, excluding AFS financial asset carried at cost because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

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

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

*Financial assets at FVTPL-UITF*

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

*Investment properties*

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

*HTM investments/Other financial statements at amortized cost*

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

*Miscellaneous deposits and loans to 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 4.0% to 6.25% and 7.5% in September 30, 2020 and December 31, 2019, respectively (Level 3).

### Fair Value Hierarchy

|  | September 30 2020 |         |               |               |
|--|-------------------|---------|---------------|---------------|
|  | Level 1           | Level 2 | Level 3       | Total         |
| Financial assets measured at fair value: |                   |         |               |               |
| Financial asset at FVPL                  | \$ -              | \$ 568  |               | \$ 568        |
| Financial assets measured at fair value: |                   |         |               |               |
| Financial asset at amortized cost        | \$ 456,055        |         |               | \$ 456,055    |
| Long-term debt                           |                   |         | \$ 35,317,387 | \$ 35,317,387 |

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

As at September 30, 2020 and December 31, 2019, there were no transfers between Level 1 and 2 fair value measurements.

## 29. Equity

Components of capital stock are as follows:

|                            | September 30, 2020<br>(Reviewed) | December 31, 2019<br>(Audited) |
|----------------------------|----------------------------------|--------------------------------|
| Common shares              | \$ 9,594,321                     | \$ 9,594,321                   |
| Preferred shares           | 2,615,995                        | 2,615,995                      |
| Additional Paid-in Capital | 100,469,659                      | 100,469,659                    |
|                            | \$ 112,679,975                   | \$ 112,679,975                 |

### 29.01 Common Shares

|                                 | September 30, 2020 (Reviewed) |                | December 31, 2019 (Audited) |                |
|---------------------------------|-------------------------------|----------------|-----------------------------|----------------|
|                                 | Shares                        | Amount         | Shares                      | Amount         |
| Authorized                      |                               |                |                             |                |
| Common shares (P1.00 par value) | 520,000,000                   | \$ 520,000,000 | 520,000,000                 | \$ 520,000,000 |
| Issued and fully paid           |                               |                |                             |                |
| Common shares                   | 419,063,353                   | \$ 9,594,321   | 419,063,353                 | \$ 9,594,321   |
| Balances                        | 419,063,353                   | \$ 9,594,321   | 419,063,353                 | \$ 9,594,321   |

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

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

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

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

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

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

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

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

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

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

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

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

to issue in one or more series the new preferred shares and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the new preferred shares.

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

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

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

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

As of December 31, 2019, and 2018, the Group has a total number of 29 and 26 stockholders, respectively.

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

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

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

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

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

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

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

On April 08, 2020 Carmetheus Holdings, Inc. disposed TECH shares of 698,100 at Php 6.00 per share.

On April 24, 2020 Cirtek Electronics Corporation, a wholly owned subsidiary of Cirtek Holdings Philippines Corporation, disposed shares of 5,000,000 at Php8.81 per share.

On June 08, 2020 Cirtek Electronics Corporation, a wholly owned subsidiary of Cirtek Holdings Philippines Corporation, disposed shares of 5,000,000 at Php7.92 per share.

On June 10, 2020 Cirtek Electronics Corporation, a wholly owned subsidiary of Cirtek Holdings Philippines Corporation, disposed shares of 5,000,000 at Php8.28 per share.

On July22, 2020 Cirtek Electronics Corporation, a wholly owned subsidiary of Cirtek Holdings Philippines Corporation, acquired shares of 4,000,000 at Php5.99 per share.

On September 30, 2020 Cirtek Electronics Corporation, a wholly owned subsidiary of Cirtek Holdings Philippines Corporation, disposed shares of 4,000,000 at Php5.55 per share.

On 28 September 2020, in its special meeting, The Board of Directors of TECH approved the following amendments to the Articles of Incorporation of the Corporation:

1. Amend the corporate term from 50 years to perpetual term;
2. Increase the authorized capital stock by Eight Hundred Forty Million Pesos (Php840,000,000.00) by increasing the (i) authorized Common Stock of the Corporation by Six Hundred Eighty Million Pesos (Php680,000,000) or from Five Hundred Twenty Million Pesos (Php520,000,000) divided into Five Hundred Twenty Million (520,000,000) Common Shares at One Peso (Php1.00) per share to One Billion Two Hundred Million Pesos (Php1,200,000,000.00) divided into One Billion Two Hundred Million (1,200,000,000) Common Shares at One Peso (Php1.00) per share; and (ii) authorized Preferred B Stock by One Hundred Sixty Million Pesos (Php160,000,000) or from Two Hundred Seventy Million Pesos (Php270,000,000) divided into Two Hundred Seventy Million (270,000,000) Preferred B Shares at One Peso (Php1.00) per share to Four Hundred Thirty Million Pesos (Php430,000.00) divided into Four Hundred Thirty Million (430,000,000) Preferred B Shares at One Peso (Php1.00) per share

As of September 30, 2020, and December 31, 2019, the carrying value of Group shares held by a subsidiary amounted to \$26,645,872 and \$27,753,128, respectively.

## **29.02 Preferred Shares**

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



|  | September 30, 2020 (Reviewed) |                | December 31, 2019 (Audited) |                |
|--|-------------------------------|----------------|-----------------------------|----------------|
|  | Shares                        | Amount         | Shares                      | Amount         |
| Authorized                             |                               |                |                             |                |
| Preferred shares A (P0.10 par value)   | 700,000,000                   | \$ 70,000,000  | 700,000,000                 | \$ 70,000,000  |
| Preferred shares B-1 (P1.00 par value) | 70,000,000                    | \$ 70,000,000  | 70,000,000                  | \$ 70,000,000  |
| Preferred shares B-2 (P1.00 par value) | 200,000,000                   | \$ 200,000,000 | 200,000,000                 | \$ 200,000,000 |
| Issued and fully paid                  |                               |                |                             |                |
| Preferred shares A (P0.10 par value)   | 9,468,630                     | \$ 946,863     | 9,468,630                   | \$ 946,863     |
| Preferred shares B-1 (P1.00 par value) | 342,399                       | \$ 342,399     | 342,399                     | \$ 342,399     |
| Preferred shares B-2 (P1.00 par value) | 1,326,733                     | \$ 1,326,733   | 1,326,733                   | \$ 1,326,733   |
| Balances                               | 11,137,762                    | \$ 2,615,995   | 11,137,762                  | \$ 2,615,995   |

In 2015, the 400,000,000 preferred shares at par value of P0.10 were subscribed by Camerton, a principal shareholder of the Group.

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 P300,000,000, or:

- a) from P560,000,000, consisting of:
  - i. P520,000,000 worth of common shares divided into 520,000,000 common shares with par value of P1.00 per share; and
  - ii. P40,000,000 worth of preferred shares divided into 40,000,000 Preferred A shares with par value of P0.10 per share,
- b) to P860,000,000, consisting of:
  - i. P520,000,000 worth of common shares divided in to 520,000,000 common shares with par value of P1.00 per share;
  - ii. P70,000,000worth of preferred A shares divided into 700,000,000 preferred A shares with par value of P0.10 per share; and
  - iii. P270,000,000 worth of preferred B shares with par value of P1.00 per share. The preferred B shares are further classified into the following series: (a) P70,000,000 worth of preferred B-1 shares, and (b) P200,000,000 worth of preferred B-2 shares, both having a par value of P1.00 per share.

On the same date, the additional 300,000,000 preferred A sharesand 70,000,000 preferred B-1 shares shall be issued to and subscribed by Camerton at their par value of P0.10 per share and P1.00 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 Group's BOD approved the following features, rights and privileges of preferred B-2 shares:

- a. Non-voting;
- b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Group's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and 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 Group at a price and at such time that the Group 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 Group's public offering was completed. The Group issued 67,000,000 preferred B-2 shares with par value of ₱1.00 at issue price of \$1.00 per share for a total amount of \$67.0 million. The Group recognized preferred stock and additional paid-in capital stock amounting to \$1.3 million and \$65.7 million, respectively.

The Group incurred transaction costs incidental to FOO amounting to \$1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to \$324,866 recorded under "Accrued expenses and other payables" account.

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

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

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

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

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

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

As of December 31, 2019, the Group has not yet secured a certificate of approval of increase of capital stock from the Securities Exchange Commission (SEC). Moreover, the application has not yet been presented to SEC, hence deposit for future stock subscription was classified as a liability. As of September 30, 2020, and December 31, 2019, deposit for future stock amounted to \$189,107.

As of September 30, 2020, and December 31, 2019, the Group has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to \$ 0.1 million and \$0.3 million, respectively.

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

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

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

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

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

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

The Board of Directors of Cirtex Holdings Philippines Corporation ("TECH") in its Regular meeting held on 17 February 2020, approved the declaration of cash dividend \$0.0153125 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 \$1,025,937.50.

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

- a. 9 March 2020 to shareholders of record as of 6 March 2020;
- b. 8 June 2020 to shareholders of record as of 2 June 2020;
- c. 8 September 2020 shareholders of record as of 2 September 2020; and
- d. 9 December 2020 shareholders of record as of 2 December 2020.

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

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

The Board of Directors of Cirtex Holdings Philippines Corporation ("TECH") in its Regular meeting held on 17 July 2020 approved the declaration of cash dividend of US\$0.001193137 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 Five Hundred Thousand (US\$500,000.00), for payment and distribution on 11 August 2020 to shareholders of record as of 04 August 2020. The cash dividend shall be paid in Philippine Pesos at the BSP exchange rate one day prior to payment dates.

In September 30, 2020 and 2019, and December 31, 2019 cash dividends paid amounted to \$3,580,303, 4,062,133 and \$6,090,267, respectively, \$39,745, nil and \$226,924, respectively of which were eliminated in the consolidated financial statements since these pertain to CEC's shares to the Parent Company, while the difference amounting to \$1,484,680 in December 31, 2019, pertains to Forex. Accordingly, as of September 30, 2020 and December 31, 2019, dividends payable amounted to \$20,601.

Retained earnings include undistributed earnings amounting to \$26.4 million, \$25.1 million and \$24.3 million as of December 31, 2019, 2018 and 2017, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2019 amounted to \$1.9 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, 2020 and December 31, 2019.

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### **30 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.

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**31 Events After the Reporting Period**

Approval of Enabling Resolution

On 7 October 2020, the SEC issued the Certificate of Filing of Enabling Resolution approving the Corporation's Enabling Resolutions designating the subseries of Preferred B-2 Shares, namely: Preferred B2 Subseries A and Preferred B2 Subseries B, and to allocate the 200,000,000 Preferred B-2 Shares as follows: (i) 67,000,000 Preferred B-2 Subseries A Shares, and (ii) 33,000,000 Preferred B-2 Subseries B Shares, and the balance of 100,000,000 Preferred B2 Shares shall be designated by the Board in subseries at a future date.

Disposition of Shares by a Subsidiary

On October 27 and November 9, 2020 Cirtek Electronics Corporation, a wholly-owned subsidiary disposed 5 million CHPC shares respectively or a total of 10 million shares were disposed.

Subscription of Shares by Camerton, Inc.

On November 10, 2020 its Board of Directors in its special meeting approved the subscription by Carmerton, Inc. of up to 33 million preferred B2 subseries B shares of the Company at the subscription price of US\$1.00 per share.

## Results of Operations

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

|                                    | <b>For the Nine Months Ended September 30</b> |                    |
|------------------------------------|---|--------------------|
|                                    | <b>2020</b>                                   | <b>2019</b>        |
| <i>In US\$ Thousand except EPS</i> | <b>(Reviewed)</b>                             | <b>(Unaudited)</b> |
| <b>NET SALES</b>                   | <b>\$59,522</b>                               | <b>\$69,560</b>    |
| <b>COST OF SALES</b>               | <b>(44,375)</b>                               | <b>(54,367)</b>    |
| <b>GROSS PROFIT</b>                | <b>15,147</b>                                 | <b>15,193</b>      |
| <b>NET INCOME</b>                  | <b>3,624</b>                                  | <b>3,688</b>       |
| <b>Basic/Diluted EPS</b>           | <b>\$0.001</b>                                | <b>\$0.001</b>     |
| <b>EBITDA</b>                      | <b>\$13,990</b>                               | <b>\$12,125</b>    |

### ***For the nine-month period ending September 30, 2020 compared to the nine-month period ending September 30, 2019***

#### *Revenue*

The Company recorded consolidated revenue of US\$59.5 million for the nine months ending September 30, 2020, a decrease of 14% from US\$69.6 million for the same period in 2019. The decrease accounted for was mainly due to 30% 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, 2020 amounted to US\$16.5 million.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the nine months ending September 30, 2020 amounted to US\$17.1 million, a 4% increase compared to the US\$16.4 million for same period in 2019.

Revenues from the semiconductor business amounted to US\$25.9 million compared to US\$29.6 million for the same period in 2019 a 12% 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 18% to US\$44.4 million for the nine months ending September 30, 2020 from US\$54.4 million for the same period in 2019. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories decreased by 25% to US\$27.8 million for the nine months ending September 30, 2020 from US\$37.2 million for the same period in 2019.
- Salaries, wages and employees' benefits decreased by 8% to US\$6.4 million for the nine months ending September 30, 2020, from US\$6.9 million for the same period in 2019.
- Freight and duties decreased by 37% to US\$1.9 million for the nine months ending September 30, 2020 from US\$3.1 for the same period in 2019.
- Utility expenses amounted to US\$2.3 million for the nine months ending September 30, 2020, from US\$2.9 million for the same period in 2019, a decrease of 20%

The Company's gross margin was 25% for the nine months ending September 30, 2020, 4 percentage points higher than the gross margin recorded for the same period in 2019.

### *Operating Expenses*

The Company's operating expenses for the nine months ending September 30, 2020 amounted to US\$7.4 million, 3% higher compared to the US\$7.1 million recorded during the same period in 2019. The significant increase is due to:

- Professional fees increased by 9% to US\$0.89 million for the nine-months ending September 30, 2020, from US\$0.82 million for the same period in 2019. 2020 professional fees included Quintel's legal expenses to secure the settlement in Huawei litigation.
- Commissions increased by 7% to US\$0.58 million for the nine months ending September 30, 2020, from US\$0.54 million for the same period in 2019.
- Depreciation Amortization increased by 201% to US\$0.91 million for the nine months ending September 30, 2020 from US\$0.30 million for the same period in 2019.
- Service fee cost increased by 1,656% to \$0.33 million for the nine months ending September 30, 2020, from US\$0.02 million for the same period in 2019.

### *Income Before Income Tax*

For the nine months ending September 30, 2020, the Company recorded a net income before income tax of US\$3.7 million, a decrease of 8% compared with US\$4.1 million recorded for the same period in 2019.

### *Provision for / Benefit from Income Tax*

Provision for income tax for the nine months ending September 30, 2020 amounted to US\$ 123 thousand, 68% lower compared with a provision for income tax of US\$380 thousand for the same period in 2019.

### *Net Income After Tax*

The Company's net income after tax for the nine months ending September 30, 2020 amounted to US\$3.62 million a decrease of 2% compared with US\$3.69 million for the same period in 2019

## **Financial Condition**

### ***For the six-month period ending September 30, 2020 compared to the period ending December 31, 2019***

#### *Assets*

The Company's cash and cash equivalent for the nine months ending September 30, 2020 amounted to US\$10.2 million, compared with US\$15.4 million for the period ending December 31, 2019, a decreased of US\$5.1 million or 33%.

Trade and other receivables for the nine months ending September 30, 2020 amounted to US\$61.4 million, compared with US\$43.7 million for the period ending December 31, 2019, an 40% increased.

Inventory levels for the nine months ending September 30, 2020 amounted to US\$49.7 million, 35% higher compared with US\$36.8 million for the period ending December 31, 2019.

Amounts owed by related parties for the nine months ending September 30, 2020 amounted to US\$6.2 million compared to US\$23.0 million for the period ending December 31, 2019, a 73% decreased.

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, 2020 amounted to US\$143 million compared with US\$133 million for the period ending December 31, 2019, an increase of 8%.

#### *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, 2020, current liabilities were at US\$132.5 million, compared with US\$93.4 million the period ending December 31, 2019, an increase of 42%.

For the nine months ending September 30, 2020, 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\$41.6 million compared with US\$59.2 million for the period ending December 31, 2019, a 30% decreased.

#### *Equity*

The Company's shareholders' equity for the nine months ending September 30, 2020 amounted to US\$115.5 million compared with US\$114.3 million for the period ending December 31, 2019.

## Liquidity and Capital Resources

For the nine months ending September 30, 2020, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its corporate notes issuances, and proceeds from its follow-on offering. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

The following table sets out the Company's cash flows for the nine months ending September 30, 2020 and the same period in 2019.

| <i>In US\$ Thousands</i>                                    | <b>For the ninemonths<br/>ending September 30</b> |             |
|---|---|-------------|
|   | <b>2020</b>                                       | <b>2019</b> |
| Net cash flows provided by/ (used for) operating activities | (12,771)  | 2,768       |
| Net cash flows provided by/ (used for) investing activities | (15,784)  | (9,098)     |
| Net cash flows provided by/ (used for) financing activities | 23,430  | 4,398       |
| Net increase (decrease) in cash equivalents                 | (5,126)   | (1,931)     |

### *Net Cash Flows from Operating Activities*

Net cashflow used for operating activities was (US\$12.8) million for the nine months ending September 30, 2020, compared with net cash inflow of (US\$2.8) million for the same period in 2019.

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

### *Investing Activities*

Net cash outflow used for investing activities amounted to (US\$15.8) million for the nine months ending September 30, 2020. Investing activities mainly involved increase in PPE.

### *Financing Activities*

Net cash flow from financing activities for the ninemonths ending September 30, 2020 amounted to US\$23.4 million. Major financing activities involved proceeds from availment of short-term loans, less acquisition of parent company shares by subsidiary, payment of cash dividends, payment of interest, payment of short-term and long-term loans, and net movement in amounts owed by and owed to related parties. For the same period in 2019 net cash flow from financing activities amounted to US\$4.4 million.

**Material Changes to the Company's Unaudited Income Statement as of September 30, 2020 compared to the Unaudited Income Statement as of September 30, 2019 (increase/decrease of 5% or more)**

- 14% decrease in net sales  
-Decrease in revenue contribution of Quintel
- 18% decrease in cost of sales  
- Decrease in raw materials, salaries, utilities, inward freight and duties and others
- 3% increase in operating expenses  
-Increase in Professional fees, Commissions, Depreciation, Service fee and others
- 8% decrease in Income Before income Tax  
-Lower revenue, and decrease in other income

**Material Changes to the Company's Unaudited Balance Sheet as of September 30, 2020 compared to the Unaudited Balance Sheet as of December 31, 2019 (increase/decrease of 5% or more)**

- 33% decrease in Cash and Cash Equivalent  
-Increase in net cash flow from investing and financing activities
- 40% increase in Trade and Other Receivables – Net  
-Longer collection period for certain major customers
- 498% increase in Other Noncurrent Assets  
- Increase in advances to major suppliers
- 46% increase in Trade and Other Payables  
Negotiated longer terms with trade suppliers
- 28% increase in Short-term Loans  
-Additional availment of short-term credit facilities used for working capital
- 139% Increase in Current Portion of Long-term Debt  
- maturing long term credit facilities
- 88% 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:

| <i>Amounts in thousand US\$, except ratios, and where indicated</i> |  | <b>2018<br/>Full year</b> | <b>2019<br/>Full year</b> |  | <b>2020<br/>Nine Months</b> |
|---|--|---------------------------|---------------------------|--|-----------------------------|
| EBITDA  |  | 20,452                    | 8,138                     |  | 13,990                      |
| EBITDA Margin   |  | 19%                       | 17%                       |  | 24%                         |
| Sales Growth/(Declined)   |  | 20%                       | (11%)                     |  | (14%)                       |
| Current Ratio (x)   |  | 1.45x                     | 1.43x                     |  | 1.10x                       |
| Earnings per share (US\$)   |  | 0.011                     | 0.001                     |  | 0.001                       |

*Note:*

*\*Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2020 and 2019*

*\*\*Earning per share was calculated less dividends for preferred shares which has a fixed amount per quarter*

- **EBITDA and EBITDA Margin**

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

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

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

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

|  | For the years ended December 31 |               | For Nine Months<br>Ended September 30 |
|--|---------------------------------|---------------|---------------------------------------|
| <i>In US\$ 000</i>                         | 2018                            | 2019          | 2020                                  |
| Net income                                 | 8,334                           | 8,422         | 3,624                                 |
| Add back:                                  |                                 |               |                                       |
| Interest expense/income-net                | 4,805                           | 4,851         | 4,473                                 |
| Provision for / Benefit from<br>income tax | 1,452                           | 391           | 123                                   |
| Depreciation and<br>amortization           | 5,861                           | 5,997         | 5,770                                 |
| <b>EBITDA</b>                              | <b>20,452</b>                   | <b>19,661</b> | <b>13,990</b>                         |

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

|  | For the years ended December 31 |              | For NineMonths<br>Ended September 30 |
|--|---------------------------------|--------------|--------------------------------------|
| <i>In US\$ 000</i>                         | 2018                            | 2019         | 2020                                 |
| EBITDA                                     | 20,452                          | 19,661       | 13,990                               |
| Deduct:                                    |                                 |              |                                      |
| Interest expense/income-net                | (4,805)                         | (4,851)      | (4,473)                              |
| Provision for / Benefit from<br>income tax | (1,452)                         | (391)        | (123)                                |
| Depreciation and<br>amortization           | (5,861)                         | (5,997)      | (5,770)                              |
| <b>Net Income</b>                          | <b>8,334</b>                    | <b>8,422</b> | <b>3,624</b>                         |

- *Sales growth*

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

- *Current ratio*

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

- *Earnings per share*

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

## **FINANCIAL RISK DISCLOSURE**

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

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

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

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

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

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

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

## **CIRTEK HOLDINGS PHILIPPINES CORPORATION**

### **FINANCIAL SOUNDNESS INDICATORS**

**SEPTEMBER 30, 2020 AND DECEMBER 31, 2019**

| <b>Ratios</b>                       | <b>Formula</b>  | <b>September 30</b> | <b>December 31,</b> |
|-------------------------------------|---|---------------------|---------------------|
|                                     |   | <b>2020</b>         | <b>2019</b>         |
| <b>(i) Current Ratio</b>            | <b>Current Assets/ Current Liabilities</b>              | <b>1.10</b>         | <b>1.43</b>         |
| <b>(ii) Debt/ Equity Ratio</b>      | <b>Bank Debts'/ Total Equity</b>                        | <b>1.22</b>         | <b>1.11</b>         |
| <b>(iii) Net Debt/ Equity Ratio</b> | <b>Bank Debts'-Cash &amp; Equivalents/ Total Equity</b> | <b>1.13</b>         | <b>0.98</b>         |
| <b>(iv) Asset to Equity Ratio</b>   | <b>Total Assets/ Total Equity</b>                       | <b>2.51</b>         | <b>2.33</b>         |
| <b>(v) Interest Cover Ratio</b>     | <b>EBITDA/ Interest Expense</b>                         | <b>3.07</b>         | <b>4.06</b>         |
| <b>(vi) Profitability Ratios</b>    |   |                     |                     |
| <b>GP Margin</b>                    | <b>Gross Profit/ Revenues</b>                           | <b>0.75</b>         | <b>0.29</b>         |
| <b>Net Profit Margin</b>            | <b>Net Income/ Revenues</b>                             | <b>0.06</b>         | <b>0.11</b>         |
| <b>EBITDA Margin</b>                | <b>EBITDA/ Revenues</b>                                 | <b>0.24</b>         | <b>0.25</b>         |
| <b>Return on Assets</b>             | <b>Net Income/ Total Assets</b>                         | <b>0.01</b>         | <b>0.03</b>         |
| <b>Return on Equity</b>             | <b>Net Income/ Total Equity</b>                         | <b>0.03</b>         | <b>0.08</b>         |

<sup>1</sup> Sum of short-term loans and long-term debts

<sup>2</sup> EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

<sup>3</sup> Based on balances as at September 30, 2020 and December 31, 2019

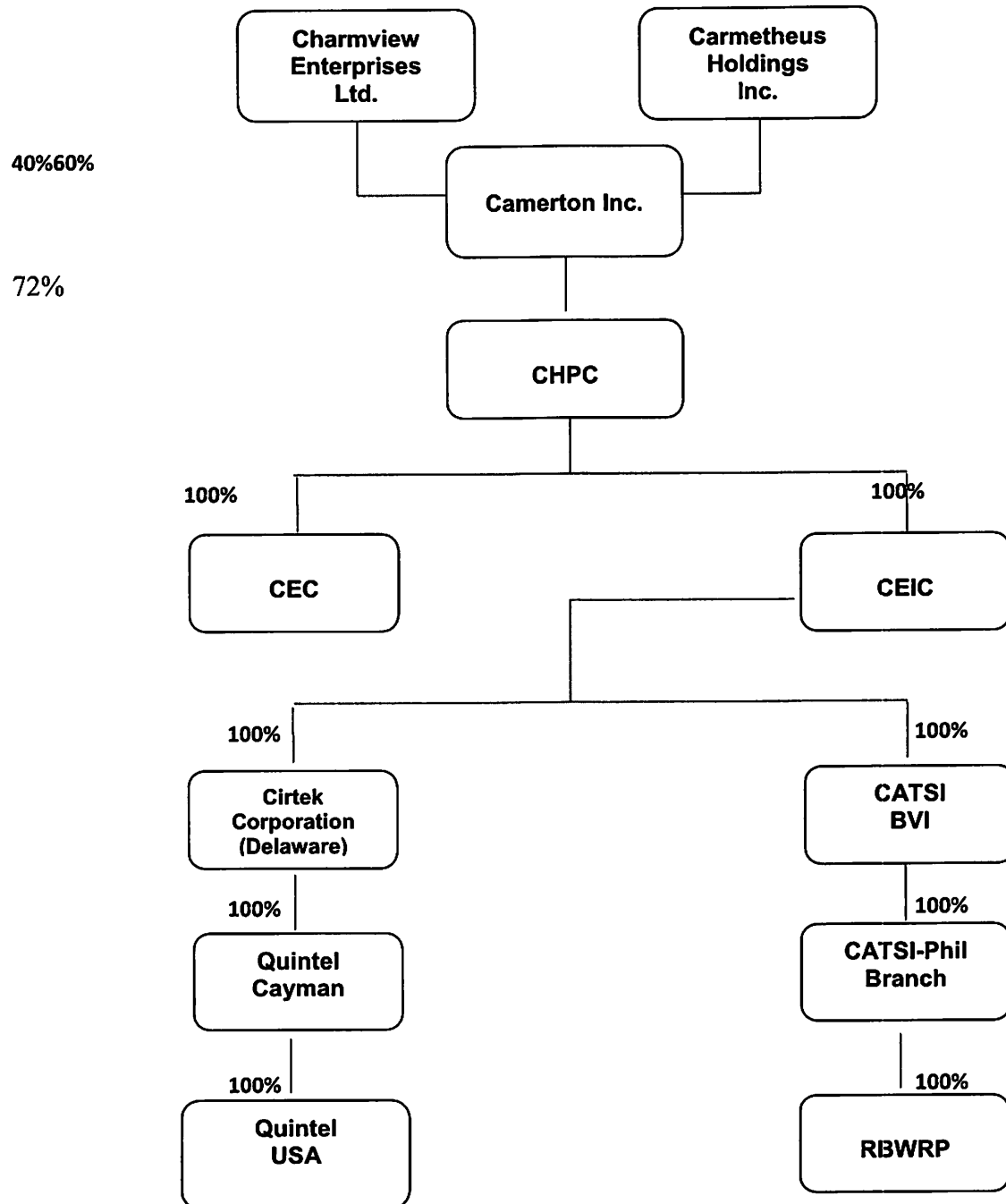


**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2020**

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| <b>Schedule</b>   | <b>Contents</b>  |
|---|--|
| <i>Index to the Interim Condensed Consolidated Financial Statements</i> |  |
| I   | Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsiidiaries                         |
| II  | Reconciliation of Retained Earnings Available for Dividend Declaration   |
| III   | Financial Soundness Indicators   |
| <br><i>Supplementary Schedules</i>                                      |  |
| A   | Financial Assets   |
| B   | Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)                     |
| C   | Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements |
| D   | Intangible Assets - Other Assets   |
| E   | Long-Term Debt   |
| F   | Indebtedness to Related Parties  |
| G   | Guarantees of Securities of Other Issuers  |
| H   | Gross and Net Proceeds of a Listed Company with recent offering of securities (Commercial Paper) to the Public                                       |
| I   | Capital Stock  |

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE**  
**COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND**  
**CO-SUBSIDIARIES**  
**SEPTEMBER 30, 2020**



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**

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**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION  
SEPTEMBER 30, 2020**

|   |                    |
|---|--------------------|
| Unappropriated retained earnings, beginning                 | \$1,890,677        |
| Add net income actually earned during the period            | 9,890,244          |
| Less cash dividends declared                                | 3,620,049          |
| <b>Retained earnings available for dividend declaration</b> | <b>\$8,160,872</b> |

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**CIRTEK HOLDINGS PHILIPPINES CORPORATION****FINANCIAL SOUNDNESS INDICATORS****SEPTEMBER 30, 2020 AND DECEMBER 31, 2019**

| Ratios                       | Formula                                      | September 30 | December 31, |
|------------------------------|--|--------------|--------------|
|                              |  | 2020         | 2019         |
| (i) Current Ratio            | Current Assets/ Current Liabilities          | 1.10         | 1.43         |
| (ii) Debt/Equity Ratio       | Bank Debts <sup>1</sup> / Total Equity       | 1.22         | 1.11         |
| (iii) Net Debt/ Equity Ratio | Bank Debts'-Cash & Equivalents/ Total Equity | 1.13         | 0.98         |
| (iv) Asset to Equity Ratio   | Total Assets/ Total Equity                   | 2.51         | 2.33         |
| (v) Interest Cover Ratio     | EBITDA/ Interest Expense                     | 3.07         | 4.06         |
| (vi) Profitability Ratios    |  |              |              |
| GP Margin                    | Gross Profit/ Revenues                       | 0.75         | 0.29         |
| Net Profit Margin            | Net Income/ Revenues                         | 0.06         | 0.11         |
| EBITDA Margin                | EBITDA/ Revenues                             | 0.24         | 0.25         |
| Return on Assets             | Net Income/ Total Assets                     | 0.01         | 0.03         |
| Return on Equity             | Net Income/ Total Equity                     | 0.03         | 0.08         |

<sup>1</sup> Sum of short-term loans and long-term debts

<sup>2</sup> EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

<sup>3</sup> Based on balances as at September 30, 2020 and December 31, 2019

**SCHEDULE A**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS**  
**AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2020**

|   | Name of Issuing<br>entity and<br>association of<br>each issue | Amount shown in<br>the balance sheet | Valued based on<br>market quotations<br>at end of reporting<br>period | Income received<br>or accrued |
|---|---|--------------------------------------|---|-------------------------------|
| Cash and cash equivalents                   | N/A   | \$ 10,228,784                        | \$ 10,228,784   | \$ 62,040                     |
| Trade and other receivables                 | N/A   | 61,356,426                           | 61,356,426  |                               |
| Amounts owed by related parties             | N/A   | 6,210,661                            | 6,210,661   |                               |
| Other current assets:                       |   |                                      |   |                               |
| Financial asset at FVTPL                    | N/A   | 568                                  | 568   |                               |
| Rental deposits                             | N/A   | 1,209,682                            | 1,209,682   |                               |
| Loans to employees                          | N/A   | 362,114                              | 362,114   |                               |
| Security deposits                           | N/A   | 182,569                              | 182,569   |                               |
| Other financial assets at<br>amortized cost | N/A   | 456,055                              | 456,055   |                               |
| Other noncurrent assets:                    |   |                                      |   |                               |
| Loans to employees                          | N/A   | 300,000                              | 300,000   |                               |
| Miscellaneous deposits                      | N/A   | 176,644                              | 176,644   |                               |
| Others                                      | N/A   | 74,056                               | 74,056  |                               |
|   |   | \$ 80,557,559                        | \$ 80,557,559   | \$ 62,040                     |

**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, 2020**

| Name and designation of debtor              | Amounts owed by Related Parties      |                 |                        |                     |             | Balance at               |  |
|---|--------------------------------------|-----------------|------------------------|---------------------|-------------|--------------------------|--|
|   | Balance at<br>beginning of<br>period | Additions       | Amounts collected      | Current             | Not Current | the end of the<br>period |  |
| <b>Parent Company</b>                       |                                      |                 |                        |                     |             |                          |  |
| Camerton                                    | \$ 20,962,321                        | \$ -            | \$ (15,718,981)        | \$ 5,243,340        | \$ -        | \$ 5,243,340             |  |
| <b>Related parties under common control</b> |                                      |                 |                        |                     |             |                          |  |
| Cirtek Holdings, Inc.                       | 1,809,257                            | -               | (1,052,452)            | 756,805             | -           | 756,805                  |  |
| Cayon Holdings, inc.                        | 183,583                              | 8,124           | -                      | 191,707             | -           | 191,707                  |  |
| Camerton                                    | 18,809                               | -               | -                      | 18,809              | -           | 18,809                   |  |
| <b>TOTAL</b>                                | <b>\$ 22,973,970</b>                 | <b>\$ 8,124</b> | <b>\$ (16,771,433)</b> | <b>\$ 6,210,661</b> | <b>\$ -</b> | <b>\$ 6,210,661</b>      |  |

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, 2020**

| Amounts owed by related parties which are eliminated during the consolidation |                                |                      |                        |                    |                       |             |  | Balance at the        |
|---|--------------------------------|----------------------|------------------------|--------------------|-----------------------|-------------|--|-----------------------|
| Name and designation of debtor  | Balance at beginning of period | Additions            | Amounts collected      | Amount written off | Current               | Not Current |  | end of the period     |
| <b>CHPC</b>   |                                |                      |                        |                    |                       |             |  |                       |
| CEC   | \$ 45,795,261                  | \$ 3,500,000         |                        |                    | \$ 49,295,261         |             |  | \$ 49,295,261         |
| CEIC  | \$ 21,325,739                  | \$ 12,000,000        |                        |                    | \$ 33,325,739         |             |  | \$ 33,325,739         |
| CATS  | \$ 32,372,961                  | \$ 13,856,942        |                        |                    | \$ 46,229,903         |             |  | \$ 46,229,903         |
| Quintel   | \$ 10,000,000                  | \$ 4,219,005         |                        |                    | \$ 14,219,005         |             |  | \$ 14,219,005         |
| <b>Total</b>  | <b>\$ 109,493,961</b>          | <b>\$ 33,575,947</b> | <b>\$ -</b>            | <b>\$ -</b>        | <b>\$ 143,069,908</b> | <b>\$ -</b> |  | <b>\$ 143,069,908</b> |
| <b>CEC</b>  |                                |                      |                        |                    |                       |             |  |                       |
| CHPC  | \$ 27,150,384                  |                      | \$ (4,471,482)         |                    | \$ 22,678,902         |             |  | \$ 22,678,902         |
| CATS  | \$ -                           | \$ 2,697,994         |                        |                    | \$ 2,697,994          |             |  | \$ 2,697,994          |
| <b>Total</b>  | <b>\$ 27,150,384</b>           | <b>\$ 2,697,994</b>  | <b>\$ (4,471,482)</b>  | <b>\$ -</b>        | <b>\$ 25,376,896</b>  | <b>\$ -</b> |  | <b>\$ 25,376,896</b>  |
| <b>CEIC</b>   |                                |                      |                        |                    |                       |             |  |                       |
| CHPC  | \$ 2,339,865                   | \$ 5,000,000         | \$ (5,000,000)         |                    | \$ 2,339,865          |             |  | \$ 2,339,865          |
| CEC   | \$ 21,515,975                  |                      | \$ (4,338,309)         |                    | \$ 17,177,666         |             |  | \$ 17,177,666         |
| CATS  | \$ 324,286                     | \$ 311,151           |                        |                    | \$ 635,437            |             |  | \$ 635,437            |
| Quintel   | \$ 82,478,692                  |                      |                        |                    | \$ 82,478,692         |             |  | \$ 82,478,692         |
| <b>Total</b>  | <b>\$ 106,658,818</b>          | <b>\$ 5,311,151</b>  | <b>\$ (9,338,309)</b>  | <b>\$ -</b>        | <b>\$ 102,631,660</b> | <b>\$ -</b> |  | <b>\$ 102,631,660</b> |
| <b>CATS</b>   |                                |                      |                        |                    |                       |             |  |                       |
| RBW   | \$ 36,890                      | \$ 2,998             |                        | \$ (739)           | \$ 39,149             |             |  | \$ 39,149             |
| <b>Total</b>  | <b>\$ 36,890</b>               | <b>\$ 2,998</b>      | <b>\$ -</b>            | <b>\$ (739)</b>    | <b>\$ 39,149</b>      | <b>\$ -</b> |  | <b>\$ 39,149</b>      |
| <b>RBW</b>  |                                |                      |                        |                    |                       |             |  |                       |
| CATS  | \$ 18,389                      |                      |                        |                    | \$ 18,389             |             |  | \$ 18,389             |
| <b>Total</b>  | <b>\$ 18,389</b>               | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>        | <b>\$ 18,389</b>      | <b>\$ -</b> |  | <b>\$ 18,389</b>      |
| <b>TOTAL</b>  | <b>\$ 243,358,442</b>          | <b>\$ 41,588,090</b> | <b>\$ (13,809,791)</b> | <b>\$ (739)</b>    | <b>\$ 271,136,002</b> | <b>\$ -</b> |  | <b>\$ 271,136,002</b> |

**SCHEDULE D**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS**  
**AS OF SEPTEMBER 30, 2020**

| Intangible Assets - Other Assets |                      |                     |                                |                              |  |                      |
|----------------------------------|----------------------|---------------------|--------------------------------|------------------------------|--|----------------------|
| Name and designation of debtor   | Beginning<br>Balance | Additions at cost   | Charged to cost and<br>expenss | Charged to<br>other accounts | Other changes<br>additions<br>(deductions) | Ending<br>Balance    |
| Goodwill                         | \$ 55,541,157        |                     |                                |                              |  | \$ 55,541,157        |
| Product development cost         | \$ 4,340,316         | \$ 1,779,730        | \$ (593,174)                   |                              | \$ 193,736                                 | \$ 5,720,608         |
| Customer relationships           | \$ 23,736,500        |                     |                                |                              |  | \$ 23,736,500        |
| Technology                       | \$ 3,228,946         |                     | \$ (881,190)                   |                              | \$ (193,736)                               | \$ 2,154,020         |
| Trademark                        | \$ 7,472,800         |                     |                                |                              |  | \$ 7,472,800         |
| <b>TOTAL</b>                     | <b>\$ 94,319,719</b> | <b>\$ 1,779,730</b> | <b>\$ (1,474,364)</b>          | <b>\$ -</b>                  | <b>\$ -</b>                                | <b>\$ 94,625,085</b> |



**SCHEDULE E****CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**AS OF SEPTEMBER 30, 2020**

| Long-term Debt                       |    |   |    |   |               |
|--------------------------------------|----|---|----|---|---------------|
|                                      |    | Amounts shown under caption "current portion of long-term" in related balance sheet |    | Amounts shown under caption "long-term debt" in related balance sheet |               |
|                                      |    | Amounts authorized by indenture   |    |   |               |
| Type of issue and type of obligation |    |   |    |   |               |
| Notes payable                        | \$ | 58,425,902  | \$ | 23,108,515  | \$ 35,317,387 |

**SCHEDULE F**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES**  
**(LONG-TERM LOANS FROM RELATED COMPANIES)**  
**AS OF SEPTEMBER 30, 2020**

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

**SCHEDULE G**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF**  
**OTHER ISSUERS**  
**AS OF SEPTEMBER 30, 2020**

| <b>Guarantees of Securities of Other Issuers</b>  |  |  |   |                            |
|---|--|--|---|----------------------------|
| <b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b> | <b>Title of issue of each class of securities guaranteed</b> | <b>Total amount guaranteed and outstanding</b> | <b>Amount owned by person for which statement is file</b> | <b>Nature of guarantee</b> |
| <b>Not Applicable</b>   |  |  |   |                            |

**SCHEDULE H**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF GROSS AND NET PROCEEDS BY A**  
**LISTED COMPANY WITH RECENT OFFERING OF SECURITIES**  
**(COMMERCIAL PAPER) TO THE PUBLIC**  
**AS OF SEPTEMBER 30, 2020**

**1. Gross and net proceeds as disclosed in the final prospectus –**

|       |  |
|-------|--|
| Gross | <input type="checkbox"/> 2,000,000,000 |
| Net   | <input type="checkbox"/> 1,879,584,751 |

**2. Actual gross and net proceeds –**

|       |  |
|-------|--|
| Gross | <input type="checkbox"/> 2,000,000,000 |
| Net   | <input type="checkbox"/> 1,938,157,118 |

**3. Each expenditure item where the proceeds were used**

|                 |  |
|-----------------|--|
| Working capital | <input type="checkbox"/> 668,810,838   |
| Loans           | <input type="checkbox"/> 1,054,675,247 |
| CAPEX           | <input type="checkbox"/> 214,671,033   |

**4. Balance of the proceeds as of September 30, 2020** ☐ -

**SCHEDULE I****CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**  
**AS OF SEPTEMBER 30, 2020**

| <b>Capital Stock</b>  |  |   |  |   |   |               |
|-----------------------|--|---|--|---|---|---------------|
| <b>Title of Issue</b> | <b>Number of<br/>shares<br/>authorized</b> | <b>Number of shares<br/>issued and<br/>outstanding as<br/>shown under<br/>related balance<br/>sheet caption</b> | <b>Number of shares<br/>reserved for<br/>options warrants,<br/>conversion and<br/>other rights</b> | <b>Number of<br/>shares held by<br/>related parties</b> | <b>Number of<br/>shares held<br/>by directors,<br/>officers and<br/>employees</b> | <b>Others</b> |
| 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  | —  | —   | —   | —             |