The prospectus is being displayed on the website of Cirtek Holdings Philippines Corporation to make the prospectus accessible to more investors. The Philippine Stock Exchange, Inc. (the "PSE") assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the prospectus. Furthermore, the PSE makes no representation as to the completeness of the prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the prospectus.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

Primary Offer of 30,000,000 Preferred Class B-2 Shares
Subseries C 11,288,000 Preferred Class B-2 Shares
Subseries D 18,712,000 Preferred Class B-2 Shares
with Oversubscription Option of up to 20,000,000 Preferred Class B-2 Shares
at an Offer Price of ₱50.00 per Preferred Class B-2 Share

to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner

PNB Capital

The Selling Agents

Trading Participants of The Philippine Stock Exchange, Inc.

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

The date of this Prospectus is November 22, 2021

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

This Prospectus relates to the offer and sale of Cirtek Holdings Philippines Corporation, a corporation duly organized and existing under Philippine law, of the cumulative, non-voting, non-participating, non-convertible perpetual and redeemable peso-denominated preferred class B-2 shares with a par value of ₱1.00 per share (the "**Preferred Class B-2 Shares**"). The offer and sale of the Preferred Class B-2 Shares will be by way of a primary offering comprised of up to 50,000,000 Preferred Class B-2 Shares (the "**Offer Shares**" and, the primary offer of the Offer Shares, the "**Offer**") at an offer price of ₱50.00 per share (the "**Offer Price**"), subject to the registration requirements of the Securities and Exchange Commission (the "**SEC**") and listing requirements of The Philippine Stock Exchange, Inc. (the "**PSE**"). The Offer Shares shall be issued out of the authorized and unissued capital stock of the Company.

The Offer shall be comprised of a base offer of 30,000,000 Preferred Class B-2 Shares (the "**Base Offer**" and the shares under the Base Offer, the "**Base Offer Shares**") and an oversubscription option of up to 20,000,000 Preferred Class B-2 Shares (the "**Oversubscription Option**" and the shares under the Oversubscription Option, the "**Oversubscription Shares**"). In the event of an oversubscription, PNB Capital and Investment Corporation (the "**Sole Issue Manager, Lead Underwriter and Sole Bookrunner**"), in consultation with the Company, has the right (but not the obligation) to offer the Ovesubscription Option of up to 20,000,000 Preferred Class B-2 Shares during the Offer Period.

The Preferred Class B-2 Shares shall be issued in the following series: (i) "***TCB2C***" as the Preferred B-2 Subseries C Shares; or (ii) "***TCB2D***" as the Preferred B-2 Subseries D Shares.

The gross proceeds from the Base Offer Shares shall be ₱1,500,000,000.00. Should the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, the gross proceeds from the Offer shall be up to ₱2,500,000,000.00. The net proceeds from the Base Offer Shares, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be up to ₱1,456.6million. The net proceeds from the Oversubscription Option should the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer, exercise in full the Oversubscription Option, after deducting from the gross proceeds, underwriting and selling fees, listing fees, and taxes is estimated to be ₱2,438.6 million. The Company will use the net proceeds for additional capital expenditure/equipment and expansion of capacity, partial payments of maturing Preferred B2-A shares and maturing loans, and working capital for all its Subsidiaries. See "Use of Proceeds" on page 47 of this Prospectus.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall receive an estimated fee of 1.00% of the gross proceeds from the Offer, inclusive of amounts to be paid to the selling agents.

THE OFFER SHARES ARE BEING OFFERED FOR SALE SOLELY IN THE PHILIPPINES THROUGH THE SOLE ISSUE MANAGER, LEAD UNDERWRITER AND SOLE BOOKRUNNER AND THE SELLING AGENTS NAMED HEREIN.

On September 1, 2021, the Company filed an application with the SEC to register the Offer Shares (the "**Registration Statement**") under the provisions of Republic Act No. 8799 (the "**Securities Regulation Code**") and its implementing regulations (the "**SRC Rules**"). The SEC is expected to issue an order rendering the Registration Statement effective and a corresponding permit to offer securities for sale covering the Offer Shares.

An application to list the Offer Shares has been filed with The Philippine Stock Exchange, Inc. ("**PSE**") on October 1, 2021. In its notice of approval dated November 11, 2021, the PSE has approved the listing application, subject to compliance with certain pre-offering and listing conditions.. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. The PSE approval for listing is permissive only and does not constitute a recommendation or endorsement of the Preferred Class B-2 Shares by the PSE.

As of the date of this Prospectus, the Company's authorized capital stock is ₱1,700,000,000 divided into (a) 1,200,000,000 common shares, with a par value of ₱1.00 per share, (b) 700,000,000 Preferred A Shares with a par value of ₱0.10 per share, and (c) 430,000,000 Preferred B Shares with a par value of ₱1.00 per share.

Out of the 430,000,000 Preferred Class B Shares with par value of ₱1.00 per share, the Board of Directors previously approved the designation of Preferred Class B Shares into two (2) series, namely Preferred Class B-1 Shares and Preferred Class B-2 Shares, and allocated 270,000,000 Preferred B Shares as follows: (i) 70,000,000 Preferred B-1 Shares, and (ii) 200,000,000 Preferred Class B-2 Shares. Of the 200,000,000 Preferred Class B-2 Shares, 67,000,000 Preferred Class B2-A with a par value of ₱1.00 per share and 20,000,000 Preferred Class B2-B Shares with a par value of ₱1.00 per share are currently issued and outstanding. Accordingly, the Corporation has authorized and unissued 160,000,000 Preferred Class B Shares and 113,000,000 Preferred Class B-2 Shares.

Following the Offer, and assuming full exercise of the Oversubscription Option, the Company will have 137,000,000 outstanding Preferred Class B-2 Shares, comprising of 67,000,000 Preferred Class B2-A, 20,000,000 Preferred Class B2-B, and up to 50,000,000 Preferred Class B-2 Shares.

The holders of the Offer Shares do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company. Any and all preferred shares of the Company shall have preference over the common shares in dividend distribution and in the event of liquidation or dissolution.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Board of the Company is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination thereof, as the Board shall determine.

The declaration and payment of cash dividends on the Offer Shares on each Dividend Payment Date will be subject to the sole and absolute discretion of the Company's Board of Directors (the "**Board**") to the extent permitted by applicable laws and regulations, and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders of the Company. Some of the Company's existing loan agreements contain covenants that restrict the declaration or payments of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default, if certain financial ratios are not met or would cause them not to be met.

Cash dividends will be payable on March, June, September, and December of each year (each a "**Dividend Payment Date**"), being the last day of each 3-month period (a "**Dividend Period**"), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Class B-2 Shares. Please refer to the "*Dividend Policy"* on page 60.

ALL INFORMATION CONTAINED IN THIS PROSPECTUS ARE DEEMED QUALIFIED BY, AND SHOULD BE READ TOGETHER WITH, ALL DISCLOSURES, REPORTS AND FILINGS OF THE COMPANY AS FILED WITH THE SEC, THE PSE AND/OR THE PHILIPPINE DEALING & EXCHANGE CORP. (COLLECTIVELY, THE "COMPANY DISCLOSURES") PURSUANT TO THE REVISED

CORPORATION CODE, THE SECURITIES REGULATION CODE, AND THE DISCLOSURE RULES OF THE PSE. ALL COMPANY DISCLOSURES ARE INCORPORATED OR DEEMED INCORPORATED BY REFERENCE IN THIS PROSPECTUS. COPIES OF THE COMPANY DISCLOSURES MAY BE VIEWED AT THE WEBSITE OF THE COMPANY AT WWW.CIRTEKHOLDINGS.COM. THE COMPANY DISCLOSURES CONTAIN MATERIAL AND MEANINGFUL INFORMATION RELATING TO THE COMPANY AND INVESTORS SHOULD REVIEW ALL INFORMATION CONTAINED IN THE PROSPECTUS AND THE COMPANY DISCLOSURES INCORPORATED OR DEEMED INCORPORATED HEREIN BY REFERENCE.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. The Company, having made all reasonable enquiries, confirms that: (a) this Prospectus contains all information with respect to the Company and the Offer Shares, which is material in the context of the issue and offering of the Offer Shares; (b) the statements contained in it relating to the Company are in every material respect true and accurate and not misleading; (c) the opinions and intentions expressed in this Prospectus with regard to the Company are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (d) there are no other facts in relation to the Company or the Offer Shares, the omission of which would, in the context of the issue and offering of the Offer Shares, make any statement in this Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Prospectus and in the listing application and all documents submitted to the PSE. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner have exercised due diligence required by law in ascertaining that all material representations contained in this Prospectus are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. No representation, warranty, or undertaking, express or implied, is made by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner (and any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person), and no responsibility or liability is accepted by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner (or any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person) as to the accuracy, adequacy, reasonableness, or completeness of the information and materials contained or incorporated herein (excluding any and all information pertaining to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner) or any other information provided by the Company in connection with the Offer Shares, their distribution, or their future performance. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner (and any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person) accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of Sole Issue Manager, Lead Underwriter and Sole Bookrunner or any person who controls it, or any director, officer, employee, representative, agent, affiliate or adviser of any such person, as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

This Prospectus has been prepared by the Company solely for use in connection with the proposed offering of the Offer Shares described in this Prospectus. The distribution of this Prospectus and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Company, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, or any affiliate or representative of any of the Company or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to subscribe for or purchase, any Offer Shares in any jurisdiction or in any circumstances in which such offer, invitation, or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation, or solicitation.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The distribution of this Prospectus and the offer and sale of the Offer Shares may, in certain jurisdictions, be restricted by law. The Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions.

Unless the context clearly indicates otherwise, any reference to the "Company", "we", "us", or "our" refers to Cirtek Holdings Philippines Corporation and all of its consolidated subsidiaries. In this Prospectus, unless otherwise indicated or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" herein are references to the Government of the Republic of the Philippines. All references to the "BSP" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines.

The information contained in this Prospectus relating to the Company, its operations and those of its subsidiaries and associates has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that, as of the date of this Prospectus, the information contained in this Prospectus relating solely to the Company, its operations, and those of its subsidiaries and associates is true and that there is no material statement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner assume no liability for information supplied by the Company in relation to this Prospectus.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner and the Company have exercised the required due diligence to the effect that, and the Company confirms that, to the best of its knowledge and belief after having taken reasonable care to ensure that such is the case, in ascertaining that all material representations, including its amendments and supplements, if any, contained in this Prospectus as of the Listing Date, are true and correct as of the date of this Prospectus and that no material information was omitted, which was necessary in order to make the statements contained herein as of the listing date of the Offer Shares not misleading.

In making an investment decision, investors must rely on their own examination of the Company, its operations and those of its subsidiaries and associates, and the terms of the Offer, including the material risks involved. The Offer is being made on the basis of this Prospectus.

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

THE SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

By:

JORGE AGUILAR
Vice-Chairman and President

PASIG CITY

SUBSCRIBED AND SWORN to before me this 25th day November 2021 in _____ City, Philippines, affiant exhibiting to me his Passport No. P9239135A issued in DFA NCR South.

Doc. No 445;
Page No 89;
Book No III;
Series of 2021.

ATTY. ANTONIELLA LUISA MARIA L. TRIAS
Notary Public for Pasig
Until December 31, 2021
PTR No. 7176214; January 4, 2021; Pasig City
IBP No. 137895; January 5, 2021; RSM
Appointment / Commission No. 108 (2021)
Roll No. 73690
MCLE Compliance: N/A

TABLE OF CONTENTS

Glossary of Terms……..	2
Executive Summary……	9
Terms of the Offer ……	17
Summary of Consolidated Financial Information……..	26
Risk Factors…….	29
Use of Proceeds……	47
Determination of the Offer Price and Exercise Price……	54
Dilution……...	55
Plan of Distribution……..	56
Description of the Shares Being Offered…….	59
Interest of Named Experts and Counsel…….…….	67
Industry Overview and Competitive Overview……...	68
Description of the Business……..	74
Business of Issuer……..……..…	75
Market Price of and Dividends on the Company's Preferred Shares and Related Stockholder Matters……..	116
Management's Discussion & Analysis of Financial Condition and Results of Operations…….	122
Directors, Executive Officers and Key Persons……..	170
Executive Compensation……	174
Security Ownership of Management and Certain Record and Beneficial Owners……...	176
Certain Relationships and Related Party Transactions…….	182
Material Contracts and Agreements…….	186
Regulatory and Environmental Matters……	192
The Philippine Stock Exchange…….	203
Philippine Foreign Exchange and Foreign Ownership Controls…….	211
Philippine Taxation……..	213
Independent Auditors……..	219
Financial Information…….……..	221
Index to the Financial Statements…….	F-1

GLOSSARY OF TERMS

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

AOI	Automatic Optical Inspection
Application	the document evidencing the application to subscribe to the Offer Shares
Articles	the Articles of Incorporation of the Company
Banking Day or Business Day	a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and banks are generally open for business in Metro Manila, Philippines
Base Offer Shares	a base offer of 30,000,000 Preferred Class B-2 Shares
BIR	Bureau of Internal Revenue
Board of Directors or Board	the Board of Directors of the Company
BOI	Board of Investments, the lead investments promotion agency of the Philippines
BOM or Bill of Materials	List of raw materials, sub-assemblies, intermediate assemblies, subcomponents, parts and the quantities of each needed to manufacture an end product
Box-Build	the electromechanical assembly process involving enclosure fabrication, installation of sub-assemblies and components, and installation and routing of cabling or wire harnesses
BPSK	Binary Phase Shift Keying
BSP	Bangko Sentral ng Pilipinas, the Central Bank of the Philippines
By-Laws	the By-Laws of the Company
CAGR	Compound annual growth rate
Camerton	Camerton, Inc., the principal shareholder of the Company
CATSI	Cirtek Advanced Technologies and Solutions, Inc.
Cayon	Cayon Holdings, Inc.

CEC	Cirtek Electronics Corporation, a Philippine company
CEIC	Cirtek Electronics International Corporation, a British Virgin Islands company
Charmview	Charmview Enterprises, Ltd.
Cirtek Group	refers to the Company including its Subsidiaries
CHI	Cirtek Holdings, Inc.
CLC	Cirtek Land Corporation
Company or Issuer or TECH	Cirtek Holdings Philippines Corporation, a corporation incorporated in the Philippines; references to the Company include references to its Subsidiaries, unless the context otherwise requires
Congress	the Congress of the Philippines, comprised by the House of Representatives and the Senate
Controlling Participation	refer to the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of the corporation, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including, without limitation, the ownership, directly or indirectly, of securities having the power to elect a majority of the Board of Directors or similar body governing the affairs of the corporation
CTT	code name for RBWI's 2nd generation radio (after MRI)
DENR	Department of Environment and Natural Resources
DENR-EMB	Department of Environment and Natural Resources – Environmental Management Bureau
DFN	Dual flat leadless package
Director(s)	the director(s) of the Company
Dividend Paying Agent	BDO Unibank, Inc. - Trust and Investments Group
Dividend Payment Date	March, June, September, and December of each year
Dividend Period	last day of each 3-month period
Dividend Rate	means (a) from the Issue Date up to the Step Up Date, the Initial Dividend Rate, and (b)

	from the Step Up Date, the Step Up Dividend Rate
DOLE	Department of Labor and Employment
EBITDA	earnings before interest, taxes, depreciation and amortization
ECC	Environmental Compliance Certificate
EDGE	Electronic Disclosure Generation Technology
EIS	Environmental Impact Statement
EMB	Environmental Management Bureau
EMS	Electronics Manufacturing Services
Government	the national government of the Republic of the Philippines
IC	Integrated Circuits
IDM	Integrated Device Manufacturer
Initial Dividend Rate	6.5864% p.a. for Preferred B-2 Subseries C Shares 7.7506% p.a. for Preferred B-2 Subseries D Shares
Institutional Offer Shares	at least 24,000,000 Base Offer Shares or approximately 80% of the Base Offer Shares allocated to certain qualified buyers and other investors in the Philippines
IPP	Investment Priorities Plan, the BOI's list of investment priority sectors or preferred investment areas that may be given investment incentives
IRFU	Indoor Radio Frequency Unit
ISO9001	the international standard that specifies requirements for a quality management system (QMS)
ISO14001	the international standard that specifies requirements for environmental management system (EMS)
Issue Date	December 14, 2021
LGU	Local Government Unit
Listing Date	The date at which the Offer Shares shall be listed with the PSE
LLDA	Laguna Lake Development Authority

LMC	Labor Management Council
MIC	Monolithic Integrated Circuit
microwave	region of the electromagnetic spectrum which corresponds to radio band frequencies of 300 MHz to 300 GHz
millimeter wave	region of the electromagnetic spectrum corresponds to radio band frequencies of 30 GHz to 300 GHz
MPO	minimum public ownership
NPI	New Product Information
ODFN	Optical Dual Flat No lead. It is a DFN package that uses clear or transparent mold compound.
ODM	Original Design Manufacturer
ODU	Out Door Unit
OEMs	Original Equipment Manufacturers
Offer	the primary offer and sale of the Offer Shares
Offer Price	₱50.00 per share
Offer Shares	the Base Offer Shares and Oversubscription Shares
OIPR	Outdoor Internet Protocol Radio
Oversubscription Option	the option that may be exercised during the Offer Period by Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Company, to offer up to an additional 20,000,000 Preferred Class B-2 Shares on the same terms as the Base Offer Shares, solely to cover oversubscriptions, if any.
Oversubscription Shares	the Oversubscription Option of up to 20,000,000 Preferred Class B-2 Shares
OSAT	Outsourced Semiconductor Assembly & Test
PAS	Philippine Accounting Standards
PCBA	Printed Circuit Board Assembly
PDIP	Plastic Dual-In-Line Package
PDTC	Philippine Depository & Trust Corp.
Pesos, Philippine	the legal currency of the Republic of the Philippines

Pesos, ₱ and Philippine currency	
PEZA	Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standards
Philhealth	Philippine Health Insurance Corporation
Philippine Constitution	also known as the 1987 Constitution, the supreme law of the Republic of the Philippines
PIM	Passive Intermodulation
PQFN	Power Quad Flat No leads
Principal Shareholder	Camerton, Inc.
Prospectus	This Prospectus together with all its annexes, appendices and amendments, if any
PSE	The Philippine Stock Exchange, Inc.
QFN	Quad flat pack leadless package
QS9000	a company level certification based on quality system requirements related specifically to the automotive industry
Quintel	Quintel Cayman Ltd. and its subsidiary, Quintel USA, Inc.
Quintel Solutions	Quintel USA, Inc.
R.A.	Republic Act, which refers to a statute enacted by the Senate or the House of Representatives
Receiving Agent	Professional Stock Transfer Inc. (PSTI)
Revised Corporation Code	Republic Act No. 11232, otherwise known as "The Revised Corporation Code of the Philippines"
RBWI	REMEC Broadband Wireless International, Inc.
REMEC	REMEC Broadband Wireless Holdings, Inc.
RF	Radio frequency
SEC	The Philippine Securities and Exchange Commission

Senate	the Senate of the Philippines, one of the two branches of the Congress
SOIC	Small-outline integrated circuit
Sole Issue Manager, Lead Underwriter and Sole Bookrunner	PNB Capital and Investment Corporation
SRC	R.A. No. 8799, also known as the Securities Regulation Code of the Philippines
SSS	the Republic of the Philippines' Social Security System
Step Up Date	For TCB2C, the 3rd anniversary from Issue Date; and For TCB2D, on the 5th anniversary from Issue Date.
Stock and Transfer Agent	BDO Unibank, Inc. - Trust and Investments Group
Subsidiary/ies	a corporation which controls more than one-half of the voting power of another corporation, either directly or indirectly. Includes the following: Cirtek Electronics Corporation, Cirtek Electronics International Corporation, Cirtek Advanced Technologies and Solutions, Inc. and/or Quintel Cayman Ltd.
TCB2C	the Preferred Class B-2 Subseries C Shares
TCB2D	the Preferred Class B-2 Subseries D Shares
Trading Participants Offer Shares	6,000,000 Base Offer Shares, or approximately 20% of the Base Offer Shares being offered to Trading Participants in the Philippines at the Offer Price
TS16949	the ISO technical specification aimed at the development of a quality management system that emphasizes defect prevention and the reduction of variation and waste in the automotive industry supply chain
TUV	TÜV SUD Philippines Inc.
UHA	Ultra High Availability

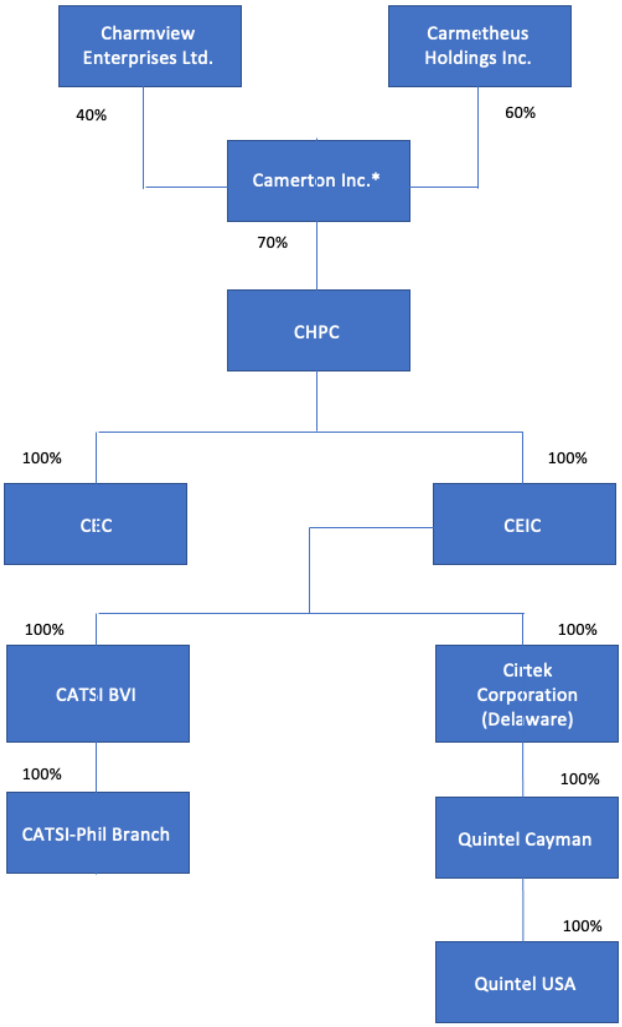
Underwriting Agreement	The agreement entered into by and between the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, indicating the terms and conditions of the Offer and providing that the Base Offer Shares shall be underwritten by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner on a firm basis
US$	U.S. Dollars, the lawful currency of the United States of America
VAT	Value Added Tax

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the Offer Shares, see the section entitled "Risk Factors" beginning on page 29 of this Prospectus. Investors are recommended to read this entire Prospectus carefully, including the Company's consolidated financial statements and related notes contained herein.

Company Overview

Cirtek Holdings Philippines Corporation is a fully integrated global technology company engaged in high-technology product development and focused on 5G wireless communication. Incorporated on February 10, 2011, it is the holding company of Cirtek Electronics Corporation ("CEC") and Cirtek Electronics International Corporation ("CEIC"), (collectively the "Cirtek Group"). The Company's principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.



* As of July 31,2021, Camerton, Inc. owns 70% of the total subscribed shares (Common Shares, Preferred A Shares and Preferred B Shares) of CHPC; 75.02% of the total voting shares (Common Shares and Preferred A Shares); 26.31% of the total outstanding Preferred Shares.

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

1. The design, development, and delivery of the wireless industry's most advanced high-efficiency, high-performance antenna solutions;

2. The manufacture of value-added, highly integrated technology products; and

3. The manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services

CEIC sells integrated circuits principally in the U.S. market and assigns the production of the same to CEC. CEIC acquired Remec Broadband Wireless Inc. ("RBWI") in July 30, 2014 and, subsequently renamed it to Cirtek Advanced Technologies and Solutions, Inc, ("CATSI"). CATSI is wholly-owned by Cirtek Electronics International Corporation. The Philippine Branch is the extension of Cirtek Advanced Technologies and Solutions, Inc., a BVI company, in the Philippines. CATSI, through its Philippine Branch is a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunications, satellite, aerospace and defense, and automotive wireless devices. CATSI offers a broad range of microwave products that go into various applications. The end application covers microwave/wireless solutions for carrier and private data networks catering mobile backhaul, service provider, education, enterprise, government/municipalities and healthcare.

CEC provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users. CEC is primarily engaged in the business as an independent subcontractor for semiconductor assembly, test and packaging services. CEC has over 64 regular customers spread out in Europe, the US and Asia.

Quintel Solutions is a leading provider of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks including 5G. Quintel is a pioneer of multi-port, multi-frequency wireless tower antennas. These antennas support more frequencies and deliver greater bandwidth, thereby improving customer experience and creating cost-efficiencies and quicker roll-out for mobile operators.

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

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

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

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

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

CEIC and CEC are wholly-owned subsidiaries of Cirtek Holdings Philippines Corporation.

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

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

The Company was listed on the PSE on November 18, 2011. On November 10, 2015, the Company had a follow on offering of common shares ("FOO") which was 1.5 times oversubscribed and raised ₱2.2 billion. The common shares subject to the FOO were listed on the PSE on the same day. Its market capitalization has grown by approximately twice from ₱1.1 billion in 2011 to ₱2.8 billion as of December 31, 2020.

As of December 31, 2020, Cirtek Group's consolidated net sales were stable at US$68.9 million while consolidated net income was at US$6.5 million. Net sales grew from 2011 to 2020 at a CAGR of 7%. As of December 31, 2020, the Cirtek Group had total consolidated assets of US$309,084,453 and total consolidated liabilities of US$ 167,650,987.

Corporate History

CHPC was incorporated under the laws of the Philippines on February 10, 2011. The principal activities of CHPC, as a holding company, are to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities. CHPC was listed in the PSE on November 18, 2011.

For more than three decades, the Cirtek Group, through its Subsidiaries, has provided turnkey solutions to its roster of clients who have remained loyal since 1984. The milestones charted by its Subsidiaries attest to this:

Cirtek Electronics Corporation

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

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

Cirtek Electronics International Corporation

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

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

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

The Acquisition of the Quintel business

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

Established in 2007, Quintel designs, develops and delivers advanced high-efficiency, high performance antenna solutions that help mobile operators to increase efficiency, enhance quality-of service, slash costs and accelerate returns. Quintel's current customers are AT&T and Verizon, and large telecommunication corporations operating in North America and Puerto Rico. Quintel's world headquarters are located in Rochester, New York while the research and development office and sales offices are located in San Jose, California. The Rochester, New York and San Jose, California offices operate under Quintel USA, Inc.

The following are Quintel's antenna product lines:

1. MultiServ - Single Antenna - Multiple Frequency Bands

Under the MultiServ brand, Quintel sells Multi-Band/ Multi-Port Antennas which are designed to maximize site utilization without compromising site design and network optimization freedoms. This product offers independent tilt for different bands for different arrays while supporting up to 4x4 Multiple-Input and Multiple-Output ("MIMO") at high-bands. The technology of Multiserv also minimizes Passive Intermodulation interference and supports different access technologies (i.e., 4G is the fourth generation of broadband cellular network technology, succeeding 3G, and preceding 5G, LTE Long Term Evolution is a standard for wireless broadband communication for mobile devices and data terminals, 3G (short for third generation) is the third generation of wireless mobile telecommunications technology. It is the upgrade for 2.5G GPRS and 2.75G EDGE networks, for faster data transfer. 2G (or 2-G) is short for second-generation cellular network. 2G cellular networks were commercially launched as the GSM standard in Finland).

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

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

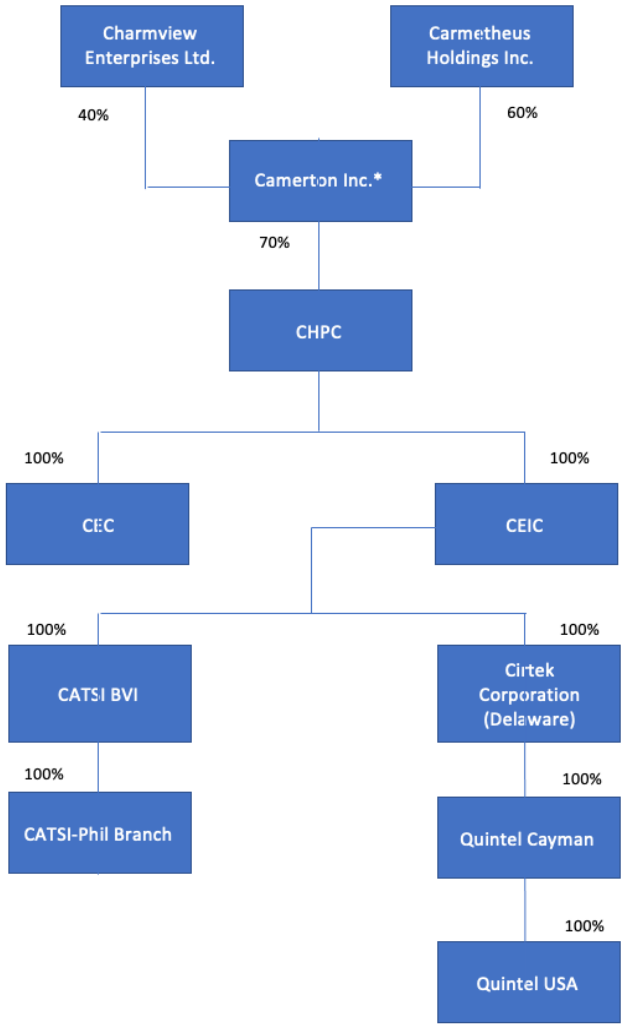
Quintel recently expanded its industry-leading MultiServ™ Slimline Antennas portfolio. In addition to the 12-Port Multiband Antenna, Quintel now has 10 Port antennas, both of which come in 4, 6 and 8 foot lengths. This latest Slimline Antenna utilizes the same 12"/300mm wide form factor that all Quintel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

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

Please refer to the section entitled "Acquisition of Quintel Cayman Ltd. and its subsidiaries" on page 90 for a more detailed discussion on the Quintel Acquisition.

Corporate Structure

The chart below sets out Cirtek Group's corporate structure as of July 31, 2021.



* Camerton, Inc. owns 70% of the total subscribed shares (Common Shares, Preferred A Shares, and Preferred B Shares) of CHPC; 75.02% of the total voting shares (Common Shares and Preferred A Shares); 26.31% of the total outstanding Common Shares.

Competitive Strengths

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

- Industry-leading Technology
- Reputation for High-Quality, Innovative Products
- Offers a Complete Range of Turnkey Solutions and Vertically Integrated Services
- Significant Proprietary IP
- Global and Diversified Customer Footprint
- Strong Financial Track Record
- Highly Experienced Management Team
- Proven Execution Track Record

Key Strategies

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

For Quintel

- Expand to new geographic markets as the global market for multi-port, multi-frequency base station antennas is expanding rapidly
- Expand Quintel's product portfolio through new product introduction, licensing and white label branding
- Improve gross margins through lower bill of materials ("BOM") cost, more efficient outbound logistics, better yield and better quality

For CEC

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

For CATSI

- Continuously grow RFM/Microwave/Milimeterwave Business
- Expand customer base for RF/Microwave/Milimeterwave Business
- Acquisition of Remec Broadband Wireless International, Inc.

Risks of Investing

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

Risks relating to the Company and its business

- The growth of the Company is dependent on the successful execution of its expansion plans.

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

Risks Relating to Countries Where the Company Operates

- Business, political, operational, financial, and economic risks arising from the Company's operations in the Philippines and other jurisdictions
- Risks arising from environmental laws that are applicable to the Company's projects
- Risks due to political instability in these various jurisdictions
- Risks arising from territorial disputes involving the Philippines and its neighboring countries
- Macroeconomic risks from each country of operations
- Risks relating to the Company's international expansion and its operation in multiple jurisdictions
- Risks due to natural or man-made catastrophes including severe weather conditions and epidemics, including the COVID-19 pandemic.

Risks Relating to the Offer

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets
- There will be a delay between payment for the Offer Shares, and trading of, the Offer Shares on the PSE; the listing of the Offer Shares may be delayed.
- Future issuance and/or sales of the Company's Preferred Shares in the public market could adversely affect the prevailing market price of the Preferred Shares and shareholders may experience dilution in their holdings.
- The transfer of Offer Shares is restricted in certain jurisdictions which may adversely affect their liquidity and the price at which they may be sold.

Please refer to the section entitled “Risk Factors” beginning on page 29 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

CORPORATE INFORMATION

The Company’s principal place of business is at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna, Philippines with telephone number (632) 7729-6205. The information and prospectus of the Company may be obtained at http://www.cirtekholdings.com and at http://www.cirtekholdings.com/content/investor-relations/reports--latest-disclosures/, respectively.

TERMS OF THE OFFER

Issuer	Cirtek Holdings Philippines Corporation ("TECH" or the "Company")
Offer	TECH is offering by way of primary offer up to Fifty Million (50,000,000) cumulative, non-participating, non-voting, non-convertible perpetual and redeemable peso-denominated Preferred Class B-2 Shares with a par of ₱1.00 per share at an offer price of ₱50.00 per share The Preferred Class B-2 Shares shall be issued in the following series (each a "Series"): • "*TCB2C*" as the Preferred Class B-2 Subseries C Shares; or • "*TCB2D*" as the Preferred Class B-2 Subseries D Shares.
Base Offer	Thirty Million (30,000,000) Preferred Class B-2 Shares (the "Base Offer Shares") in aggregate issue value of One Billion Five Hundred Million Pesos (₱1,500,000,000.00) broken down as follows: (a) Subseries C (TCB2C – 3 Years): 11,288,000 shares (b) Subseries D (TCB2D – 5 Years): 18,712,000 shares The allocation of the Base Offer Shares shall further be allocated as follows: (a) Institutional Offer: 80% or 24,000,000 shares (b) Trading Participants Offer: 20% or 6,000,000 shares i. Subseries C (TCB2C – 3 Years): 2,257,600 shares ii. Subseries D (TCB2D – 5 Years): 3,742,400 shares Each Trading Participant will be allocated a total of 48,000 Offer Shares, comprised of 18,100 Preferred Class B-2 Subseries C and 29,900 Preferred Class B-2 Subseries D subject to final allocation, which shall be consistent with the applicable rules, as may be determined by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner (the "Allocation per TP").
Oversubscription Option	In the event of oversubscription, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Company, has the right (but not the obligation) to offer up to an additional Twenty Million (20,000,000) Preferred Class B-2 Shares (the "Oversubscription Shares") equivalent to an additional aggregate issue value of up to One Billion (₱1,000,000,000.00). The Base Offer Shares and the Oversubscription Shares shall collectively be referred to as the "Offer Shares"
Registration, Issuance and Listing	To be registered with the Securities and Exchange Commission ("SEC") and listed on the Philippine Stock Exchange, Inc. ("PSE"), subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Preferred Class B-2 Subseries C Shares and Preferred Class B-2 Subseries D Shares shall be tradeable under the symbol "TCB2C" and "TCB2D", respectively.
Sole Issue Manager, Lead Underwriter and Sole Bookrunner	PNB Capital and Investment Corporation ("PNB Capital")
Use of Proceeds	The issuance of Preferred Class B-2 Shares is for additional capital expenditure/equipment, partial payments of maturing Preferred Class B2-A shares and maturing loans, and working capital for all its Subsidiaries.
Par Value	The Preferred Class B-2 Shares have a par value of ₱1.00 per share.

Offer Price	The Preferred Class B-2 Shares shall be offered and issued at a price of ₱50.00 per share.
Minimum Subscription	Each application to subscribe to the Preferred Class B-2 Shares shall be for a minimum of 1,000 Preferred Class B-2 Shares, and thereafter, in multiples of 100 Preferred Class B-2 Shares. No application for multiples of any other number of Preferred Class B-2 Shares will be considered.
Offer Period	November 25 to December 3, 2021
Target Issue Date and Listing Date	December 14, 2021
Dividend Rate	"Dividend Rate" means (a) from the Issue Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the Step Up Dividend Rate.
Initial Dividend Rate	The Initial Dividend Rates for Series are as follows. 6.5864% p.a. for Preferred Class B-2 Shares Subseries C 7.7506% p.a. for Preferred Class B-2 Shares Subseries D
Dividend Payment Dates and Periods	Cash dividends will be payable on March, June, September, and December of each year (each a "Dividend Payment Date"), being the last day of each 3-month period (a "Dividend Period"), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Class B-2 Shares. The dividends on the Preferred Class B-2 Shares will be calculated on a 30/360-day basis. The first Dividend Payment Date will be on the day that occurs 3 months after the Issue Date and the succeeding Dividend Payment Dates shall occur after each following 3-month period. If any Dividend Payment Date or other payment date is not a Banking Day, dividends or other payments will be paid on the next succeeding Banking Day, without adjustment as to the amount to be paid. A "Banking Day" means a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and banks are generally open for business in Metro Manila, Philippines.
Conditions on Declaration and Payment of Cash Dividends	The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Company is a party and the requirements under applicable laws and regulations. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of the Dividend would cause the Company to breach any of its financial covenants. If the unrestricted retained earnings available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Issuer to pay in full cash dividends on the Preferred Class B-2 Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Class B-2 Shares ("Comparable Shares"), the Company is required to pay cash dividends on both the Preferred Class B-2 Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Preferred Class B-2 Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("Dividends in Arrears"). The unrestricted retained earnings available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Issuer less accumulated, realized loss.

Cumulative	Dividends on the Preferred Class B-2 Shares will be cumulative. If for any reason the Company's Board of Directors does not declare a dividend on the Preferred Class B-2 Shares for a Dividend Period, the Company will not pay a dividend for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Class B-2 Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Preferred Class B-2 Shares prior to such Dividend Period. Holders of Preferred Class B-2 Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Class B-2 Shares. The Company will covenant that, in the event (a) any dividends due with respect to any Preferred Class B-2 Shares then outstanding for any period are not declared and paid in full when due, or (b) any other amounts payable under the Preferred Class B-2 Shares terms and conditions are not paid in full when due for any reason, the Company will not: i. declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking junior to Preferred Class B-2 Shares; or ii. contribute any moneys to a sinking fund for the redemption of any securities ranking junior to Preferred Class B-2 Shares. For the avoidance of doubt, it is understood that the Preferred Class B-2 Shares shall rank pari passu with each other with respect to the preference given in the declaration and payment of dividends and the Company's covenant in the immediately preceding paragraph. Subject to legal requirements, the Company will procure that no subsidiary over which the Company has a Controlling Participation will pay any discretionary dividends or other discretionary distributions on, or at the Company's discretion repurchase or redeem, any security ranking senior to the respective subsidiary's common shares other than those senior securities held by the Company or a wholly-owned subsidiary thereof (or contribute any moneys to a sinking fund for the purposes of any such redemption). "Controlling Participation" shall refer to the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of the corporation, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including, without limitation, the ownership, directly or indirectly, of securities having the power to elect a majority of the Board of Directors or similar body governing the affairs of the corporation.
Optional Redemption and Purchase	As and if approved by the Board of Directors, the Company may redeem the Preferred Class B-2 Shares on the relevant Step Up Date or on any Dividend Payment Date thereafter (each an "Optional Redemption Date"), in whole but not in part, at a redemption price equal to the relevant Offer Price of the Preferred Class B-2 Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (the "Redemption Price"). The Company may also redeem the Preferred Class B-2 Shares, in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not more than 60 nor less than 30 calendar days' notice prior to the intended redemption date. Such notice shall be irrevocable and binding upon the Company to effect such redemption of the Preferred Class B-2 Shares at the redemption date stated in such notice. The redemption due to any Change of Control Event, Indebtedness Default Event, Accounting Event, or Tax Event shall be made by the Company at the Redemption Price which shall be paid within five (5) banking days of the exercise of the right to redeem the Preferred Class B-2 Shares. Upon listing on the PSE, the Company may purchase the Preferred Class B-2 Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Class B-2 Shares so purchased may either be redeemed and cancelled (after the Optional Redemption Date) or kept as treasury shares, as applicable.

Step Up Date	• For TCB2C, on the 3rd anniversary from Issue Date; and • For TCB2D, on the 5th anniversary from Issue Date.
Step Up Dividend Rate	Unless the Preferred Class B-2 Shares shall have been redeemed by the Company on the applicable Step Up Date, the Dividend Rate shall be adjusted thereafter to the higher of: (a) the sum of (i) the Initial Dividend Rate for the relevant Series, *plus*, (ii) 5.00%; or (b) the sum of (i) the applicable Step Up Benchmark Rate, *plus* (ii) the Initial Spread for the relevant Series, *plus* (iii) 5.00%. "Step Up Benchmark Rate" shall be equivalent to the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 7-year (for TCB2C) or 10-year (for TCB2D) Republic of the Philippines Peso-denominated domestic government bonds, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time), for the three (3) banking days immediately preceding and exclusive of the applicable Step Up Date. In the event that the BVAL is replaced by a new benchmark rate as determined by the Bankers Association of the Philippines ("BAP") or the Bangko Sentral ng Pilipinas ("BSP"), such new benchmark rate shall be adopted for purposes of determining the Step Up Benchmark Rate. "Initial Spread" shall be as follows: (i) for TCB2C, 3.25%; and (ii) for TCB2D, 3.50%. If the Preferred Class B-2 Shares are not redeemed by the Company within five (5) Banking Days after occurrence of a Change of Control Event or an Indebtedness Default Event, the Dividend Rate shall be adjusted to a Dividend Rate equal to the sum of (i) prevailing Dividend Rate (whether the Initial Dividend Rate or Step Up Dividend Rate), *plus* (ii) 5.00% per annum. The Company will inform the holders of the Preferred Class B-2 Shares of the applicable Step Up Dividend Rate in accordance with applicable laws and regulations, including making the necessary disclosure of the Step Up Dividend Rate via PSE EDGE, as soon as the Step Up Dividend Rate becomes effective, which is no case shall be later than five (5) Banking Days from effectivity of the Step Up Dividend Rate.
Accounting Event	An accounting event shall occur if an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Company stating that the Preferred Class B-2 Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with Philippine Financial Reporting Standards ("PFRS"), or such other accounting standards which succeed PFRS as adopted by the Company for the preparation of its audited consolidated financial statements for the relevant financial year and such event cannot be avoided by the Company taking reasonable measures available to it.
Tax Event	A tax event shall occur if payments on the Preferred Class B-2 Shares become subject to additional or higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company.
Change of Control Event	A change in control event shall be deemed to have occurred if 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 Company pursuant to the Philippine laws.
Indebtedness Default Event	In the event of a declaration of default on the Company in any of its debt obligations, the Company shall be obligated to redeem the Preferred Class B-2 Shares within five (5) banking days from the date of occurrence of Indebtedness Default Event (the "Mandatory Redemption Period")

	If the Preferred Class B-2 Shares are not redeemed within the Mandatory Redemption Period, the prevailing Dividend Rate (whether the Initial Dividend Rate or Step Up Dividend Rate) on redemption will be plus 5.00% per annum.
Liquidation Rights	In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Company, the holders of the Preferred Class B-2 Shares shall enjoy preference in the distribution of assets of the Company and shall be paid in Philippine Pesos. If the remaining assets of the Company are insufficient, the Company is required to pay in full, or to set aside an amount equal to, the issue price of the shares plus any previously declared and unpaid dividends: first, to shares with liquidation right ranking in priority to that of the Preferred Class B-2 Shares; and second, to the Preferred Shares and any other shares ranking equally with the Preferred Class B-2 Shares, before any asset of the Company is paid or distributed to the holders of common shares and other securities junior to the Preferred Class B-2 Shares.
No Sinking Fund	The Company is not legally required to establish, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Class B-2 Shares.
No Voting Rights	Holders of the Preferred Class B-2 Shares shall not be entitled to vote at the Company's stockholders' meetings, except as in cases provided by law.
Non-participating	Holders of the Preferred Class B-2 Shares shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Preferred Class B-2 Shares.
Non-convertible	Holders of the Preferred Class B-2 Shares shall have no right to convert the Preferred Class B-2 Shares to any other preferred shares or common shares of the Company.
No pre-emptive rights	Holders of the Preferred Class B-2 Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.
Taxation	All payments in respect of the Preferred Class B-2 Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Preferred Class B-2 Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to: a. any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Preferred Class B-2 Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation; b. any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Preferred Class B-2 Shares or on the liquidating distributions as may be received by a holder of Preferred Class B-2 Shares; c. any expanded value added tax which may be payable by any holder of the Preferred Class B-2 Shares on any amount to be received from the Company under the terms and conditions of the Preferred Class B-2 Shares; d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Preferred Class B-2 Shares or any entity which is a non-resident foreign corporation; and e. any applicable taxes on any subsequent sale or transfer of the Preferred Class B-2 Shares by any holder of the Preferred Class B-2 Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

	All sums payable by the Company to tax-exempt entries shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present proof of such tax-exempt status from the tax authorities, in form and substance satisfactory to the Company. Documentary stamp tax and all other costs and expenses for the issuance of the Preferred Class B-2 Shares and the documentation of the Offer, if any, shall be for the account of the Company.
Form, Title and Registration of the Preferred Shares	The Preferred Shares Class B-2 will be issued in scripless form through the electronic book-entry system of BDO Unibank, Inc. - Trust and Investments Group as Registrar for the Offer, and lodged with the Philippine Depository & Trust Corp. as Depository Agent on the Listing Date through the PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms to be issued and circulated in connection with the Offer (together with the required documents, the "Application") the name of the Trading Participants under whose name their Preferred Class B-2 Shares will be registered. After Listing Date, holders of the Preferred Class B-2 Shares (the "Shareholders") may request their nominated PSE Trading Participants to facilitate the conversion of their scripless Preferred Class B-2 Shares into stock certificates. Any expense that will be incurred in relation to such issuance of stock certificates shall be for the account of the requesting Shareholder. Legal title to the Preferred Class B-2 Shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Class B-2 Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every year a statement of account to all Shareholders named in the Registry of Shareholders, except certificated Shareholders and Depository Participants, confirming the number of Preferred Class B-2 Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of the given date thereof. Any request by a Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Preferred Class B-2 Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Market Flex	The Sole Issue Manager, Lead Underwriter and Sole Bookrunner may propose to change the structure and/or pricing of the Offer if they determine that such changes are necessary and advisable in order to enhance the prospects of successful arrangement. Any change in the structure or pricing of the Offer shall not be effective without prior written consent of the Company. Provisions in this paragraph shall remain in full force and effect until arranging has been completed in a manner satisfactory to the Sole Issue Manager Lead Underwriter and Sole Bookrunner.
Eligible Investors	The Offer Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality, subject to limits under Philippine law. However, under certain circumstances, the Company may reject an Application or reduce the number of the Offer Shares applied for subscription. Subscription to the Offer Shares may be restricted in certain jurisdictions. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.

Procedure for Application	Applications to Purchase the Offer Shares may be obtained from the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or the Selling Agents. All Applications shall be evidenced by the Application to Purchase, duly executed in each case by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, the corresponding proof of full payment for the Offer Shares covered by the Application and all other required documents including documents required for registry with the registrar and depository agent. The duly executed Application to Purchase and required documents should be submitted to the Receiving Agent, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or the Selling Agents by the end of the Offer Period. If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents: i. a certified true copy of the applicant's latest articles of incorporation and by-laws or other constitutive documents, each as amended to date, duly certified by the corporate secretary; ii. applicant's SEC certificate of registration, duly certified by the corporate secretary; and iii. a duly notarized corporate secretary's certificate setting forth the resolution of the applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the application and (ii) the designated signatories for the purpose, including their respective specimen signatures. Individual applicants must also submit a photocopy of two (2) valid and current government-issued identification cards ("ID"): passport/driver's license, Social Security System/Government Service, PRC ID or such other ID and documents as may be required by or acceptable to the selling bank. An applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the Application to Purchase and also submit additional documents as may be required by the Issuer.
Payment for the Preferred Shares	The proof of full payment for the Offer Shares covered by the Application must be submitted together with the Application to Purchase and all other required documents. Payment shall be in the form of either: For the Trading Participants, (a) over-the-counter cash or check deposit payment through any PNB branches via the PNB Bills Payment Facility, or (b) online payment through PNB Internet Banking or PNB Mobile Banking App. Over-the-counter payments can be via (i) a personal/ corporate/cashier's/manager's check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Banking Day; or (ii) cash payment. This should be read in conjuction with the Implementing Guidelines for the Reservation and Allocation of TECH's Preferred Class B-2 Shares through the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner ("**TP Guidelines**") to be included in the sales kit for Trading Participants. Proof of full payment must be submitted to the Receiving Agent, together with the Application to Purchase and required attachments. All checks should be dated as of the date of submission of the Application, made payable to PNB CAPITAL AND INVESTMENT CORPORATION", and crossed "Payee's Account Only". For applicants submitting their Application to Purchase to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, payments shall be in accordance with the instructions to be provided.
Acceptance/ Rejection of Applications	The actual number of the Offer Shares that an applicant will be allowed to subscribe to is subject to the confirmation of the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. The Company reserves the right to accept or reject, in whole or in part, or to reduce any application due to any grounds specified in the relevant underwriting agreement to be entered into by the Company with the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner. Applications which were unpaid or where payments were insufficient and those that do not comply with the

<table>
<tr><td></td><td>terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not constitute as approval or acceptance by the Company of the Application.

An Application, when accepted, shall constitute an agreement between the applicant and the Company for the subscription to the Offer Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in the Prospectus for the Offer. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the applicant for the Offer Shares will become effective only on the relevant Issue Date.</td></tr>
<tr><td>Refunds for Rejected Applications</td><td>In the event that the number of the Offer Shares to be allotted to an applicant, as confirmed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Receiving Agent, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner or the Selling Agent with whom the applicant has filed the Application, as applicable, shall refund, without interest, starting on the fifth (5th) Banking Day following the end of the Offer Period, all, or a portion of the payment corresponding to the number of the Offer Shares wholly or partially rejected, as applicable. All refunds shall be made through the Receving Agent, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner or the Selling Agent with whom the applicant has filed the Application, as applicable, at the risk of the applicant.</td></tr>
<tr><td>Local Small Investors</td><td>The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.</td></tr>
<tr><td>Governing Law</td><td>The Preferred Class B-2 Shares will be issued pursuant to the laws of the Republic of the Philippines.</td></tr>
<tr><td>Dividend, Paying Agent, Registrar and Stock Transfer Agent</td><td>BDO Unibank, Inc. - Trust and Investments Group</td></tr>
<tr><td>Depository Agent</td><td>Philippine Depository and Trust Corporation</td></tr>
<tr><td>Receiving Agent</td><td>Professional Stock Transfer Inc.</td></tr>
<tr><td>Selling Agents</td><td>PSE Trading Participants</td></tr>
<tr><td>Counsel to the Issuer</td><td>Tolosa Javier Lim & Chua Law Firm</td></tr>
<tr><td>Counsel to the Underwriter/s and Sole Issue Manager</td><td>Romulo Mabanta Buenaventura Sayoc & de los Angeles</td></tr>
<tr><td>Expected Timeline</td><td>The timetable of the Offer is expected to be as follows:

<table>
<tr><td>Receipt of SEC Pre-effective clearance and amended Pre-effective clearance</td><td>November 4, 2021 as amended on November 9, 2021</td></tr>
<tr><td>Receipt of PSE Board approval</td><td>November 11, 2021</td></tr>
<tr><td>Bookbuilding Period</td><td>November 17 to 22, 2021</td></tr>
<tr><td>Initial Dividend Rate Setting Date</td><td>November 22, 2021</td></tr>
</table>
</td></tr>
</table>

Receipt of the Permit to Sell from the SEC	November 23, 2021
Offer Period	November 25, 2021 to December 3, 2021
PSE Trading Participants' Commitment Period	November 25, 2021 to November 29, 2021
Submission of Firm Order and Commitments by PSE Trading Participants	November 29, 2021, 12:00 noon
Listing Date and commencement of trading on the PSE	December 14, 2021

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's consolidated, reviewed financial statements for the fiscal year ended June 30, 2021, unaudited financial statements for the fiscal year ended June 30, 2020, and audited financial statements for the years ended December 31, 2020, 2019, and 2018.[1] These should be read in conjunction with the auditors' reports, the Company's consolidated financial statements including the notes thereto included elsewhere in this Prospectus, the section entitled "Management's Discussion & Analysis of Financial Conditions and Results of Operations", and other financial information included herein.

The consolidated financial statements as of June 30, 2021, and as of December 31, 2020 and 2019 were audited by R.S. Bernaldo & Associates ("RSBA"). The consolidated financial statements as of December 31, 2018 were audited by SyCip Gorres Velayo & Co. ("SGV") a member practice of Ernst & Young Global, all in accordance with Philippine Financial Reporting Standards ("PFRS") and the Philippine Accounting Standards ("PAS").

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

Income Statement Data (*in thousands and US Dollars)	**For the years ended December 31**			**For the six months ended June 30**	
	2020 *Audited*	**2019** *Audited*	**2018** *Audited*	**2021** *Reviewed*	**2020** *Unaudited*
Revenue from Contracts with Customers	68,907	80,119	106,475	45,553	42,288
Cost of Sales	(49,202)	(57,091)	(84,624)	31,856	30,621
Gross Profit	19,705	23,028	21,850	13,697	11,668
Operating Expenses	(7,038)	(9,845)	(15,587)	4,275	4,646
Financial Income (Expenses)	(5,303)	(4,852)	(4,805)	(15)	(62)
Other Income	320	481	8,328	1,108	1,241
Income Before Income Tax	7,044	8,812	9,786	8,165	5,116

[1] The financial statements of the Company reflect the consolidation of RBWRP, a company which is 40% indirectly owned by TECH with the balance of 60% owned by RCBC Trust account #39-040-2, a retirement trust fund for the employees of CATSI BVI.

The bases of the consolidation revolve around the following, which are compliant under PFRS 10 Appendix A and PAS 24 accounting standards.

- CATSI BVI has 60% indirect ownership over RBWRP through the Retirement Trust Fund having 60% ownership over RBWRP.
- CATSI BVI has 40% indirect ownership over RBWRP through CATSI- Philippine Branch having 40% ownership over RBWRP.
- CATSI BVI is a wholly-owned subsidiary of CEIC, which is also a wholly-owned subsidiary of CHPC.

PFRS 10 Appendix A defines a subsidiary as an entity that is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

PAS 24 Related Party Disclosures Paragraph 9(b)(V) states that an entity is related to a reporting entity if the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity itself such a plan, the sponsoring employers are also related to the reporting entity.

Provision for Income Tax	447	390	1,452	184	136
Net Income	6,597	8,422	8,334	7,981	4,980
Discontinued Operation	-	13,730	-	-	-
Other Comprehensive Income that will not be reclassified subsequently to profit or loss	2,272	349	215	-	-
Other Comprehensive Income that will be reclassified subsequently to profit or loss	(2,967)	(2,454)	-	-	-
Total Comprehensive Income	8,869	22,501	8,549	7,981	4,980
Basic/Diluted Earnings Per Share	US$0.00570	$0.0015	$0.011	$0.013	$0.007

Balance Sheet Data (*in thousands and US Dollars)	**June 30**	**As of December 31**		
	2021 *Reviewed*	**2020** *Audited*	**2019** *Audited*	**2018** *Audited*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	10,213	31,837	15,355	17,443
Trade and other receivables	59,812	56,655	43,750	14,726
Inventories	60,751	57,101	36,841	28,303
Amounts owed by related parties	191	194	22,974	57,005
Other current assets	6,648	5,061	4,138	2,618
Assets held for sale	10,605	10,605	10,605	-
Total Current Assets	148,223	161,452	133,663	120,094
NON-CURRENT ASSETS				
Available-for-sale financial asset	-	-	-	-
Other financial asset at amortized cost	-	456	459	470
Held-to-maturity investment	-	-	-	-
Investment properties	-	-	-	10,605
Property, plant, and equipment – net	40,235	41,952	36,739	38,161
Intangible assets – net	94,273	94,072	94,320	93,084
Right-of-use asset – net	335	443	491	
Deferred income tax assets – net	288	329	257	205
Other noncurrent assets	6,261	10,380	902	1,951
Total Non-current Assets	141,395	147,632	133,168	144,475
TOTAL ASSETS	289,618	309,084	266,831	264,569
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	20,909	14,990	17,620	16,811
Short-term loans	61,084	86,039	64,700	53,710
Current portion of long-term debt	5,246	8,114	9,651	11,046

Amounts owed to related parties	620	619	566	601
Dividend payable	225	127	21	21
Lease liabilities – current portion	195	302	330	-
Deposit for future stock subscription	189	189	189	-
Income tax payable	248	131	298	459
Total Current Liabilities	88,717	110,509	93,383	82,647
NON-CURRENT LIABILITIES				
Long-term debt – net of current portion	47,499	50,317	52,830	62,301
Lease liabilities – net of current portion	163	163	163	-
Deposit for future stock subscriptions	-	-	-	189
Retirement benefit obligation	2,758	2,748	2,055	1,555
Deferred income tax liabilities – net	3,806	3,914	4,141	4,091
Total Non-current Liabilities	54,226	57,142	59,189	68,136
TOTAL LIABILITIES		167,651	152,572	150,783
EQUITY				
Common stock	9,594	9,594	9,594	9,594
Preferred stock	3,032	3,032	2,616	2,616
Additional paid-in capital	120,054	120,054	100,470	100,470
Equity reserve	4,030	4,030	4,030	4,030
Other comprehensive income (loss)	1,366	1,366	(907)	1,256
Retained earnings	33,376	28,144	26,209	25,145
Parent company shares held by a subsidiary	(24,777)	(24,786)	(27,753)	(26,813)
Total Equity	146,674	141,433	114,259	113,786
TOTAL LIABILITIES AND EQUITY	289,617	309,084	266,831	264,569

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

Amounts in thousands US$, except ratios, and where indicated	**2021 Six Months**	**2020 Six Months**	**2020 Full year**	**2019 Full year**	**2018 Full year**
EBITDA	14,488	11,907	$19,658	$19,661	$20,452
EBITDA Margin	32%	28%	29%	25%	19%
Sales Growth	8%	13%	(14%)	(25%)	20%
Current Ratio (x)	1.67x	1.28x	1.46x	1.43x	1.45x
Earnings per share (US$)	0.013	0.007	0.00570	0.0015	0.0110

Note: EBITDA was calculated by adding Net Income, Interest expense/income, Provision for/Benefit from Income Tax and Depreciation and amortization of the Company

EBITDA Margin was calculated by dividing EBITDA by total revenue of the Company

Sales Growth was calculated by dividing the difference between the ending and starting values of the Sales of the Company

Current Ration was calculated by dividing the Current Assets by the Current Liabilities of the Company

Earnings per Share were calculated using the Company's average outstanding common shares for the years 2021, 2020, 2019, and 2018.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit being made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors should consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently not considered material could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Offer Shares and the investors may lose all or part of their investment. Investors may request publicly available information on the Offer Shares and the Company from the SEC and PSE.

The means by which the Company intends to address the risk factors discussed herein are principally presented under the captions "Risk Factors" beginning on page 29 of this Prospectus, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 122 of this Prospectus and "Directors, Executive Officers and Key Persons" beginning on page 170 of this Prospectus.

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in purchasing, holding and trading the Offer Shares. Each investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Offer Shares.

RISKS RELATING TO THE COMPANY'S BUSINESS

The growth of the Company is dependent on the successful execution of its expansion plans.

The Company has been actively seeking business opportunities with new potential customers wherein the initial focus will be on large customers in North America and Europe. The Company eventually wants to penetrate the Asian market and provide its products to telecommunication companies in countries such as Singapore and the Philippines.

Expansion into new geographical areas will expose the Company to additional operational, logistical and other risks and there is no assurance that the Company will be successful or profitable. For example, if the Company experiences significant future growth, it may not only be required to make additional investments in our platform, but will also have to expand its relationships with various suppliers and other third parties it does business with and to expend time and effort to integrate new suppliers and other third parties into its operations. Moreover, the proposed expansion will also place increased demands on our managerial, operational, financial and administrative resources. There is no guarantee that it will be able to hire the required number of employees to expand its business in a timely manner and on acceptable terms. Any difficulties it experiences with respect to developing its business operations in new geographical areas may materially and adversely affect its business, financial condition, and results of operations.

An inability to manage future growth efficiently could have a material adverse effect on the Company's business, financial condition, cash flows, results of operations and prospects.

To mitigate the risk the Company is hiring skilled managerial, operational, financial and administrative resources. To further manage the risk, the Company should define business strategy and objectives for its expansion plan.

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

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

The demand for the Cirtek Group's solutions is derived from the demand of end customers particularly for end-use applications in the computing, communications, consumer automotive, and industrial electronics industries. These industries have historically been characterized by rapid technological change, evolving industry standards, and changing customer needs. There can be no assurance that the Cirtek Group will be successful in responding to these industry demands. New services or technologies may also render the Cirtek Group's existing services or technologies less competitive. If the Cirtek Group does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities may require substantial time, effort, and capital investment.

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

Furthermore, to manage the risk, the Cirtek Group develops its own technology and product roadmaps. It also ensures that it has the skills necessary to meet its customers' needs through training and hiring. ***Some of the Cirtek Group's customers have the contractual right to place orders in quantities less than the agreed minimum. The customers also require that the latter maintain certain key certifications and meet technical audit standards in order to be an accredited assembly and testing subcontractor.***

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

To manage the risk, the Cirtek Group was able to consistently obtain all customary international accreditations certifying to its world-class standards of process and manufacturing from quality institutions such as TUV and Defense Supply Center of Columbus. This allows it to meet various industry requirements and standards. To mitigate the risk, the Cirtek Group continually monitors industry requirements and standards issued by applicable international accreditation bodies and implements the changes or adjustments necessary to remain compliant with the levels of standard imposed on competitive industry members. ***The Cirtek Group may be exposed to risk of inventory obsolescence and working capital tied up in inventories.***

The Cirtek Group may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Inventory obsolescence may require it to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected.

The Cirtek Group is cognizant of these risks and accordingly, to manage the risk, it exercises due diligence in materials planning. The Cirtek Group also makes provisions in its inventory systems and planning for a reasonable amount for obsolescence. It works with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk. In addition, the Cirtek Group often negotiates buy back arrangements with customers where, in the event the customers' purchase orders are delayed, canceled, or enter in the end-of-life phase, the customers assume the risk and compensates the Cirtek Group for the excess inventory.

In addition, while Cirtek Group has large amount of inventories due to long ordering time cause by the pandemic, the stocks on hand are current and will be used for large orders. Furthermore, finished goods antenna products are convertible and can be upgraded into a new model because of design and flexibility and has a lifecycle of more than 5 years, thereby, mitigating the risk of obsolescence.

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

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

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

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

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

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

The Cirtek Group also forecasts cash flow regularly, monitoring, and optimizing net working capital, and managing existing credit facilities to manage and mitigate this risk.

CEC and CATSI are required to maintain governmental approvals

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

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

Majority of Cirtek Group's semi-conductor business is dependent on the continuous growth of outsourcing by Original Equipment Manufacturers (OEMs)

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

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

The Company believes that its global footprint, with sales reach in Asia, Europe, the U.S., Africa, and South America[2], its global supply chain systems and capabilities, and its design services will continue to provide strategic advantages for customers to outsource parts of their product development and manufacturing processes to the Company.

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

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

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

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

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

The Cirtek Group is exposed to the cyclical nature of the semiconductor industry

The semiconductor industry's growth is largely driven by end markets in communications, data processing, consumer electronics, the automotive industry, and the industrial sector for which semiconductors are critical components. The industry has historically been cyclical, and affected by economic downturns. The Company currently derives 46% of its sales and operating profits from the assembly and testing services it provides other semiconductor companies worldwide. During periods of weak demand or excess capacity, the Cirtek Group's customers may opt not to continue with, or cancel, existing orders. These events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Cirtek Group continually monitors its direct costs such as raw materials, spare parts, and direct and indirect labor. Customers provide order forecasts that enable the Company to properly plan direct material purchases. The Cirtek Group has also implemented an internal reporting system, which allows senior management to monitor profitability for each of the

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

products on a weekly basis. The Cirtek Group believes that these measures allow it to respond quickly and make the necessary adjustments, which have proven crucial in maintaining its competitiveness.

In addition, the products have diverse end-user applications in different industries, which allow it to cope with upswings and downswings in demand. Customers are also geographically dispersed among Europe, U.S. and Asia. Thus, because of this diversity, the Cirtek Group is not dependent on a single market. In 2020, 39% of Cirtek Group's revenue came from the U.S., 18% from Europe, and 43% from Asia.

To manage and mitigate the risk, the Company may expand its operations internationally and enter additional markets, which will require significant management attention. However, any such expansion may cause a strain in existing management resources.

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

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

The Cirtek Group's competitors include Integrated Device Manufacturer ("IDMs") with their own in-house assembly and testing capabilities, and similar independent semiconductor assembly and test subcontractors. In order to remain competitive, the Cirtek Group has to price its services and products reasonably, as well as maintain the quality in its manufacturing processes and deliver its products on a timely basis. A discussion on the Cirtek Group competitors is found in the "Subsidiaries" section on page 84 of this Prospectus. A discussion on the semiconductor industry is also found in the "Industry Overview and Competitive Overview" section on page 68 of this Prospectus.

To mitigate the risk, the Cirtek Group has in place, strict procedures to ensure the quality of its products. Through the Quality Assurance division of its subsidiary CEC, the Cirtek Group ascertains its processes and products are compliant with its client's requirements, and conducts regular audits of manufacturing procedures.

To further manage the risk, the Company has a dedicated and experienced management team that understands the industry's requirements and technology trends that allows the Cirtek Group to be highly competitive. Per the Company's management estimates, at least 65% of the Cirtek Group's product portfolio pertain to customer specific applications, which cannot be easily replicated by competitors. Moreover, accreditation of a qualified supplier normally takes a minimum of nine months. Hence, once its requirements are met, it is not easy for a customer to transfer to a competitor.

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

The volatility in the price of raw materials and the availability of supply used by the Cirtek Group in its production processes could affect its profitability.

A significant increase in the price of or a significant reduction in the supply of raw materials could adversely affect the cost of sales and other expenses. For certain products, raw materials such as gold and copper can account for up to 8% of cost of goods sold.

While these risks are uncontrollable, to mitigate the risk, the Cirtek Group's practice has been to bill its customers for any price adjustments whenever the cost of direct materials such as gold increases. In order to ascertain access to raw materials at all times, the Cirtek Group as a policy, maintains at

least three to four suppliers for each of the raw materials it uses for production. The Company also has clients who provide certain raw materials to them for exclusive use in these client's products, which serve to reduce the production costs.

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

Furthermore, to manage the risk, Cirtek Group is developing flexibility in product-development and manufacturing operations and developing an analysis tool to identify where it should buy a particular raw material and whether it should change the specifications.

The Company may be exposed to risks related to intellectual property

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

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

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

To further manage the risk, the Cirtek Group is Raising awareness of the importance of IP across the organization.

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

The Company is exposed to foreign exchange risk

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

To mitigate the risk, the Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US$ currencies. To further manage foreign exchange risk, the Company, from time to time, enters into currency swaps and forward contracts. These include availment of loans in foreign currency at more favorable interest rates.

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

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

The Group engages subcontractors whose direct employees (583 employees as of June 30, 2021) perform specific services or certain aspects of the outsourced manufacturing process. Such arrangements involve a "trilateral relationship" among: (i) the Cirtek Group, as the principal who decides to farm out the job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service for the Cirtek Group.

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

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

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

Risk on the separation of key employees

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

To mitigate the risk, the Cirtek Group gives attractive compensation packages that combine standard remuneration and performance incentives. The Cirtek Group provides continuous training and development to managers and direct employees. These training sessions include technical and managerial courses. In addition, the Cirtek Group gives an Annual Incentive Program and Budget in place to motivate the employees and recognize their contribution and significant performance.

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

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

A significant portion of the Company's long term loan facilities impose certain covenants which it has to comply with, failure to do so, and if the particular covenant would not be waived, will constitute a default event and allow the lender to accelerate the repayment term such that the outstanding debt could become immediately due and payable (see "Material Contracts and Agreements" on page 186).

Such an event would increase the debt obligations in the current period and might reduce the Company's ability to service them.

To mitigate this risk, the Company strictly monitors its compliance with its loan covenants and ensure that the concerned ratios are within the set limits. Moreover, the Senior Management of the Group is reviewing the credit risk strategy and significant credit risk policies of the bank.

As of the date of this Prospectus, the Company is in compliance with all of the debt covenants imposed to it by creditors.

The business requires financing for capital expenditures and working capital, which are subject to a number of risks and uncertainties, that may affect the leverage position and profitability of the Company if it depends on debt financing.

The Company sources its funding from a combination of cash flow from operations, working capital lines and long-term debt. The Company may not be able to fund capital expenditures and working capital requirements solely from cash from its operating activities or existing cash or proceeds from the Offer, and it may not be able to obtain additional debt or equity financing.The Company may also require additional financing to fund day-to-day operational needs and debt service payments. Additional financing may not be available as and when required. If the Company incurs additional debt, it will result in increased debt service obligations and could result in additional operating and financing covenants, or liens on its assets that would restrict its operations. Without required financing, the Company may not be able to continue its operations, hire, train and retain employees or respond to competitive pressures. The Company's ability to obtain additional funding will be subject to various factors, including general market conditions, its operating performance, the market's perception of its growth potential, lender sentiment and its ability to incur additional debt in compliance with other contractual restrictions, revenue and cash flow from operations and its ability to manage costs and working capital successfully. Any inability to access favorable debt financing may adversely impact the Company if it experiences cash flow shortfalls in the future or wish to raise funds to take advantage of unanticipated opportunities, make acquisitions of other businesses or companies or respond to changing business conditions or unanticipated competitive pressures. In addition, the Company cannot assure investors that its future financing requirements would not involve equity issuances that would be dilutive to holders of its capital stock. There can be no assurance that necessary financing will be available in amounts or on terms acceptable to the Company, or at all.

If the Company fails to raise sufficient additional funds, it may be required to delay or abandon some of its planned future expenditures or aspects of its current operations, and its financial condition and results of operations may be materially and adversely affected.

To mitigate the risk, the Company is hiring skilled sales and marketing team in order to produce more orders from existing and new customers to maintain the Company's profitability.

The Company has previously issued Preferred Shares prior to this issuance of the Preferred Class B-2 Subseries C and Subseries D Shares

Consistent with the Company's roadmap to achieve key engagement in the 5G market, it had previously issued a series of preferred shares to fund the necessary expansion and technological upgrades required to enable the Company to gain exposure to the 5G space (through the acquisition of Quintel).

The acquisition of Quintel provided the necessary talent, intellectual property, sales network, and technology that allowed the Group to engage in this innovative spectrum of 5G. As Quintel gains further traction and increased business momentum, the value generated from this strategic acquisition will manifest further, thereby materializing the value created through the previous issuance of the preferred shares.

The issuance of the Preferred Class B-2 Subseries C and Subseries D Shares can have an adverse impact on the liability management and debt servicing program of the Company

The issuance of, and the dividend payments attributable to, the Preferred Class B-2 Subseries C and Subseries D Shares may adversely affect the liability management and debt servicing program of the Company in the event that it is unable to generate cash flows from its operations, financing and investments sufficient to meet the Company's liabilities as they fall due. As dividends are declared by the Company's Board and paid by the Company on the Offer Shares, such cash dividends reduce the cash position of the Company. If the Company's cash position is not sufficient to make payments in connection with its liabilities as they fall due, the Company may need to obtain additional equity or debt financing or renegotiate the terms and conditions of such liabilities.

Nonetheless, the Company believes, that it prudently manages the financial requirements of its business. In addition, by broadening its funding sources to include tapping the capital markets through the issuance of preferred shares, the Company will be able to better manage and anticipate the fiscal demands of its businesses and it liabilities as they fall due.

The Company has substantially high liabilities

The Company's investments in research and development carry significant cost. Such research and development are necessary to Quintel's product development and intellectual property creation leading to various patents that further improve Quintel's position as a leading innovator in the industry. The Company had to incur high working capital requirements, which were deemed necessary, in order to leapfrog peers in the industry and to secure key clients such as AT&T and Verizon, both of which exact the highest standards and expectations from partners such as Quintel.

As the 5G spectrum is expected to further propagate, the working capital infused to enable Quintel will deliver attractive value to the Group, through advanced capability and improved positioning in the overall technology value chain.

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

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

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

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

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

Changes in law including unexpected changes in regulatory requirements, affect the Company's business plans, such as those relating to labor, environmental compliance, and product safety. Delays

or difficulties, burdens, and costs of compliance with a variety of foreign laws, including often conflicting and highly proscriptive regulations also directly affect the Company's business plans and operations, cross-border arrangements, and the inter-company systems.

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

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

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

Many disputes are the result of bad faith dealings by the other party. To mitigate the risk, before trusting foreign clients or commercial partners, the Company takes the time to really get to know them and establishes a good and meaningful relationship with its foreign partners and clients.

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

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

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

To mitigate the risk, the Company regularly monitors and reports the business impacts on the environment and regularly check government requirement.

Furthermore, to manage the risk, the Company has set up an environmental management system (EMS) that can help the Company to plan ahead to manage future impacts on the environment.

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

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

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. Likewise, no assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth.

The Duterte administration has unveiled a "10-point plan" which has committed, among others, to "continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies." As of August 2021, President Duterte's approval and trust ratings remained high. There is no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

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

To mitigate the risk, the Company creates short-term, midterm, and long-term response strategies to ensure that the Company can handle a fast-changing situation or emergency but also make the investments needed to seize opportunities and become more resilient in the current political climate.

To further manage the risk, the Company weighs the effect of political or media scrutiny on the company's operations in one area as to compared to other locales. The Company also considers the geopolitical risks that it can potentially face in the course of its operations.

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

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

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

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

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

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

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

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

To mitigate the risk, the Company is examining various domestic and external factors that either promote or prevent the joint/cooperative development. Furthermore, to manage the risk the Company is having a sound strategy of territorial dispute control.

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

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

On an as-need basis, the Company seeks the help of consultants and subject matter experts for changes in laws and regulations that may have a significant impact on the Company's business operations. It also maintains good relationship with local government, customs, and tax authorities through business transparency and compliance and/or payment of all government-related assessments in a timely manner. The Company has been able to overcome major crises brought about by economic and political factors affecting the countries where it operates. The strong corporate governance structure of the Company and its prudent management team are the foundations for its continued success.

To mitigate and manage the risk, the Company also constantly monitors its macroeconomic risk exposure, identifies unwanted risk concentration, and modifies its business policies and activities to navigate such risks. Severe macroeconomic contractions may conceivably lead the Company to tweak or modify its investment decisions to meet the downturn. As a holding company, the Company

affirms the principles of fiscal prudence and efficiency in the operations to its Subsidiaries operating in various countries.

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

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

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

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

Furthermore, to manage the risk the Company is doing a marketing strategy, including brand positioning, marketing channels, product or service delivery, marketing key performance indicators, marketing programs, and even pricing evaluations based on the new market's economic environment.

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

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes, as well as outbreaks of infectious diseases, such as H1N1 influenza (commonly known as swine flu) and more recently, Coronavirus Disease 2019 (COVID-19).

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

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

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

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

Risk relating to the COVID-19 global pandemic

In January 2020, the outbreak of COVID-19 in China resulted to partial or complete cessation of work in all China-based manufacturing facilities in conformance with local government notices. COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of June 30, 2021, there had been about 180 million confirmed cases in the world, as reported to the World Health Organization. The Government has taken measures in varying degrees across the Philippines to contain the spread of the virus, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

As of the date of this Prospectus, Metro Manila is under Alert Level 3, while other areas continue to be placed under other levels of community quarantine and there is no assurance that areas that are currently under Enhanced Community Quarantine ("ECQ"), General Community Quarantine ("GCQ") or Modified GCQ ("MGCQ") would not be placed under more stringent community quarantine in the future. The Philippines continues to be challenged as mobility and commercial activity in retail remains limited due to the restrictions and slow roll-out of the vaccination.

The Philippines implements a four-level community quarantine scheme ranging from ECQ as the strictest to MGCQ as the most relaxed. Each level dictates the type of business activities and the corresponding travel restrictions allowed in a certain area. The measures undertaken by the Philippine government include strict home quarantine, suspension of land, domestic air and domestic sea travel to and from Luzon, prohibition of mass gatherings, suspension of work at various non-essential government and private offices. However, export-oriented industries, which includes the Cirtek Group, were allowed to operate with a skeletal workforce, subject to strict health, safety, and social distancing requirements. The Company, in its disclosure dated March 16, 2020, informed the investing public that the Cirtek Group remain in full operation. The Group assessed that the potential risk and impact posed by COVID-19 include the following: (i) reduced attendance of employees due to the enhanced community quarantine; (ii) increase in operating cost due to additional safety measures to protect all employees of the company; and (iii) slow deliveries of materials from China. Further, Cirtek Group has implemented its Workplace Policy and Program on COVID-19 Prevention and Control to ensure the health, safety and welfare of all its employees and in compliance with the requirements of the Department of Labor and Employment and the Department of Health.

To mitigate the risk of an increase in operating cost from complying with all the rules and regulations set by the government amid the pandemic while still improving production efficiency and maintaining product quality, the Cirtek Group implemented a flexible manufacturing set-up, automation of some processes of production, and the application of a skeletal work force system especially among staff personnel. The Company has further developed a pandemic preparedness plan with key elements included.

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

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

On April 15, 2020, the Cirtek Group in its disclosure informed the investing public that amidst the global COVID-19 pandemic, (i) Cirtek Electronics Corporation, the semiconductor arm of Cirtek Group, is experiencing a surge in product orders for medical chips from suppliers of medical equipment (thermal scanners, ventilators, and imaging sensors), while (ii) Quintel USA, Inc., its

telecom base station antenna equipment maker, is also experiencing surge in antenna demand, especially for new models, as the global lockdown and work from home policies have shifted growth to massive data demand. Cirtek and its subsidiaries worldwide remain COVID-19 free while adhering to local government policies and measures in ensuring business continuity.

As of the date of this Prospectus, the Cirtek Group's manufacturing capacity is running at 100% full capacity, 24 hours a day, seven days a week.

As of the date of this Prospectus, the supply conditions and the state of payment collection are as follows:

With regard to the supply chain for the antenna business in particular, majority of the Cirtek Group's suppliers are located in China where factories have returned to normal operation since April 2020. Therefore, this business segment is not experiencing delivery delays.

Meanwhile, for the semiconductor business, the Cirtek Group is maintaining multiple sources/suppliers from China and other sites in the Asia Pacific region and the U.S.A.; hence, there is no major impact on the segment's operations.

Finally, as of the date of this Prospectus, the Cirtek Group is not experiencing any payment delays from its customers for both the antenna and semiconductor businesses. Based from accounting collection records, about 85% of customers are up to date in payment.

The implementation of the second package of the Comprehensive Tax Reform Program ("CTRP") may have a negative effect on the Company.

On December 17, 2017, President Rodrigo Duterte signed into law Republic Act No. 10963 (the "TRAIN Law") was implemented beginning January 1, 2018. The TRAIN Law, which contains the first package of the tax reforms, increased the excise tax on fuel and other petroleum products, the capital gains tax, and the stock transaction tax on sale of shares, among others. The second package of CTRP, formerly the Corporate Income Tax and Incentives Reform Act ("CITIRA"), and now referred to as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") or Republic Act No. 11534 became effective on April 11, 2021. Under CREATE, the Government will no longer grant perpetual fiscal incentives such as the 5% tax on gross income earned ("GIT"). Registered business enterprises whose projects or activities were granted only an income tax holiday ("ITH") prior to the effectivity of CREATE are given a transitory period and may continue to avail themselves of the ITH for the remaining period after CREATE takes effect, while those currently availing of the 5% GIT prior to the effectivity of CREATE are allowed to continue availing themselves of the said tax incentive for 10 years from the effective date of CREATE. Existing activities may avail of the incentives under CREATE, provided that the activities are included in the Strategic Investment Priority Plan ("SIPP"), and subject to the criteria and conditions in the SIPP. The SIPP will be formulated upon effectivity of CREATE by the BOI, in coordination with the Fiscal Incentives Review Board, Investment Promotion Agencies (as defined under CREATE; includes PEZA), other government agencies administering tax incentives, and the private sector. The SIPP will be submitted to the President for approval and is subject to revision every three years.

To mitigate the risk, the Company is in a continuous process of demanding awareness and proactive action to reduce the likelihood and consequences of adverse impacts on agreed objectives and on increasing the opportunities for improvement through innovation. Furthermore, to manage the risk the Company is shaping internal capabilities that having impact upon risks associated with the administration of a taxation system.

RISKS RELATING TO THE OFFER SHARES

Offer Shares may not be a suitable investment for all investors

Each potential investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Offer Shares, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for principal or dividend payments is different from the potential investor's currency;
- understand thoroughly the terms of the Offer Shares and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

Offer Shares are perpetual securities and investors have no right to require redemption

The Offer Shares are perpetual and have no fixed final maturity date. Holders have no right to require the Company to redeem the Offer Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Offer Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Offer Shares. Therefore, holders of the Offer Shares should be aware that they may be required to bear the financial risks of an investment in the Offer Shares for an indefinite period of time.

Offer Shares are subordinated

The obligations of the Company under the Offer Shares will constitute unsecured obligations of the Company and subordinate to the Company's indebtedness. In the event of the winding-up of the Company, the rights and claims of holders of the Offer Shares will (subject to and to the extent permitted by applicable law) rank senior to the holders of the common shares of the Company and pari passu with each other, but junior to the claims of all other creditors.

In the event of a winding-up of the Company, there is a substantial risk that an investor in the Offer Shares will lose all of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Offer Shares.

There are no terms in the Offer Shares that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Offer Shares.

There may be insufficient distributions upon liquidation

Under Philippine law, upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, holders of the Offer Shares will be entitled only to the available assets of the Company remaining after the indebtedness of the Company is satisfied. If any such assets are insufficient to pay the amounts due on the Offer Shares, then the holders of the Offer Shares shall share ratably in any such distribution of assets in proportion to the amounts to which they would otherwise be respectively entitled. In the event of liquidation or winding-up, the unsubordinated obligations of the Company shall be preferred over the claims of holders of the Offer Shares in respect of the Offer Shares, which Offer Shares shall rank *pari passu* with each other.

Holders may not receive dividends if the Company elects to defer dividend payment

Cash dividends on the Offer Shares may not be paid in full, or at all. Under the terms and conditions governing the Offer Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Offer Shares will not receive dividends on a Dividend Payment

Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

If dividends on the Offer Shares are not paid in full, or at all, the Offer Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Offer Shares during such a period by a holder of Offer Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Offer Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Offer Shares may be more volatile than that of other securities that do not have these limitations.

The ability to make payments is limited by the terms of the Company's other indebtedness

The Company has and will continue to have a certain amount of outstanding indebtedness. The current terms of the Company's financing agreements contain provisions that could limit the ability of the Company to make payments on the Offer Shares. Also, the Company may, in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Offer Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the Company's ability to make payments on the Offer Shares.

Preferred Shares have no voting rights

Holders of Offer Shares will not be entitled to elect the directors of the Company. Except as provided by Philippine law, holders of the Offer Shares will not have any voting rights.

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Offer Price could differ significantly from the price at which the Company's Preferred Class B-2 Shares will trade subsequent to completion of the Offer. There can be no assurance that any active trading market for the Company's Offer Shares will develop or sustain after the Offer, or that the Offer Price will correspond to the price at which the Company's Preferred Class B-2 Shares will trade in the Philippine public market subsequent to the Offer. There can be no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

In recent years, stock markets, including the PSE, have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. These broad market fluctuations may also adversely affect the market prices of the Company's Preferred Class B-2 Shares.

There will be a delay between payment for, and trading of, the Offer Shares on the PSE; the listing of the Offer Shares may be delayed.

Purchasers of Offer Shares in the Offer will be required to pay for such Offer Shares upon submission of applications during the Offer Period, which ends on December 3, 2021, but the Offer Shares are not expected to be listed on the PSE until December 14 2021. Although the PSE has approved the Company's application to list the Offer Shares, such application is conditioned on the Company's compliance with the terms and conditions of the approval There can be no guarantee that listing on the PSE will occur on the anticipated listing date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred previously. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may also materially and adversely affect the value of the Offer Shares. Also, while the Company undertakes to return within five (5) banking days from the end

of the Offer Period subscription funds to investors in respect of Offer Shares due to oversubscription or rejection of an application for subscription, such refunds would be made without interest.

Future issuance and/or sales of the Company's Preferred Class B-2 Shares in the public market could adversely affect the prevailing market price of the Preferred Class B-2 Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of the Company's business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Preferred Class B-2 Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Offer Shares. Further, the market price of the Preferred Class B-2 Shares could decline as a result of future sales of substantial amounts of the Preferred Class B-2 Shares in the public market or the issuance of new Preferred Class B-2 Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Preferred Class B-2 Shares or the Company's ability to raise capital in the future at a time and at a price that it deems appropriate.

The transfer of Offer Shares is restricted in certain jurisdictions which may adversely affect their liquidity and the price at which they may be sold.

The Offer Shares have not been registered, and the Company is not obligated to register the Offer Shares under the U.S. Securities Act or the securities laws of any jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. The Company has not agreed to or otherwise undertaken to register the Offer Shares, and has no intention of doing so.

MANAGEMENT OF RISKS

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies. See discussion on Competitive Strengths on page 78 and Key Strategies on page 82 of this Prospectus.

The Company conducts business in various jurisdictions, exposing it to business, political, operational, financial, and economic risks due to its operations in these jurisdictions. Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.

USE OF PROCEEDS

The Company estimates that the net proceeds from the sale of the Base Offer Shares shall amount to approximately **₱1,456.6 million** based on an Offer Price of ₱50.00 per Base Offer Share and after deducting the estimated SEC registration fees, PSE listing fees and estimated legal, professional and other expenses related to the Offer. Assuming the Oversubscription Option is fully exercised, the net proceeds from the Offer shall amount to approximately **₱2,438.6 million** after deducting the estimated SEC registration fees, PSE listing fees and estimated legal, professional and other expenses related to the Offer.

Expenses

Net proceeds from the sale of the Base Offer Shares, after deducting the estimated SEC registration fees, PSE listing fees and estimated legal, professional and other expenses related to the Offer, are as follows:

	in ₱ million
Gross Proceeds from the Base Offer	**₱1,500.0**
Less:	
Underwriting fees for the Preferred B-2 Shares being sold by the Company	**₱16.1**
Selling fees ceded to Trading Participants	**₱2.5**
Taxes to be paid by the Company	**₱8.5**
SEC filing and legal research fee	**₱1.5**
PSE filing fee (inclusive of VAT)	**₱3.9**
Estimated legal fee	**₱9.5**
Estimated Audit fees	**₱0.5**
Stock Transfer and Dividend Paying Fees	**₱0.2**
Receiving Agency Fees	**₱0.4**
PCD Processing Fee	**₱0.15**
Printing of Selling Materials	**₱0.02**
Newspaper Publication	**₱0.09**
Estimated other expenses	**₱0.04**
Total Expenses	**₱43.4**
ESTIMATED NET PROCEEDS FROM THE BASE OFFER	**₱1,456.6**

Assuming the Oversubscription Option is fully exercised:

	in ₱ million
Gross Proceeds from the Oversubscription Option	**₱2,500**
Less:	
Underwriting fees for the Preferred B-2 Shares being sold by the Company	**₱30.6**
Selling fees ceded to Trading Participants	**₱4.5**
Taxes to be paid by the Company	**₱10.0**
SEC filing and legal research fee	**₱1.5**
PSE filing fee (inclusive of VAT)	**₱3.9**
Estimated legal fees	**₱9.5**
Estimated audit fees	**₱0.5**
Stock Transfer and Dividend Paying Fees	**₱0.2**
Receiving Agency Fee	**₱0.4**
PCD Processing Fee	**₱0.15**
Printing of Selling Materials	**₱0.02**
Newspaper Publication	**₱0.09**
Estimated other expenses	**₱0.04**

Total Expenses	**₱61.4**
ESTIMATED NET PROCEEDS FROM THE BASE OFFER AND THE OVERSUBSCRIPTION OPTION	**₱2,438.6**

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

Use of ₱1.5 Billion Gross Proceeds of the Offer

The Company intends to use the proceeds from the Offer to refinance existing debt of CHPC, Partial payment for maturing Preferred Class B2-A shares, Capital Expenditures/Equipment and to finance the working capital of its subsidiaries.

Purpose*	**Amount (₱)**	**Schedule of Disbursement**
To refinance existing debt of CHPC	300,000,000.00	Jan 2022-Oct 2022
Partial payment for maturing Preferred Class B2-A shares	500,000,000.00	December 2022
Capital Expenditures/Equipment	150,000,000.00	Jan-March 2022
Finance the working capital of Quintel	197,826,068.37	Jan-March 2022
Finance the working capital of CEC	179,477,900.94	Jan-March 2022
Finance the working capital of CATSI	129,296,030.69	Jan-March 2022
TOTAL	1,456,600,000.00	

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

Presented below is a list of some of the Company's loans maturing in 2022:
Partial Maturing obligations of CHPC:

MATURITY DATE	FUNDER	RATE	TENOR	PRINCIPAL (in US$)	MATURITY VALUE (in US$)	TYPE OF LOAN	PERCENTAGE OF EACH DEBT REPAYMENT
01/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.40%
01/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.40%
02/20/2022	BPI	4.444%	5 years	30,000,000.00	1,000,000.00	Unsecured	2.00%
04/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.40%
04/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.40%

05/21/2022	BPI	4.444%	5 years	30,000,000.00	1,000,000.00	Unsecured	2.00%
07/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.40%
07/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.40%
08/19/2022	BPI	4.444%	5 years	30,000,000.00	1,000,000.00	Unsecured	2.00%
10/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	900,000.00	Unsecured	1.80%
10/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	900,000.00	Unsecured	1.80%
TOTAL (in US$)				**70,000,000.00**	**600,000.00**		
Foreign Exchange Rate					50.00		
			TOTAL (In ₱)		**300,000,000.00**		

Loans were availed to finance (1) Quintel acquisition, (2) purchase of inventory, and (3) other working capital requirements of the subsidiaries.

Breakdown of allocation for Quintel's working capital requirements:

Purpose	**Amount (₱)**	**Schedule of Disbursement**
Research and Development for New Products	77,275,807.96	Jan 2022-March 2022
Raw material purchases	74,184,775.64	Jan 2022-March 2022
Operating expenses	46,365,484.77	Jan 2022-March 2022
TOTAL	**197,826,068.37**	

Breakdown of allocation for CEC's working capital requirements:

Purpose	**Amount (₱)**	**Schedule of Disbursement**
Raw Material Purchases	59,777,844.72	Jan 2022-March 2022
Research and Development Expenses	48,458,768.30	Jan 2022-March 2022
Other Operation Expenses (Additional personnel expenses and training, Transportation, Light Water &	71,241,287.92	Jan 2022-March 2022

Utilities, Rent, Repairs & Maintenance, Security Services)		
TOTAL	**179,477,900.94**	

Breakdown of allocation for CATSI's working capital requirements:

Purpose	**Amount (₱)**	**Schedule of Disbursement**
Raw Material Purchases	43,099,029.48	Jan 2022-March 2022
Research and Development Expenses	34,910,213.87	Jan 2022-March 2022
Other Operation Expenses (Additional personnel expenses and training, Transportation, Light Water & Utilities, Rent, Repairs & Maintenance, Security Services)	51,286,787.34	Jan 2022-March 2022
TOTAL	**129,296,030.69**	

₱2.5 Billion Gross Proceeds of the Offer (Assuming Full Exercise of Oversubscription Option)

The Company intends to use the proceeds from the Offer to refinance existing debt of CHPC, Partial payment for maturing Preferred Class B2-A shares, Capital Expenditures/Equipment and to finance the working capital of its subsidiaries.

Purpose*	**Amount (₱)**	**Schedule of Disbursement**
To refinance existing debt of CHPC for Long-Term loan	300,000,000.00	Jan 2022-Oct 2022
Partial payment for maturing Preferred Class B2-A shares**	750,000,000.00	December 8, 2022
Capital Expenditures/Equipment	250,000,000.00	Jan-March 2022
Finance the working capital of Quintel	444,620,531.88	Jan-March 2022
Finance the working capital of CEC	403,382,427.97	Jan-March 2022
Finance the working capital of CATSI	290,597,040.15	Jan-March 2022
TOTAL	2,438,600,000.00	

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

*** the other sources of funds for the redemption of the Preferred Class B2-A will be from the Company's income and proceeds from the commercial paper issuance.*

Presented below is a list of some of the Company's loans maturing in 2022:

Partial Maturing obligations of CHPC:

MATURITY DATE	**FUNDER**	**RATE**	**TENOR**	**PRINCIPAL (in US$)**	**MATURITY VALUE (in US$)**	**TYPE OF LOAN**	**PERCENTAGE OF EACH DEBT REPAYMENT**

01/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.29%
01/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.29%
02/20/2022	BPI	4.444%	5 years	30,000,000.00	1,000,000.00	Unsecured	1.43%
04/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.29%
04/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.29%
05/21/2022	BPI	4.444%	5 years	30,000,000.00	1,000,000.00	Unsecured	1.43%
07/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.29%
07/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	200,000.00	Unsecured	0.29%
08/19/2022	BPI	4.444%	5 years	30,000,000.00	1,000,000.00	Unsecured	1.43%
10/19/2022	RCBC – Syndicated Loan	6.250%	7 years	20,000,000.00	900,000.00	Unsecured	1.29%
10/19/2022	BPI – Syndicated Loan	6.250%	7 years	20,000,000.00	900,000.00	Unsecured	1.29%
TOTAL (in US$)				**70,000,000.00**	**600,000.00**		
Foreign Exchange Rate					50.00		
			TOTAL (In ₱)		**300,000,000.00**		

Loans were availed to finance (1) Quintel acquisition, (2) purchase of inventory and (3) other working capital requirements of the subsidiaries.

Breakdown of allocation for Quintel's working capital requirements:

Purpose	**Amount (₱)**	**Schedule of Disbursement**
Research and Development for New Products	173,679,895.27	Jan 2022-March 2022
Raw material purchases	166,732,699.45	Jan 2022-March 2022
Operating expenses	104,207,937.16	Jan 2022-March 2022
TOTAL	**444,620,531.88**	

Breakdown of allocation for CEC's working capital requirements:

Purpose	Amount (₱)	Schedule of Disbursement
Raw Material Purchases	134,352,652.97	Jan 2022-March 2022
Research and Development Expenses	108,912,660.05	Jan 2022-March 2022
Other Operation Expenses (Additional personnel expenses and training, Transportation, Light Water & Utilities, Rent, Repairs & Maintenance, Security Services)	160,117,114.95	Jan 2022-March 2022
TOTAL	**403,382,427.97**	

Breakdown of allocation for CATSI's working capital requirements:

Purpose	Amount (₱)	Schedule of Disbursement
Raw Material Purchases	96,866,472.48	Jan 2022-March 2022
Research and Development Expenses	78,461,842.71	Jan 2022-March 2022
Other Operation Expenses (Additional personnel expenses and training, Transportation, Light Water & Utilities, Rent, Repairs & Maintenance, Security Services)	115,268,724.96	Jan 2022-March 2022
TOTAL	**290,597,040.15**	

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

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

The Company does not intend to use the proceeds to reimburse any of its officers, directors, employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. The Company will not use the proceeds to pay any financial obligations with the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and its affiliates.

In the event of any deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders and the PSE in writing 30 days before such deviation or adjustment is implemented.

Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company's Board of Directors and disclosed to the PSE. In addition, the Company shall submit via the PSE Electronic Disclosure Generation Technology ("EDGE") the following disclosure to ensure transparency in the use of proceeds:

1. Any disbursements made in connection with the planned use of proceeds from the Offer.
2. Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor.
3. Annual summary of the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Officer or Treasurer and external auditor.
4. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program.

The quarterly and annual reports as required in items 2 and 3 above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program or Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item 4 above. The Company shall submit an external auditor's certification of the accuracy of the information that it reported to the PSE in its quarterly and annual reports.

DETERMINATION OF THE OFFER PRICE AND EXERCISE PRICE

The Offer Price has been determined by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in accordance with the Company's Amended Articles of Incorporation and Philippine law.

The Offer Price of ₱50.00 per share is at a premium to the Offer Shares' par value of ₱1.00 per share. The Offer Price was arrived at by dividing the desired gross proceeds of up to ₱2,500,000,000.00 by the amount of Offer Shares allocated for this Offer.

DILUTION

The Offer Shares will not have any dilutive effect on the rights of the holders of the common shares of the Company as the Offer Shares are non-voting, non-convertible and non-participating.

PLAN OF DISTRIBUTION

The Company plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The Offer does not include an international offering.

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner has agreed to distribute and sell the Offer Shares at the Offer Price, pursuant to an Underwriting Agreement to be entered into with the Company (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner have committed to underwrite the following amount on a firm basis:

Lead Underwriter	No. of Shares	Underwriting Commitment
PNB Capital and Investment Corporation	30,000,000	₱1,500,000,000.00
TOTAL	**30,000,000**	**₱1,500,000,000.00**

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Company of the net proceeds of the Offer.

The underwriting and selling fee to be paid by the Company in relation to the Offer shall be up to 1.00% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to Sole Issue Manager, Lead Underwriter, and Sole Bookrunner, and commissions to be paid to the Trading Participants of the PSE ("**Trading Participant**"), which shall be equivalent to 0.125% of the total proceeds, inclusive of VAT, of the sale of the Offer Shares by such Trading Participant. The selling fee will be paid by the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner to the Trading Participants less any applicable withholding tax.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner is duly licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for the Group or any of its subsidiaries.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner has no direct relations with the Company in terms of ownership by either of their respective major shareholder/s and have no right to designate or nominate any member of the Board of Directors of the Company.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner has no contract or other arrangement with the Company by which it may return to the Company any unsold Offer Shares.

Sale and Distribution

The distribution and sale of the Offer Shares shall be undertaken by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner who shall sell and distribute the Offer Shares to third-party buyers/investors. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner is authorized to organize a syndicate of underwriters, soliciting dealers and/or Selling Agents for the purpose of the Offer. In connection with the foregoing, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may enter into agreements, participation agreements, or like agreements with other co-lead underwriters (who may be named or have been named in this Prospectus) and/or Selling Agents, as necessary. There is nothing in such agreements that allow the Underwriters to return to the Company any unsold Offer Shares.

The Company will not allocate any Offer Shares for the Local Small Investors Program of the PSE.

Prior to close of the Offer Period for each tranche of the Offer, any Offer Shares not taken up by the trading participants shall be distributed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner directly to their clients and general public. All Offer Shares not taken up by the trading participants, general public, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner's clients shall be purchased by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner pursuant to the terms and conditions of the relevant Underwriting Agreement.

At least 24,000,000 of the Base Offer Shares, or approximately 80% of the Base Offer Shares, are (subject to re-allocation as described below) being offered for sale to certain qualified buyers and other investors in the Philippines by

the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. 6,000,000 Base Offer Shares, or approximately 20% of the Base Offer Shares, are being offered by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner at the Offer Price to all of the PSE Trading Participants, subject to final allocation, as may be determined by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner which shall be consistent with the applicable rules and guidelines approved by the PSE. The allocation of the Offer Shares between the Trading Participants' Offer and the Institutional Offer is subject to further adjustment as agreed by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The Base Offer Shares will be underwritten on a firm commitment basis by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. There is no arrangement for the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to return any of the Trading Participants' Offer Shares or the Institutional Offer Shares to the Company.

The Trading Participants' Offer

The Trading Participants' Offer Shares shall (subject to re-allocation as described below) be offered by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to the PSE Trading Participants. 6,000,000 Base Offer Shares shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 48,000 Offer Shares (computed by dividing the Trading Participants' Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants), comprised of 18,100 Preferred Class B-2 Subseries C and 29,900 Preferred Class B-2 Subseries D, and subject to reallocation, which shall be consistent with the applicable rules, as may be determined by the Sole Issue Manger, Lead Underwriter and Joint Bookrunner. Any Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be distributed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to its clients, retail investors, or the general public. Trading Participants' Offer Shares not taken up by the PSE Trading Participants and which are not reallocated to the Institutional Offer, or taken up by the clients of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, retail investors or the general public shall be purchased by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner pursuant to the terms and conditions of the Underwriting Agreement.

On or before November 29, 2021, the PSE Trading Participants shall submit to the designated representative of the Receiving Agent their Applications to purchase the Trading Participants' Offer Shares and the corresponding payments. Trading Participants' Offer Shares not taken up by the PSE Trading Participants may be reallocated to the Institutional Offer at the discretion of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

The Institutional Offer

At least 24,000,000 Base Offer Shares, or approximately 80% of the Base Offer Shares, will be offered for sale to certain qualified buyers and other investors in the Philippines by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

The allocation of the Base Offer Shares between the Trading Participants' Offer and the Institutional Offer is subject to further adjustment as may be agreed between the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants' Offer, Institutional Offer Shares may be reallocated to the Trading Participants' Offer. If there is an under-application in the Trading Participants' Offer and if there is a corresponding over-application in the Institutional Offer, Trading Participants' Offer Shares may be reallocated to the Institutional Offer. Unless otherwise agreed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants' Offer and the Institutional Offer.

The estimated underwriting and selling fees is up to 1.00% of the gross proceeds from the Offer Shares. PSE Trading Participants who take up Trading Participants' Offer Shares shall be entitled to a selling fee of 0.125%, inclusive of VAT, of the Trading Participants' Offer Shares allocated to the relevant PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Receiving Agent to the PSE Trading Participants starting on the tenth Banking Day from the Listing Date.

To facilitate the Offer, the Company has appointed PNB Capital to act as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner have entered into an underwriting agreement (the "Underwriting Agreement"), which is subject to certain conditions and may be subject to termination by the Underwriter if certain circumstances, including force majeure, occur on or before the Offer Shares are listed on the PSE. The Underwriting Agreement is conditional, inter alia, on the Offer Shares being listed on or before December 14, 2021, or such later date as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may agree. The termination of the Underwriting Agreement at any stage of the Offer shall render the PSE's approval as null and

void and may lead to the PSE's declaration of failure of the Offer. The Company has agreed to indemnify the Sole Issue Manager, Lead Underwriter and Sole Bookrunner against certain liabilities, as provided in the Underwriting Agreement.

The Oversubscription Option

In connection with the Offer, the Company has granted the Sole Issue Manager, Lead Underwriter and Sole Bookrunner an option, exercisable in whole or in part, to offer up to an additional 20,000,000 Preferred Class B-2 Shares. In the event that the Oversubscription Option is exercised, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Company, has the discretion to allocate the Oversubscription Shares at the end of the Offer Period.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner

PNB Capital

PNB Capital, a wholly owned subsidiary of the Philippine National Bank ("PNB"), offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the Philippine SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public.

SELLING RESTRICTIONS

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

OFFER PERIOD

The Offer Period shall commence on November 25, 2021and will end on December 3, 2021 or earlier as deemed appropriate by the Issuer.

DESCRIPTION OF THE SHARES BEING OFFERED

The following is general information relating to the Company's capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of the Company's amended articles of incorporation and amended by-laws.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and the by-laws of the corporation. Under Philippine law, the shares of a corporation may either be with or without a par value.

Subject to the approval by the SEC, a corporation may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is allowed to purchase its own shares are: when the elimination of fractional shares arising out of stock dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the corporation, including its officers or employees for such consideration in money as the board of directors may determine.

As of August 10, 2021, the Company has an authorized capital stock of ₱1,700,000,000.00 divided into 1,200,000,000 common shares with a par value of ₱1.00 per share, 700,000,000 Preferred A Shares with par value of ₱0.10 per share and 430,000,000 Preferred Class B Shares, each with par value of ₱1.00 per share.

Out of the 430,000,000 Preferred Class B Shares with par value of ₱1.00 per share, the Company's Board of Directors approved the designation of Preferred B Shares into two (2) series, namely Preferred Class B-1 Shares and Preferred Class B-2 Shares, and allocated 270,000,000 Preferred Class B Shares as follows: (i) 70,000,000 Preferred Class B-1 Shares, and (ii) 200,000,000 Preferred Class B-2 Shares. Of the 200,000,000 Preferred Class B-2 Shares, 67,000,000 Preferred Class B2-A with a par value of ₱1.00 per share and 20,000,000 Preferred Class B2-B Shares with a par value of ₱1.00 per share are currently issued and outstanding. At present, the Company has authorized and unissued 160,000,000 Preferred Class B Shares and 113,000,000 Preferred Class B-2 Shares. The Preferred Class B-2B Shares were issued on December 18, 2020 and was listed with the PSE on February 2, 2021.

From the existing issued shares, the common shares and Preferred Class B Shares which are listed in the PSE are fully paid. Only ₱47,500,000.00 and ₱17,500,000.00 were paid for the outstanding Preferred A Shares and Preferred B-1 Shares, respectively.

The Offer Shares will be coming from the Preferred Class B-2 Shares. Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in sub-series or tranches, the Board of Directors approved the creation of additional series of preferred shares, as follows:

(a) "*TCB2C*" as the Preferred Class B-2 Subseries C Shares; and
(b) "*TCB2D*" as the Preferred Class B-2 Subseries D Shares.

Following the Offer, and assuming full exercise of the Oversubscription Option, the Company will have 137,000,000 outstanding Preferred Class B-2 Shares, comprising of 67,000,000 Preferred Class B2-A, 20,000,000 Preferred Class B2-B, and up to 50,000,000 Preferred Class B-2 Shares

The holders of the Offer Shares do not have identical rights and privileges with holders of the existing common shares and existing preferred shares of the Company.

Specific to Offer Shares, please refer to the features of the Preferred Class B-2 Shares, as indicated in the Summary of Offer.

Issue Price

₱50.00 per share

Dividend Policy, Payment Dates and Periods

The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Company is a party and the requirements under applicable laws and regulations. The Board of Directors will not declare and pay dividends for any Dividend Period where payment of the Dividend would cause the Company to breach any of its financial covenants.

If the unrestricted retained earnings available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Issuer to pay in full cash dividends on the Preferred Class B-2 Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Class B-2 Shares ("Comparable Shares"), the Company is required to pay cash dividends on both the Preferred Class B-2 Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Preferred Class B-2 Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("Dividends in Arrears").

The unrestricted retained earnings available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Issuer less accumulated, realized loss.

Dividends on the Preferred Class B-2 Shares will be cumulative. If for any reason the Company's Board of Directors does not declare a dividend on the Preferred Class B-2 Shares for a Dividend Period, the Company will not pay a dividend for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Class B-2 Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Preferred Class B-2 Shares prior to such Dividend Period.

Holders of Preferred Class B-2 Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Class B-2 Shares.

The Company will covenant that, in the event (a) any dividends due with respect to any Preferred Class B-2 Shares then outstanding for any period are not declared and paid in full when due, or (b) any other amounts payable under the Preferred Class B-2 Shares terms and conditions are not paid in full when due for any reason, the Company will not:

i. declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking junior to Preferred Class B-2 Shares; or

ii. contribute any moneys to a sinking fund for the redemption of any securities ranking junior to Preferred Class B-2 Shares.

For the avoidance of doubt, it is understood that the Preferred Class B-2 Shares shall rank pari passu with each other with respect to the preference given in the declaration and payment of dividends and the Company's covenant in the immediately preceding paragraph.

Subject to legal requirements, the Company will procure that no subsidiary over which the Company has a Controlling Participation will pay any discretionary dividends or other discretionary distributions on, or at the Company's discretion repurchase or redeem, any security ranking senior to the respective subsidiary's common shares other than those senior securities held by the Company or a wholly-owned subsidiary thereof (or contribute any moneys to a sinking fund for the purposes of any such redemption).

Cash dividends will be payable on March, June, September, and December of each year (each a "Dividend Payment Date"), being the last day of each 3-month period (a "Dividend Period"), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Class B-2 Shares.

The dividends on the Preferred Class B-2 Shares will be calculated on a 30/360-day basis.

The first Dividend Payment Date will be on the day that occurs 3 months after the Issue Date and the succeeding Dividend Payment Dates shall occur after each following 3-month period.

If any Dividend Payment Date or other payment date is not a Banking Day, dividends or other payments will be paid on the next succeeding Banking Day, without adjustment as to the amount to be paid.

Dividend Rate

Means (a) from the Issue Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the Step Up Dividend Rate.

Step Up Date

For TCB2C, the 3rd anniversary from Issue Date; and
For TCB2D, on the 5th anniversary from Issue Date.

Initial Dividend Rate

Means (a) 6.5864% p.a. for Preferred Class B-2 Shares Subseries C, and (b) 7.7506% p.a. for Preferred Class B-2 Shares Subseries D.

Step Up Dividend Rate

Unless the Preferred Class B-2 Shares shall have been redeemed by the Company on the applicable Step Up Date, the Dividend Rate shall be adjusted thereafter to the higher of:

(a) the sum of (i) the Initial Dividend Rate for the relevant Series, *plus*, (ii) 5.00%; or

(b) the sum of (i) the applicable Step Up Benchmark Rate, *plus* (ii) the Initial Spread for the relevant Series, *plus* (iii) 5.00%.

"Step Up Benchmark Rate" shall be equivalent to the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 7-year (for TCB2C) or 10-year (for TCB2D) Republic of the Philippines Peso-denominated domestic government bonds, as published on the relevant page of Bloomberg at approximately 5:00 p.m. (Philippine Standard Time), for the three (3) banking days immediately preceding and exclusive of the applicable Step Up Date.

In the event that the BVAL is replaced by a new benchmark rate as determined by the Bankers Association of the Philippines ("BAP") or the Bangko Sentral ng Pilipinas ("BSP"), such new benchmark rate shall be adopted for purposes of determining the Step Up Benchmark Rate.

"Initial Spread" shall be as follows: (i) for TCB2C, 3.25%; and (ii) for TCB2D, 3.50%.

If the Preferred Class B-2 Shares are not redeemed by the Company within five (5) Banking Days after occurrence of a Change of Control Event or an Indebtedness Default Event, the Dividend Rate shall be

adjusted to a Dividend Rate equal to the sum of (i) prevailing Dividend Rate (whether the Initial Dividend Rate or Step Up Dividend Rate), *plus* (ii) 5.00% per annum.

The Company will inform the holders of the Preferred Class B-2 Shares of the applicable Step Up Dividend Rate in accordance with applicable laws and regulations, including making the necessary disclosure of the Step Up Dividend Rate via PSE EDGE, as soon as the Step Up Dividend Rate becomes effective, which is no case shall be later than five (5) Banking Days from effectivity of the Step Up Dividend Rate.

Optional Redemption

As and if approved by the Board of Directors, the Company may redeem the Preferred Class B-2 Shares on the relevant Step Up Date or on any Dividend Payment Date thereafter (each an "Optional Redemption Date"), in whole but not in part, at a redemption price equal to the relevant Offer Price of the Preferred Class B-2 Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (the "Redemption Price").

The Company may also redeem the Preferred Class B-2 Shares, in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not more than 60 nor less than 30 calendar days' notice prior to the intended redemption date. Such notice shall be irrevocable and binding upon the Company to effect such redemption of the Preferred Class B-2 Shares at the redemption date stated in such notice.

The redemption due to any Change of Control Event, Indebtedness Default Event, Accounting Event, or Tax Event shall be made by the Company at the Redemption Price which shall be paid within five (5) banking days of the exercise of the right to redeem the Preferred Class B-2 Shares.

Upon listing on the PSE, the Company may purchase the Preferred Class B-2 Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Class B-2 Shares so purchased may either be redeemed and cancelled (after the Optional Redemption Date) or kept as treasury shares, as applicable.

Upon redemption of the Preferred Class B-2 shares, these may be reissued under such terms and conditions as may be approved by the Board of Directors.

A. Change of Control Event

A change in control event shall be deemed to have occurred if 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 Company pursuant to the Philippine laws.

B. Indebtedness Default Event

In the event of a declaration of default on the Company in any of its debt obligations, the Company shall be obligated to redeem the Preferred Class B-2 Shares within five (5) banking days from the date of occurrence of Indebtedness Default Event (the "Mandatory Redemption Period")

If the Preferred Class B-2 Shares are not redeemed within the Mandatory Redemption Period, the prevailing Dividend Rate (whether the Initial Dividend Rate or Step Up Dividend Rate) on redemption will be plus 5.00% per annum.

C. Accounting Event

An accounting event shall occur if an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Company stating that the Preferred Class B-2 Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with Philippine Financial Reporting Standards ("PFRS"), or such other accounting standards which succeed PFRS as adopted by the Company for the preparation of its audited consolidated financial statements for the relevant financial year and such event cannot be avoided by the Company taking reasonable measures available to it.

D. Tax Event

A tax event shall occur if payments on the Preferred Class B-2 Shares become subject to additional or higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company.

Liquidation Rights

In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Company, the holders of the Preferred Class B-2 Shares shall enjoy preference in the distribution of assets of the Company and shall be paid in Philippine Pesos. If the remaining assets of the Company are insufficient, the Company is required to pay in full, or to set aside an amount equal to, the issue price of the shares plus any previously declared and unpaid dividends: first, to shares with liquidation right ranking in priority to that of the Preferred Class B-2 Shares; and second, to the Preferred Shares and any other shares ranking equally with the Preferred Class B-2 Shares, before any asset of the Company is paid or distributed to the holders of common shares and other securities junior to the Preferred Class B-2 Shares.

No Voting Rights

Holders of the Preferred Class B-2 Shares shall not be entitled to vote at the Company's stockholders' meetings, except as in cases provided by law.

Non-Participating

Holders of the Preferred Class B-2 Shares shall not be entitled to participate in any other or future dividends beyond the dividends specifically payable on the Preferred Class B-2 Shares.

Non-Convertible

Holders of the Preferred Class B-2 Shares shall have no right to convert the Preferred Class B-2 Shares to any other preferred shares or common shares of the Company.

No Pre-Emptive Rights

Holders of the Preferred Class B-2 Shares shall have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued or sold by the Company.

No Sinking Fund

The Company is not legally required to establish, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Class B-2 Shares.

Tax Payments in respect of the Preferred Class B-2 Shares

All payments in respect of the Preferred Class B-2 Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Preferred Class B-2 Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to:

a. any withholding tax applicable on dividends earned by or on any amounts payable to the holders of the Preferred Class B-2 Shares, including any additional tax on such dividends imposed by changes in law, rule, or regulation;

b. any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption of the Preferred Class

B-2 Shares or on the liquidating distributions as may be received by a holder of Preferred Class B-2 Shares;

c. any expanded value added tax which may be payable by any holder of the Preferred Class B-2 Shares on any amount to be received from the Company under the terms and conditions of the Preferred Class B-2 Shares;

d. any withholding tax, including any additional tax imposed by changes in law, rule, or regulation, on any dividends payable to any holder of Preferred Class B-2 Shares or any entity which is a non-resident foreign corporation; and

e. any applicable taxes on any subsequent sale or transfer of the Preferred Class B-2 Shares by any holder of the Preferred Class B-2 Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

All sums payable by the Company to tax-exempt entries shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present proof of such tax-exempt status from the tax authorities, in form and substance satisfactory to the Company.

Documentary stamp tax and all other costs and expenses for the issuance of the Preferred Class B-2 Shares and the documentation of the Offer, if any, shall be for the account of the Company.

Transfer of Shares and Share Register

The Preferred Shares Class B-2 will be issued in scripless form through the electronic book-entry system of the Registrar for the Offer, and lodged with the Philippine Depository & Trust Corp. as Depository Agent on the Listing Date through the PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application to Purchase forms to be issued and circulated in connection with the Offer (together with the required documents, the "Application") the name of the Trading Participants under whose name their Preferred Class B-2 Shares will be registered.

After Listing Date, holders of the Preferred Class B-2 Shares (the "Shareholders") may request their nominated PSE Trading Participants to facilitate the conversion of their scripless Preferred Class B-2 Shares into stock certificates. Any expense that will be incurred in relation to such issuance of stock certificates shall be for the account of the requesting Shareholder.

Legal title to the Preferred Class B-2 Shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Class B-2 Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every year a statement of account to all Shareholders named in the Registry of Shareholders, except certificated Shareholders and Depository Participants, confirming the number of Preferred Class B-2 Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of the given date thereof. Any request by a Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder

Selling and Transfer Restrictions

Initial placement and subsequent transfers of interests in the Preferred Class B-2 Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.

General Description of the Rights and Privileges Attached to Each Class of Shares

Common Shares

Each Common Share entitles the holder to one vote.

At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code, at each election of directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy and when authorized by the by-laws of the corporation or the majority of the board of directors, shareholders may also vote through remote communication or in absentia. Shareholders entitled to vote shall have the right to vote the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

Preferred A Shares

The Company's Preferred A Shares have full voting rights. Each share entitles the holder to one vote.

The holders of Preferred A shares shall be entitled to receive preferred non-cumulative cash dividends at the rate of one percent (1%) of their par value and no more, with no participation in further cash dividends which may be declared and paid to the Preferred Shares or any other class or series of shares. The same stock dividends which may be declared and paid to the Preferred Shares or any other class or series of shares may also be declared and paid to holders of Preferred A Shares.

Preferred Class B Shares

The Preferred Class B Shares shall be issued in sub-series or in tranches as the board of directors may determine, and authority is hereby expressly granted to the board of directors, to establish and designate the sub-series or tranches of the Preferred Class B Shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the Preferred Class B Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Without limiting the generality of the foregoing authority of the board of directors, the rights, preferences and limitations of each sub-series or tranche of the Preferred B Shares may include any or all of the following:

1. Dividends – The holders of the Preferred Class B Shares shall be entitled to receive cash at such rate or amount as the Board of Directors, in its sole discretion, shall fix at the time of issuance of such shares. The Board of Directors shall likewise determine the terms and conditions upon which dividends shall be payable, such as but not limited to: payment dates, whether cumulative, and if so, from when; or whether the dividend rate may be adjusted, and if so, the conditions for adjustments.
2. Conversion – The Board of Directors shall determine whether or not the Preferred Class B Shares or any series or tranche thereof may be convertible into common share of the Company as determined by the Board of Directors and on terms and conditions (including conversion period, conversion ratio and price) to be determined and fixed by the Board of Directors at the time of their issuance.
3. Liquidation – The Board of Directors shall determine whether or not, in the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Company, the holders of Preferred Class B Shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Company are insufficient, on a pro-rata basis as among all holders of outstanding Preferred Class B Shares, of the Issue Price of their shares plus any previously declared and unpaid dividends, before any asset of the Company is paid or distributed to the holders of other classes of shares.
4. Redemption – The Preferred Class B Shares or any series or tranche thereof may be redeemable in whole or in part at the sole option of the Company at a price and at such time that the Board of Directors shall determine. The Board of Directors may likewise prescribe and regulate the procedure to be followed and the details on the redemption of the Preferred Class B Shares or any

series or tranche thereof. The Preferred Class B Shares or any series or tranche thereof when redeemed may or may not be considered retired and may or may not be re-issued by the Company on such terms and conditions as may be determined by the Board of Directors at the time of re-issuance. For purposes of good order and to avoid confusion, the Preferred Class B Shares, upon re-issuance, shall be re-designated as subsequent sub-series or tranches.

5. Non-voting – The holders of the Preferred Class B Shares shall not be entitled to vote except in those cases expressly provided by law.

The resolutions of the Board of Directors authorizing the issuance or re-issuance of the Preferred Class B Shares, or any sub-series or tranche thereof, and fixing the number, features, terms and conditions of such sub-series or tranche shall be filed with the SEC and shall form integral part of the Articles of Incorporation.

Features of All Classes of Shares

The amended Articles of Incorporation of the Company provides for the denial of pre-emptive rights of shareholders. No shareholder of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Company, whether issued from its unissued capital or its treasury stock.

Dividend Rights

The Company is allowed to declare dividends out of its unrestricted retained earnings at such times and in such percentages based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

The Board of Directors is authorized to declare dividends. A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of the Company's outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued to subscribers or stockholders, whether or not fully or partially paid (as long as there is a binding subscription agreement), except treasury shares". Such shareholders' approval may be given at a general or special meeting duly called for such purpose.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- in case of any sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property or assets;
- in case of merger or consolidation;
- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and
- in case of extension or shortening of the term of corporate existence.

INTEREST OF NAMED EXPERTS AND COUNSEL

The consolidated financial statements as of June 30, 2021, and as of December 31, 2020 and 2019 were audited by R.S. Bernaldo & Associates ("RSBA"). The financial statements ending June 30, 2021 were reviewed by Mr. Romeo A. De Jesus, Jr., the financial statements ending December 31, 2020 were audited by Mr. Romeo A. De Jesus, Jr., and the financial statements ending December 31, 2019 were audited by Mr. Percival R. De Guzman. Meanwhile, the financial statements for the period ended December 31, 2018 that also appear in this Prospectus have been audited by SyCip Gorres Velayo & Co., independent auditor, as set forth in their report. The partner-in-charge for the periods ended December 31, 2018 is Mr. Kristopher S. Catalan, CPA.

Certain Philippine legal matters in connection with the Offer have been passed upon for the Company by Acuna & Francisco, the independent legal counsel of the Company and for the Sole Issue Manager, Lead Underwriter and Sole Bookrunner by Romulo Mabanta Buenaventura Sayoc & de los Angeles.

The aforesaid legal counsels have no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company.

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

CEC and CATSI

Abstract

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

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

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

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

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

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

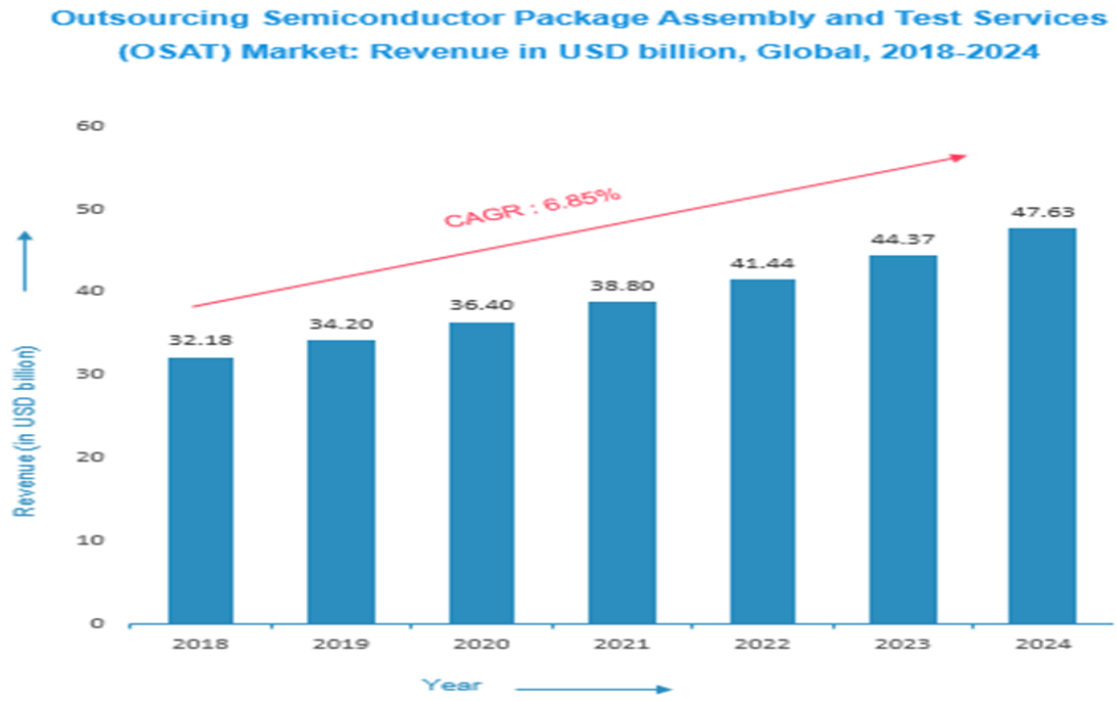
Outlook

The Worldwide Semiconductor Market is expected to show a double-digit growth of 10.9% in 2021 which corresponds to sales of US$ 488 billion.

The market is driven by Sensors with 16.8%, followed by Analog with 15.2% and Logic with 13.0%. A double-digit growth is expected for all geographical regions, except Americas.

According to an industry report conducted by Mordor Intelligence, the Global OSAT or ATP Market, is projected to reach US$ 44,047.6 Million by 2026, growing at a CAGR of 4.65% from 2019 to 2026.

US$



Source: Mordor Intelligence, a market intelligence and advisory firm that provides market research, including services such as consulting, client research, market analysis, advisory, sizing and publication of reports, to name a few.

- The market was is expected to reach a value of US$ 47.63 billion by 2024, at a CAGR of 6.85%, over the forecast period (2019-2024).
- By region, Asia Pacific holds the highest market share of 58.34%, followed by North America with 25.26% market share. Over the forecast period, Asia-Pacific is expected to retain its position holding over 61.58% of market share by 2024.
- Also, Asia Pacific is expected to be the fastest growing market over the forecast period, growing at a CAGR of 7.82%

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

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

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

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

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

The Cirtek Group, though not as advanced as its contemporaries, is still being categorized as a very good alternate source low cost packaging solutions that present a very good chance of capturing special manufacturing capabilities that requires labor intensive manufacturing with special skills for customized products. Given the latest labor cost, the Philippines is still considered to still have the lowest cost in Asia, (see below) which is being used by the Cirtek Group to attract potential customers.

LABOR RATE COMPARISON

COUNTRY	2017 Minimum Wages (Local currency/month)	2017 Minimum Wages (USD/month)	2018 Revised Minimum Wages (Local currency/month)	2018 Revised Minimum Wages (USD/month)	Status
Vietnam	2,580,000 to 3,750,000	114.29 to 166.13	2,760,000 to 3,980,000	122.27 to 176.31	In effect 1st January 2018
Philippines	7290 to 15,360	140.26 to 295.53	7680 to 9300 (only for Region I – Ilocos)t	147.76 to 178.94 (only for Region I – Ilocos)>>US$202 for Laguna	In effect 25th January 2018
Thailand	9000 to 9300	285.39 to 294.90	9240 to 9600	293 to 313.39	In effect 1st April 2018
Malaysia	920 to 1000	233.83 to 254.16	Same as 2017	Same as 2017	Government working on revised rates for 2018
Cambodia	612000	153	680000	170	In effect 1st January 2018
Indonesia	1,337,745 to 3,355,750	99.80 to 250.35	1,560,000 to 3,920,000	109.20 to 274.40	In effect 1st January 2018

Landscape of OSAT

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

Compounding the predicament of the OSAT small players is the dynamic landscape of the OSAT today where several strategies are being worked out to capture market share, reports point that the OSAT industry can be categorized into four market segments:

1. Leaders that offers large volume with advance and matured package technology combined;
2. Smaller volume with specific advance package technology;
3. Long Tail of Matured Technology Suppliers; and
4. Suppliers for end-of-life (EOL) products with customer specific application combined. An EOL product is one that is at the end of its lifecycle, indicating that, from a vendor's point of view, said product is at the end of its useful life. -Mordor Intelligence).

OSAT Market is expected to register a CAGR of 5.7% over the forecast period (2020-2025). The increased demand from Automotive subsystems and connected devices are said to be the main driving force in the forecasted period.

- The Smartphone segment was the biggest customer of OSAT providers, with more than 1 billion shipments every year. But the market is saturated and declining. The smartphone still is a very significant segment for OSAT players owing to the number of shipments. Furthermore, the industry is very competitive, and the introduction of 5G is further going to bring a new lease of life to the market.
- Connectivity is core of Industry 4.0 due to which there demand edge computing and IoT device is said to grow exponentially in the future. Also, there has been the widespread implementation of AI, and newer chips are being developed by smaller players in the market like who lack testing and packaging infrastructure.
- Furthermore, the market for semiconductors is very competitive. Chip providers are forced to introduce new products with a short duration. The chip makers are also trying to integrate as many components possible into a single chip which has further increased the complexity. These chipmakers are mostly dependent on the OSAT companies as they have limited technical expertise, and infrastructure to meet the current market demands.
- With the surging demand for high-end packaging solutions and rising packaging costs, the OSAT vendors are expected to witness a considerable surge in demand from all the end-user industries, especially from the consumer electronics and automotive applications. Additionally, due to the high costs associated with more massive wafer fabrication factories, manufacturers are inclined mainly toward outsourcing semiconductor assembly and testing services to third-party providers so that they could focus more on their core operations of designing and engineering.
- The outbreak of the COVID-19 across the globe has significantly disrupted the supply chain and production especially in the Asia-Pacific region in the current year, which is the largest market for the OSAT. Major semiconductor manufacturing industries have been significantly affected as a result of Asia-Pacific being a world production center over the past two to three decades. Owing to the labor shortages, many of the package and testing plants in in the Asia-Pacific region have reduced or even suspended operations. This has created a bottleneck for companies that depend on such back-end package and testing capacity.

Source: Modor Intelligence

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

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

Quintel

Market Overview

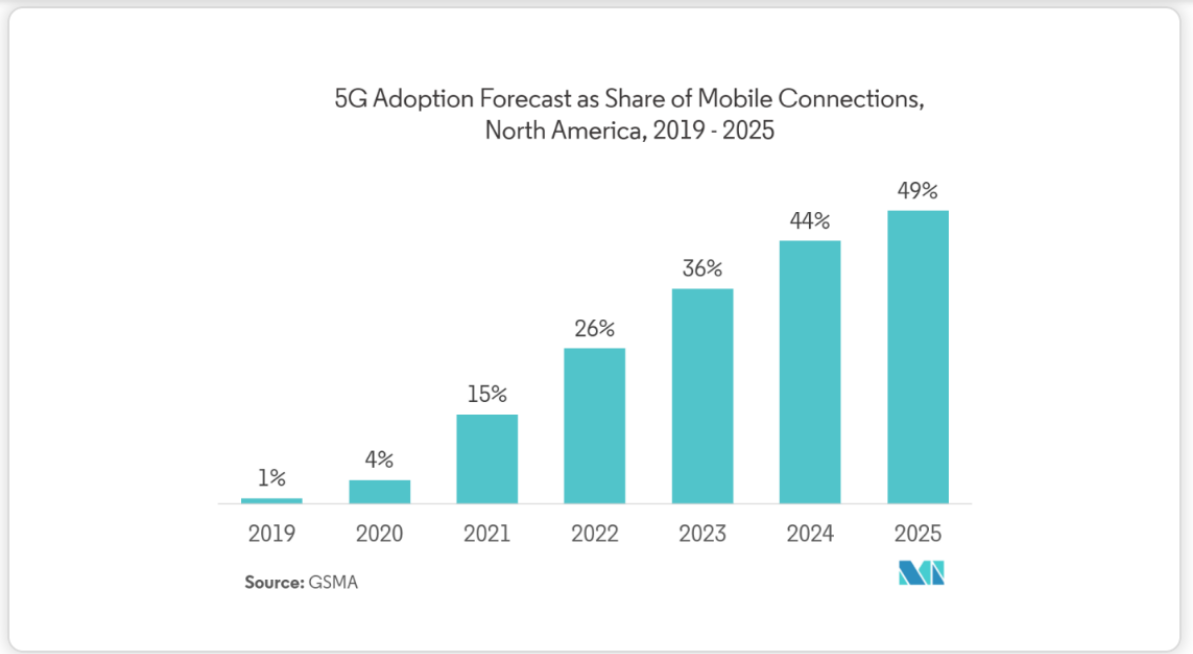
As reported in a study conducted by Prime Feed on the antenna market, the antenna market was valued at US$ 18.57 billion in 2018 and is expected to reach a value of US$ 27.7 billion by 2024, recording a CAGR of 6.96% over the forecast period, 2019 - 2024. Radio antennas are being extensively used as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

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

Key Market Trends

Smart Antenna is Expected to Have a Significant Market Share

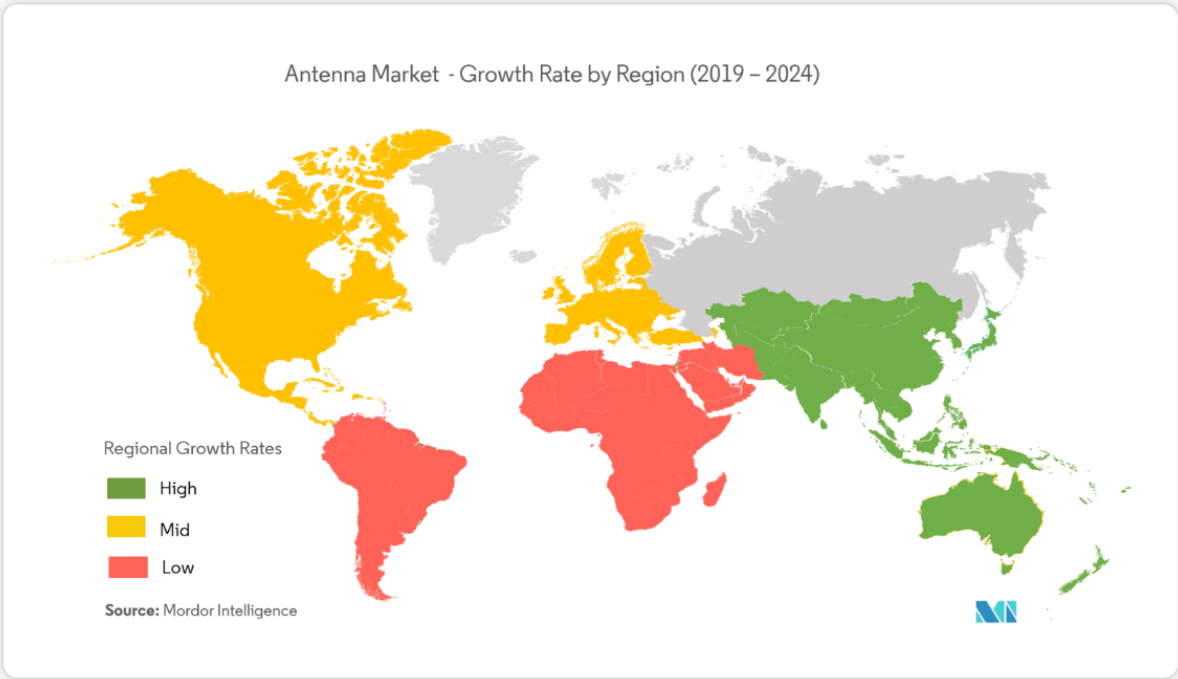
- Smart antennas are proficient in increasing the signal range, minimizing interfering signals, combating signal fading, and as a consequence enhancing the capacity of a wireless system. The increasing application of smart antennas in smartphones and the growing demand for smart antennas in wireless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



North America is Expected to Have a Major Market Share

- Developed communication infrastructure and increasing investments in the region for the development of new infrastructure from military and defense, satellite, and cellular communication are expected to drive the growth of the antenna market.

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



Competitive Landscape

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

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

DESCRIPTION OF THE BUSINESS

Incorporation

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the SEC on February 10, 2011.

Articles of Incorporation and By-Laws

The Articles of Incorporation of the Company was approved by the SEC on February 10, 2011. The latest amended Articles was approved by the SEC on August 10, 2021.

The By-Laws of the Company was registered with the SEC on February 10, 2011. The latest amended By-Laws was approved by the SEC on July 23, 2015.

Primary Purpose

Under the Articles, the Company's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, hypothecate, exchange, or otherwise dispose real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor, stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stock, bonds, debentures, contracts, or obligations, to guarantee obligations, debts, or loans of a subsidiary related to the foregoing and to receive, collect and dispose of the interest, dividends, and income arising from such property, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership.

Corporate Term

As authorized by the stockholders representing at least a majority of the outstanding capital stock in a meeting held on November 27, 2020 and at least a majority of the members of the Board of Directors in a meeting held on September 28, 2020, the corporate term was amended such that the Company now has perpetual existence, as approved by the SEC on August 10, 2021.

Fiscal Year

The business year of the Company begins on the first day of January and ends on the last day of December of each year.

Documents Available for Inspection

Copies of the Articles of Incorporation and By-laws are available for inspection at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the SEC as well as the Company's website: *https://cirtekholdings.com/aoi-and-by-laws*.

BUSINESS OF ISSUER

Cirtek Holdings Philippines Corporation (CHPC) is a fully integrated global technology company focused on 5G wireless communication. It began as an Outsourced Semiconductor Assembly and Testing (OSAT) company in 1984 with only three customers. Now it has evolved into a technology manufacturing company by entering into the high value radio frequency and broadband industry. It has significantly grown its customer base to over 70 major and regular customers across Europe, United States, and Asia.

CHPC, through its subsidiaries, is an independent full-service solution provider for subcontract manufacturing of semiconductor devices. The Company 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.

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

Quintel USA ("Quintel"): provider of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks. Wireless communication technology is constantly evolving with greater data needs of the world, and it is the job of Quintel to evolve along with it. The company's base station and multiport antennas are the product of that evolution.

Cirtek Electronics Corporation (CEC): an independent subcontractor for semiconductor assembly, test and packaging services; CEC mainly specializes in the subcontract manufacturing of semiconductor devices for communications, computing, and automotive industries. The company understands the demands of the market, considering how semiconductors are an essential role in the operation of other forms of technology.

Cirtek Advanced Technologies and Solutions, Inc. (CATSI): manufactures value-added, highly integrated radio frequency, microwave and millimeter wave technology products. Radio frequency (RF) technology has driven advances in wireless communication and is a part of everyday communications. Cirtek Advanced Technologies and Solutions Inc(CATSI) offers advanced electronic and full turnkey manufacturing solutions across its four primary market segments: Telecommunications, Satellite Communications, Semiconductor Test Boards, and Industrial and Automotives.

DESCRIPTION OF THE PROPERTIES

Company Overview

Cirtek Holdings Philippines Corporation is a fully integrated global technology company engaged in high-technology product development and focused on 5G wireless communication. Incorporated on February 10, 2011, it is the holding company of Cirtek Electronics Corporation ("CEC") and Cirtek Electronics International Corporation ("CEIC"), (collectively the "Cirtek Group"). The Company's principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

The Company was in the PSE on November 18, 2011. On November 10, 2015, the Company then proceeded with a follow on offering of 110,000,000 common shares with an offer price of ₱20.00 per share which was 1.5 times oversubscribed and raised ₱2.2 billion. The common shares subject of the FOO were listed on the PSE on the same day. Currently, market capitalization has grown from 1.1 billion in 2011 to ₱2.6 billion as of June 30,2021.

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

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

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

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

CEIC sells integrated circuits principally in the U.S. market and assigns the production of the same to CEC. CEIC acquired Remec Broadband Wireless Inc. ("RBWI") in July 30, 2014 and subsequently renamed it to Cirtek Advanced Technologies and Solutions, Inc, ("CATSI"). CATSI is wholly-owned by Cirtek Electronics International Corporation. The Philippine Branch is the extension of Cirtek Advanced Technologies and Solutions, Inc., a BVI company, in the Philippines. CATSI, through its Philippine Branch is a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

CEC provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users. CEC has over 64 regular customers spread out in Europe, the US and Asia.

Quintel Solutions is a leading provider of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks. Quintel is a pioneer of multi-port, multi-frequency wireless tower antennas. These antennas support more frequencies and deliver greater bandwidth, thereby improving customer experience and creating cost-efficiencies and quicker roll-out for mobile operators. Cirtek Delaware is a Delaware corporation which is wholly-owned by Cirtek Electronics International Corporation. Cirtek Delaware was established to implement the Agreement and Plan of Merger under which Quintel Cayman Ltd. will be a wholly-owned subsidiary of Cirtek Delaware.

Quintel Cayman Ltd is the holding corporation of Quintel Technology Limited and Quintel USA. Inc. Quintel Technology Limited designs, develops, and delivers antenna solutions for the wireless industry

in the United States and internationally. Quintel Technology Limited is based in Rochester, New York with additional offices in North America, Europe, and Asia.

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

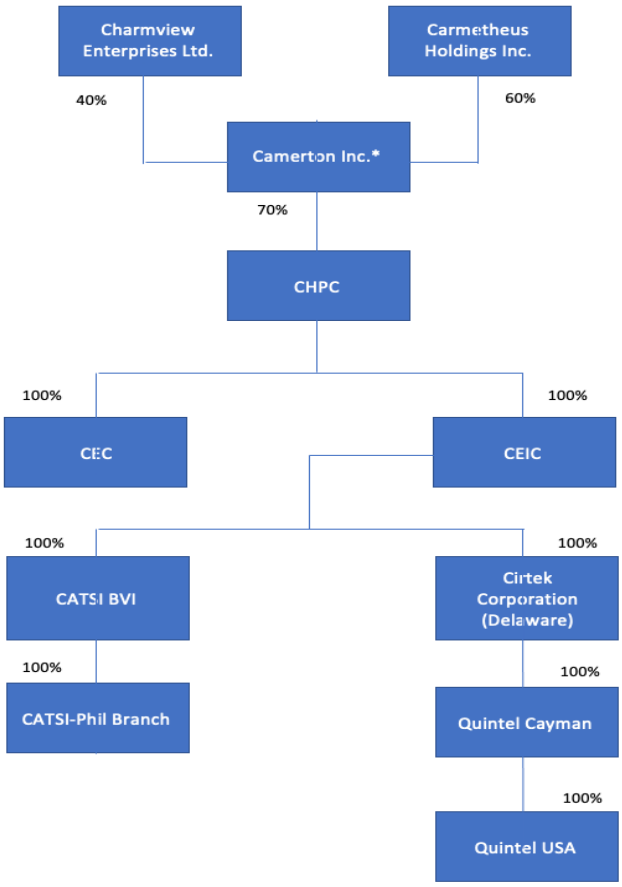
Cirtek Business & Technology Solutions, Inc. was established to provide wireless infrastructure solutions to large Philippine enterprises using internally-manufactured multi-gigabit, millimeterwave, high-capacity wireless backhaul and access technologies.

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

The Company is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Company. Neither is the Company reliant on any specific industry since its products have varied applications in different industries. However, in 2019, Quintel contributed 31% of the Company's total revenues. The Cirtek Group has earned a strong reputation with its customers for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop application and customer specific packages. The Cirtek Group has been accredited and certified by several international quality institutions, such as TÜD SÜD Management Service GmbH and Defense Supply Center of Columbus for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949.

In the year June 30, 2021, Cirtek Group's consolidated net sales was US$45.5 million while consolidated net income was at US$8.0 million. As of June 30, 2021, the Cirtek Group had total consolidated assets of US$ 289,617,899 and total consolidated liabilities of US$ 142,943,595.

Corporate Structure



All of the Company's Subsidiaries are wholly-owned. As of June 30, 2021, details of these Subsidiaries are as follows:

		Percentage of Ownership			
	Country of	**June 30, 2021**		Dec. 31, 2020	
	Incorporation	**Direct**	**Indirect**	Direct	Indirect
CEC	Philippines	**100**	**–**	100	–
CEIC	BVI	**100**	**–**	100	–
CATS	BVI	**–**	**100**	–	100
CATS - Philippine Branch	Philippines	**–**	**100**	–	100
Cirtek Corporation	United States of America	**–**	**100**	–	100
Quintel	Cayman Islands	**–**	**100**	–	100
Quintel USA	United States of America	**–**	**100**	–	100

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

Competitive Strengths

The Company believes that its principal strengths are the following:

Industry-leading Technology

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

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

Industry-Leading Technology Awards		
Excellent Partner Award	Sunpower Corp.	2008
Gold Core Partner Award	Huawei Technologies C. Ltd.	2010
Silver Core Partner Award	Huawei Technologies C. Ltd.	2009
Silver Core Partner Award	Huawei Technologies C. Ltd.	2011
Outstanding Achievement	Gan Systems	2017
Outstanding Achievement	Gan Systems	2016

Reputation for High-Quality, Innovative Products

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

Recognition for High-Quality, Innovative Products		
Outstanding Assembler	Gan Systems	2018

Semiconductor Assembly and Test Supplier of the Year	Bourns, Inc.	2016
Best New Product Introduction	Cambridge Semiconductor (“Camsemi”)	2013
Place of Appreciation Success on New Product Introduction	Camsemi	2012
Most Improved Subcontractor Award	Supertex, Inc.	2009
Top Ranking Subcontractor	Triquit Semiconductor	2008
Excellence in Delivery and Service Award	WJ Communications	2008
Delivery and Service Award	International Rectifier	2006

Significant Proprietary IP

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

Offers a Complete Range of Turnkey Solutions and Vertically Integrated Services

The Company, through its Subsidiaries, provides a full range of turnkey solutions. For the semiconductor business, these would include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers’ end users. CATSI also offers full turnkey solutions, including product and process design and development, transitioning from R&D to full scale manufacturing, integrated manufacturing processes, and delivery to end customers.

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

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

Global and Diversified Customer Footprint

Cirtek Group’s products have multiple end-user applications that serve a diverse range of industries including telecommunications, automotive, consumer electronics, industrial, medical, satellite communication, and aerospace and defense. The table below illustrates the breakdown of the Company’s revenues by industry for the year ended December 31, 2020:

Industry	**Revenue Contribution (%)**
Communication	61
Computing	10

Consumer Electronics	10
Medical	8
Industrial	7
Automotive	2
Military	2
Total	**100**

Since its incorporation, the Cirtek Group has slowly built a global customer base of over 70 customers based in three major regions in the world, namely, the U.S., Asia, and Europe. The following shows the distribution of external customers by revenue contribution (amounts in thousands):

		2020		2019		2018
USA	**$**	**27,003**	$	40,519	$	51,728
Europe		**12,357**		15,266		35,336
Asia		**29,547**		24,334		19,411
	$	**68,907**	$	80,119	$	106,475

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

Strong Financial Track Record

Cirtek, through its Subsidiaries, has consistently proven its ability to grow the business. Cirtek has grown its consolidated net sales from US$37 million in 2011 to US$68 million in December 2020.

The Cirtek Group's ability to create shareholder value is seen in the consistent rise in its profits and EBITDA over the years. As a result, market capitalization has grown by approximately three times since its IPO in November 2011 to ₱2.8 billion as of December 31, 2020.

Highly Experienced Management Team

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

Proven Execution Track Record

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

CEC is known for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop applications. It continues to be the preferred supplier of customer- and application-specific semiconductor packages. It has been in business with most of its customers for

more than ten years. Moreover, its existing customer base has grown since 1984 from only three customers to over 60 customers to date.

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

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

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

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

Recent Developments

- On 27 March 2019, the Company issued a Press Release announcing that Quintel USA Inc, a wholly owned subsidiary of the Company, formally concluded and entered into an agreement with Denki Kogyo Co., Ltd of Japan for a portfolio of innovative and leading-edge small cell antennas with industry-leading adjustable remote electrical tilt features.
- On 8 July 2020, the Company issued a Press Release announcing that Cirtek Advanced Technologies and Solutions, Inc. (CATSI), the microwave and millimeter wave manufacturing arm of the Company, has inked a multi-million project with a Silicon Valley based tech company for the production of 5G-supporting chipsets to be used in fiber optic networks.
- On September 15, 2020, the Company issued a Press Release announcing that Quintel USA, Inc., a wholly-owned subsidiary of the Company, has fully concluded contract signing on a Master Purchase Agreement with a telecommunications operator ranking among the top five full-fledged wireless carriers in North America.
- On January 11, 2021, the Company issued a Press Release that Cirtek Electronics Corporation will scale-up its production and improve revenues starting Q1- 2021 with two (2) major tier 1 customers for the full turnkey services of their new products called Quad Flat No Leads Package (QFN), Cirtek Advanced Technology and Solutions is excited to roll out its 5G chipset for mass production, and Quintel USA on a roll with New Product Introductions.
- On March 4, 2021, the Philippine Rating Services Corporation (PhilRatings) assigned an Issuer Credit Rating of PRS A (corp.), with a Stable Outlook, for Cirtek Holdings Philippines Corporation (CHPC). This is in relation to the company's initial ₱2 billion tranche from a proposed Shelf Registration of Commercial Papers (CPs) of up to ₱6 billion.
- On April 7, 2021, the Company issued Press Release regarding Cirtek Demonstrates Advocacy to ESG Principles such as Environmental Program – Greening the Back Yard, Social Responsibility – Assurance of COVID-19 Vaccine Availability and Employment Sustainability – Increased Customer Business. On April 28, 2021, the Company issued a press release regarding the listing of its ₱1 billion worth of Commercial Papers (CP) with the Philippine Dealing and Exchange Corp. as part of its Six Billion Pesos (₱6 billion) CP Program.

- On May 26, 2021, Cirtek/Quintel ramps up 5G Antennas. Quintel USA, Inc. a Base Station Antenna and wireless solutions provider based out of Silicon Valley has been relentlessly dedicated at supporting its top tier carriers in North America for 5G complimentary product introductions. The products include a total of 78 new antennas across 17 product families. Differentiating features include a standalone C-Band antenna for 5G greenfield deployments, C-Band combined with wide low and mid bands, CBRS, split beam, wide beam, roof top variants, a weight reduced line up and a 600MHz compatible antenna family engineered for next generation telco infrastructure spending.
- On June 30, 2021, the Company gets green light from PSE for its Stock Rights Offering with Bonus Detachable Warrants, and sets its final Offer Price at ₱5.50 per Entitlement Right and final Exercise Price at ₱5.50 for the Bonus Detachable Warrants.
- On July 1, 2021, the Company issued a press release regarding Chip Demand Outpaces Supply and the Cirtek Group continues with its CSR Initiatives
- On July 12, 2021, the Company issued a press release regarding the extension of Quintel USA Master Supply Agreement with two major leading carriers in North America. This comes at a time following a series of new product introductions released by Quintel when 5G is at an inflection point.
- On August 16, 2021, the Company issued a press Release regarding the listing of its Stock Rights Offering with Bonus Detachable Warrants.

Key Strategies

FOR QUINTEL

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

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

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

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

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

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

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

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

FOR CEC

Focus on further expanding the semiconductor business

Improve on customer- and application- specific packages

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

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

Introduce new products/packages that meet customers' needs

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

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

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

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

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

FOR CATSI

Continuously grow RF/Microwave/Milimeterwave Business

CATSI is actively growing its RF/Microwave/Millimeterwave business at a rapid rate as a result of the explosive growth in wireless data traffic and growing application of millimeterwave in imaging, telecommunication, consumer markets, defense and security.

Expand customer base RF/Microwave/Milimeterwave Business

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

Subsidiaries

Cirtek Electronics Corporation

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

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

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

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

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

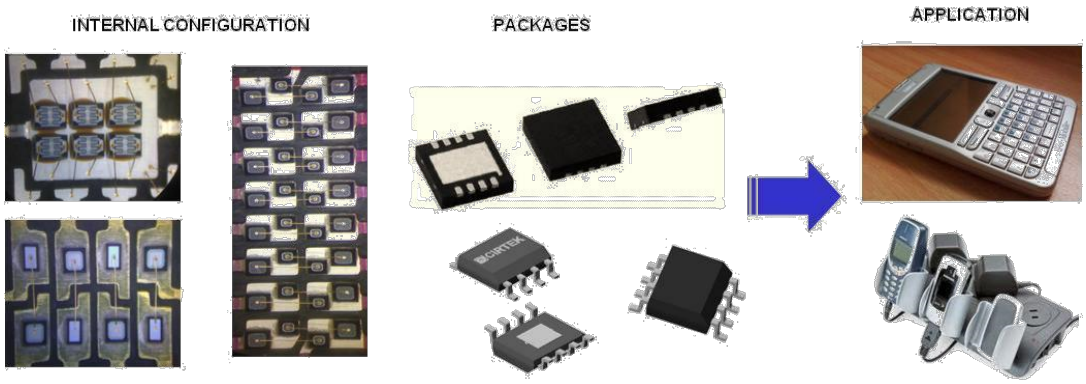
CEC was previously registered with the Board of Investments ("BOI") under Presidential Decree No. 1789, as amended by Batas Pambansa Blg. 391, as a preferred pioneer enterprise for the manufacture and export of integrated circuits. As a registered enterprise, CEC was entitled to certain tax and nontax incentives provided for in PD 1789.

On March 24, 1998, the Philippine Economic Zone Authority ("PEZA") approved CEC's registration as an ecozone export enterprise at the Laguna Technopark for the manufacture of standard integrated circuits, discrete, hybrid, and potential new packages. Since its income tax holiday incentive expired in 2003, CEC is subject to tax at the preferential rate of 5% of its gross income in accordance with Republic Act No. 7916 as amended, the law creating the PEZA. In order to maximize the incentives granted under Republic Act No. 7916, CEC applied for the registration of its new products and was granted income tax holiday therefor from 2003 to 2005.

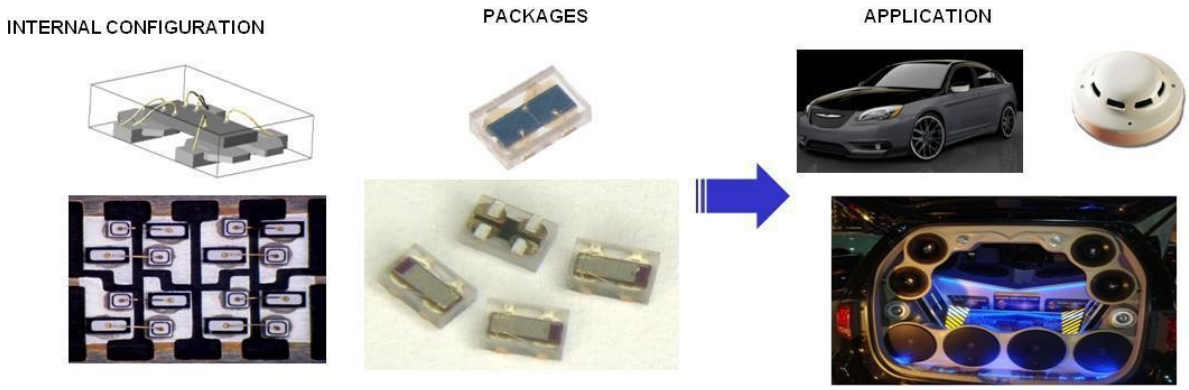
On April 27, 2011, PEZA approved CEC's application for the registration of a new project involving the manufacture of devices which will be used as components for smart phones, automotive sensor applications, battery chargers, and industrial applications.

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

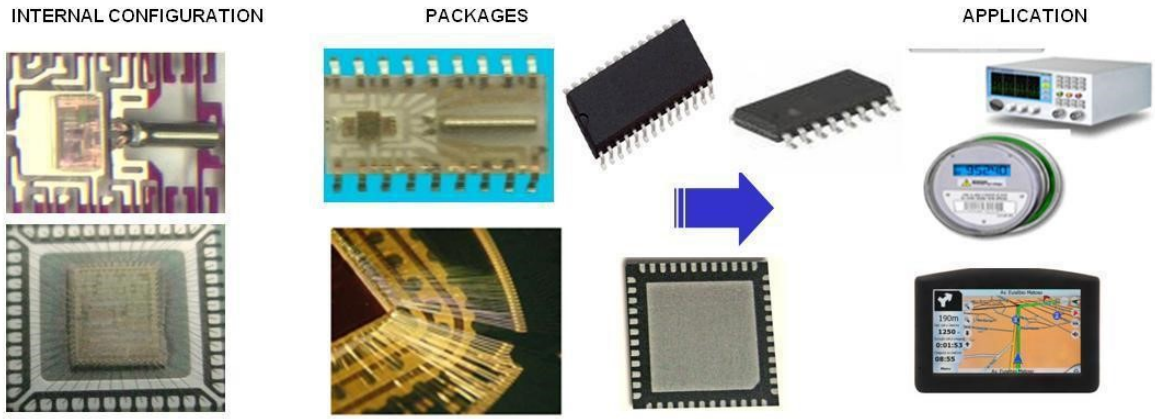
1. Protection products - These products are designed to protect electronic devices from damaging voltage or current spikes. These are in multi-chip Small-outline Integrated Circuit ("SOIC") packages, with up to 32 diodes in a single unit. The applications of the protection products include smartphones,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



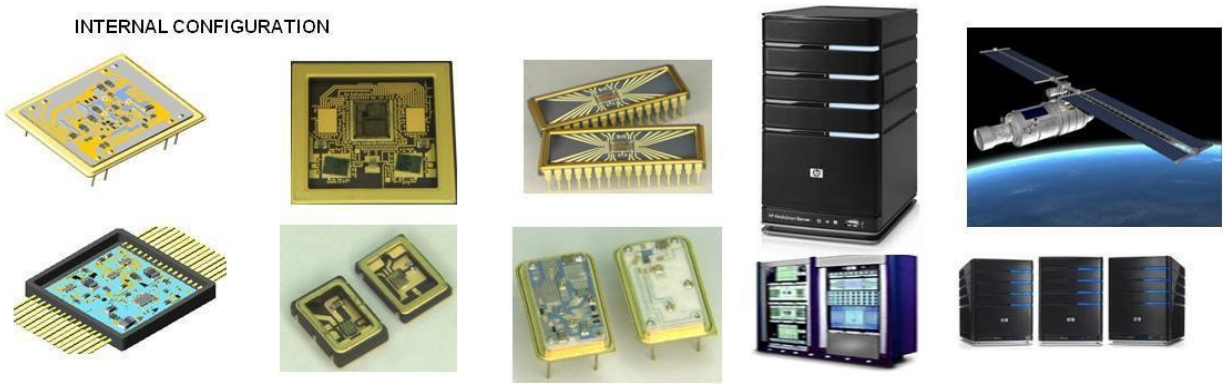
2. Light sensors - These optical devices sense the intensity of light and trigger the automatic switching on and off of headlights and the automatic adjustment of air conditioning settings in cars. The package is a transparent custom-body Quad Flat Pack Leadless Package (“QFN”). The applications of the Light sensors products include Sensor auto switching device, Hall sensor application.



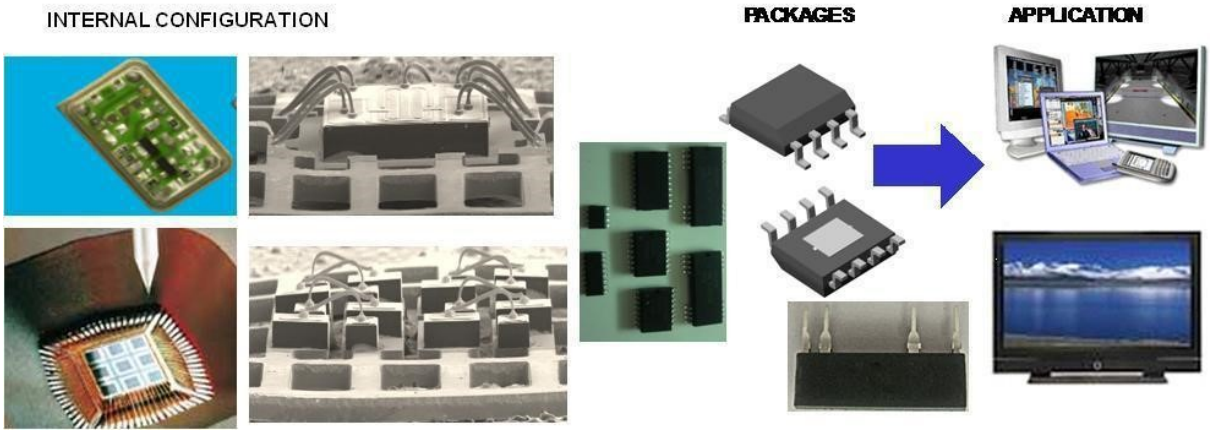
Real time clock - These are precision time keeping devices which contain features like calendars, time of day, trickle charger and memory functions. These devices come with tuning fork cylindrical crystals and are packaged in 16/20L SOIC 300mil body version. The applications of the Real time clock products include Digital meter reader, PLL device Phase-locked loop (PLL) circuits exist in a wide variety of high frequency applications, from simple clock clean-up circuits, to local oscillators (LOs) for high performance radio communication links, and ultrafast switching frequency synthesizers in vector network analyzers (VNA).



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



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



5. Power management devices - These devices are used in a wide range of power management applications from telecommunications, industrial equipment, portable devices, computers, and networks. Power management devices is a feature of some electrical appliances, especially copiers, computers, CPUs, GPUs, and computer peripherals such as monitors and printers, that

turn off the power or switch the system to a low-power state when inactive. These are packaged in SOIC with the die pad exposed. The applications of the Power management devices products include Photocopier and Communicating devices.

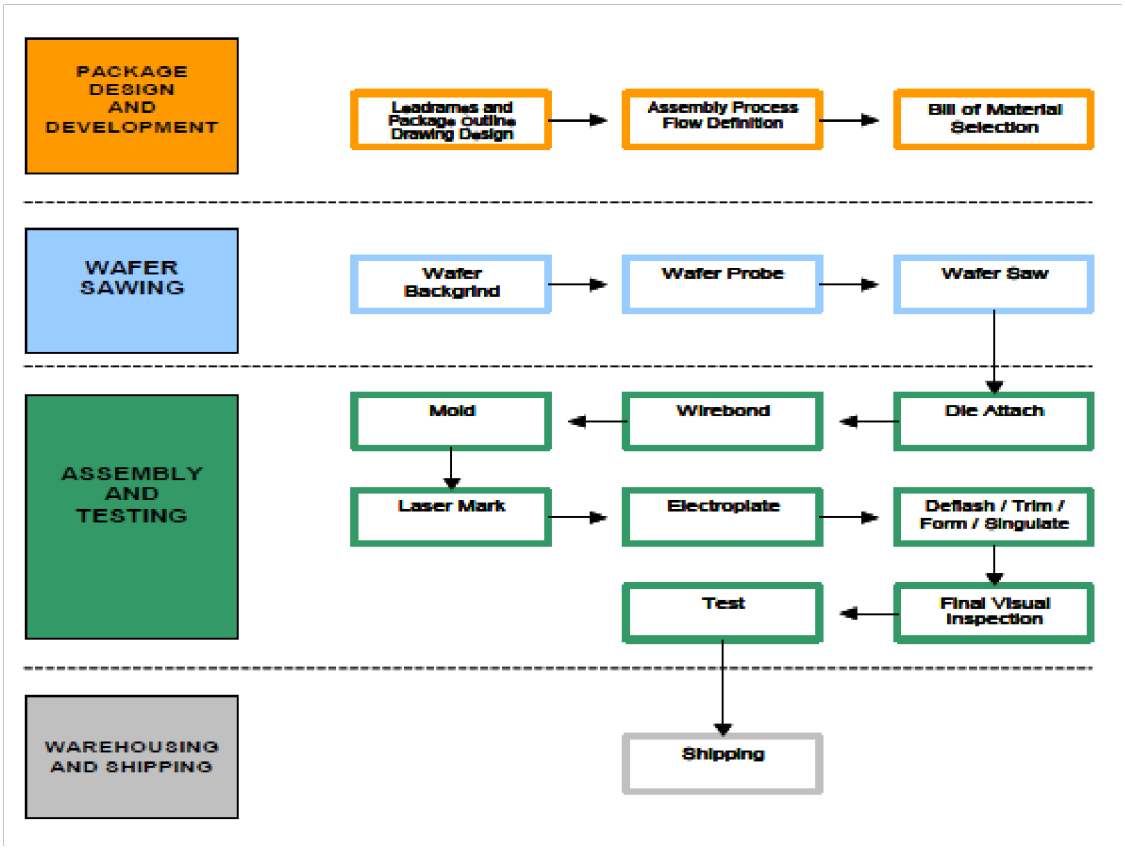
Summary Of Products and Applications

CEC Manufacturing Process Flow

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

Process Flow

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



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

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

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

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

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

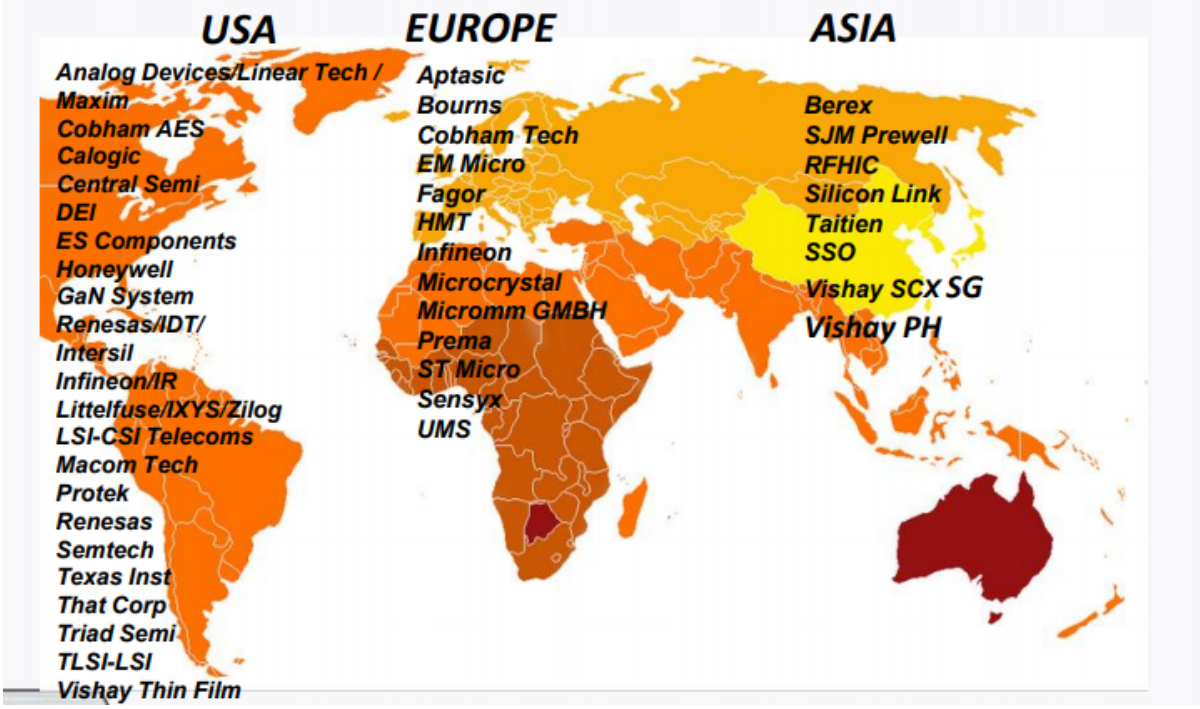
The parts are then electroplated for protection of the metal leads, trimmed and formed into its final shape or sawn into its final dimension in the case of 0201 DFN, Optical Dual Flat No lead("ODFN"), and PQFN.

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

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

CEC Customers

Beginning in 1984 with three customers, Cirtek Electronics Corporation has significantly grown its customer base to 30 to 35 active customers in 2019. Cirtek, through CEC, aims to broaden its existing customer base, as well as its geographic coverage to mitigate the volatility in the semiconductor industry through increasing its international sales force and sales representatives to establish greater geographic presence and increase its end-customer base. The figure below lists the CEC's major customers:



The table below illustrates the geographic distribution of customers by revenue contribution per region, for the years 2018, 2019, and 2020.

	2018	2019	2020
Asia	18%	30%	43%
Europe	33%	19%	18%
U.S.	49%	51%	39%

CEC is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Company. In 2019, its top customer accounted for only 12% of its total revenue while the top 10 customers collectively accounted for less than 70% of the Company's total revenue. Furthermore, the Company is also not reliant on any specific industry since the customers' products have varied applications in different industries.

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

CEC Competition

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

There are two active companies in the semiconductor industry that are listed in the PSE. These are Integrated Micro-Electronics, Inc. ("IMI") and SFA Semicon Philippines Corporation ("SSP") and Integrated Micro-Electronics, Inc. ("IMI"). The table below presents a side by side comparison between and among TECH, SSP, and IMI of each one's relative size and financial performance (As of and for the year ended June 30, 2021, unless otherwise stated; Amounts in US$ thousands unless as indicated):

	TECH	SSP	IMI
Market Capitalization (PHP)	2,565	2,901	21,951
Revenue	45,554	86,144	319,019

EBITDA	14,488	15,275	29,895
Net Income	7,981	7,626	915
Total Assets	289,618	205,068	1,1148,799
Total Liabilities	142,944	72,442	578,551
Total Stockholders' Equity	146,674	132,626	569,248

Note: Market Capitalization is as of June 30, 2021

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

Cirtek Electronics International Corporation

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

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

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

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

Acquisition of Quintel Cayman Ltd. and its subsidiaries.

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

Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks. Among Quintel's major customers include two of the top 5 telecom carriers in North America (i.e., Verizon and AT&T).

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

antennas use providing the industry's only "One Size Fits All" portfolio of 6, 8, 10 and 12-Port antennas in the same single form factor.

The acquisition of Quintel is consistent with the Cirtek Group's positioning to expand its business portfolio vertically and to compete in high-growth market segments, such as wireless communication. By moving up the value chain, the Company will be able to accelerate its revenue trajectory and improve profit margins.

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

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

Cirtek Advanced Technologies and Solutions, Inc.

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

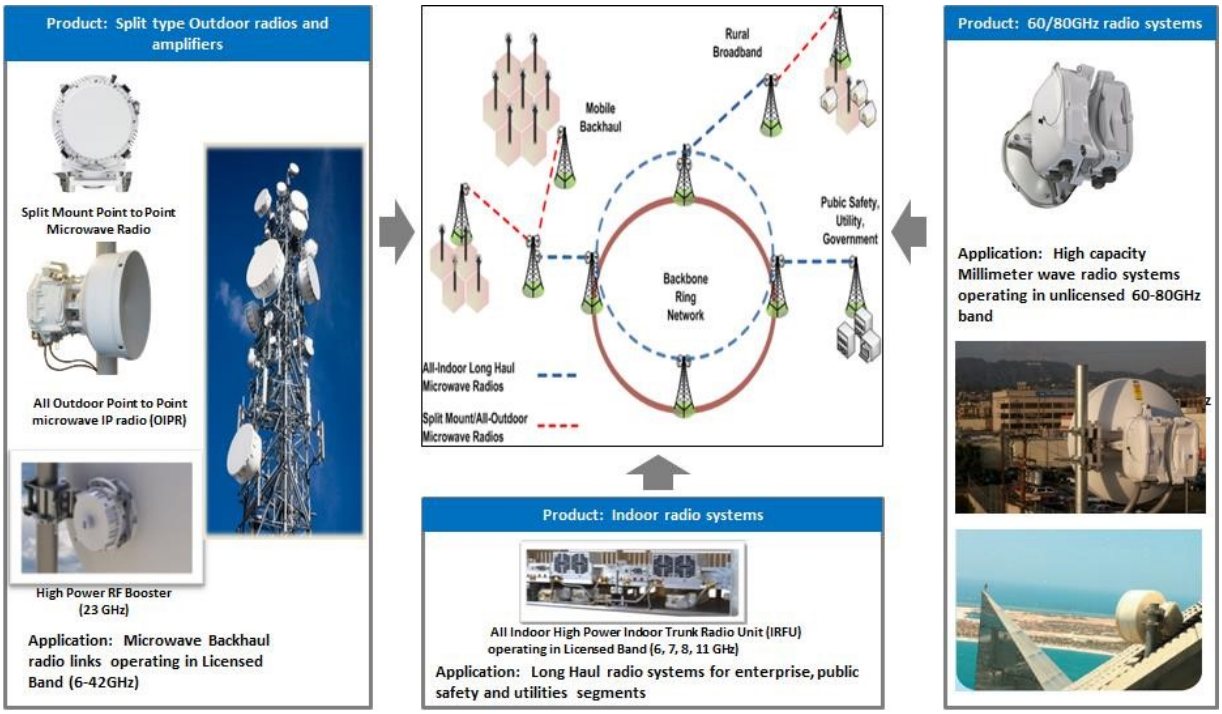
The following are CATSI's microwave products:

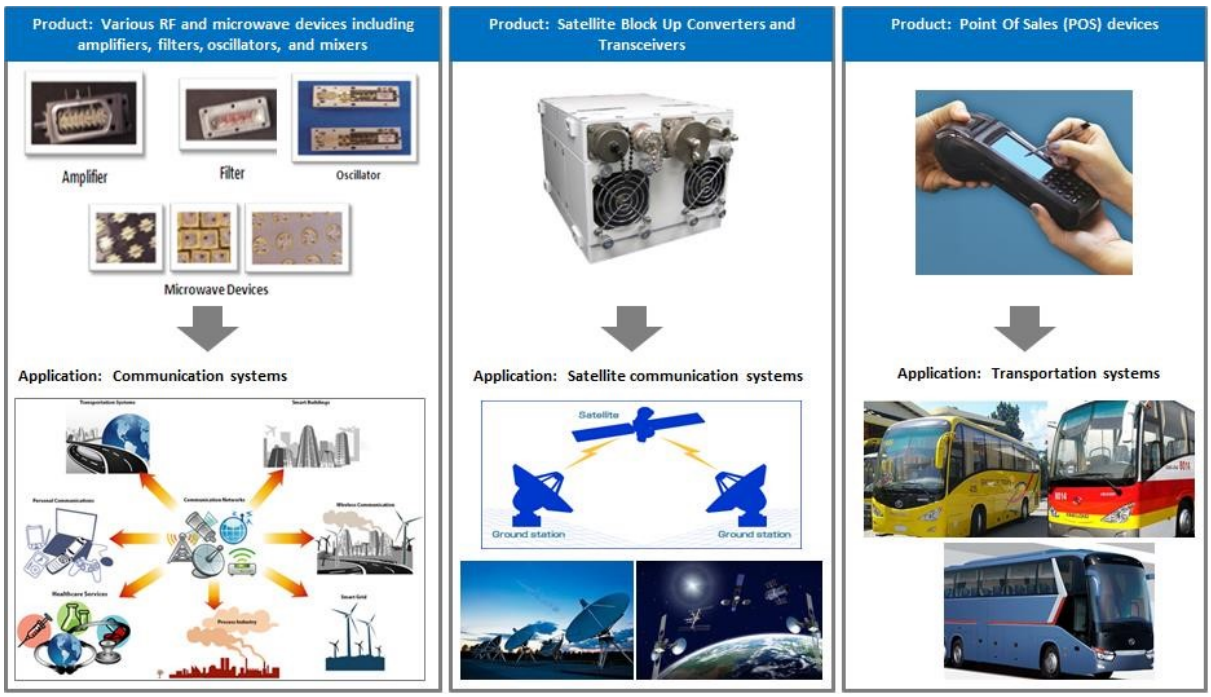
1. CTT Out Door Unit ("ODU") - The CTTH ODU is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The CTT ODU supports QPSK to 256QAM modulation and 7MHz to 56MHz channel bandwidth. The applications of the CTT OutDoor Unit products include backhaul radios for telecommunication network.

2. Indoor Radio Frequency Unit ("IRFU") –The IRFU is available in L6, U6, 7GHz, 8GHz, and 11GHz frequency bands. The channel spacing supported for North American ANSI rates is between 3.75 MHz and 60 MHz. The channel spacing supported for ETSI rates is between 7 MHz and 56 MHz. The applications of the Indoor Radio Frequency Unit ("IRFU") products include audio communication product that is usually used for public safety, government, utilities, industrial enterprise and carriers.

3. Outdoor Internet Protocol Radio ("OIPR") - The OIPR is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The supported modulation is QPSK to 256QAM. The channel spacings supported for North American ANSI rates is between 10MHz and 50 MHz. The channel spacings supported for ETSI rates are 7MHz, 14MHz, 28-30MHz, 40MHz and 56MHz. The applications of the Outdoor Internet Protocol Radio ("OIPR") products include Microwave backhaul radio links operating in Licensec Band (6-42 GHZ).

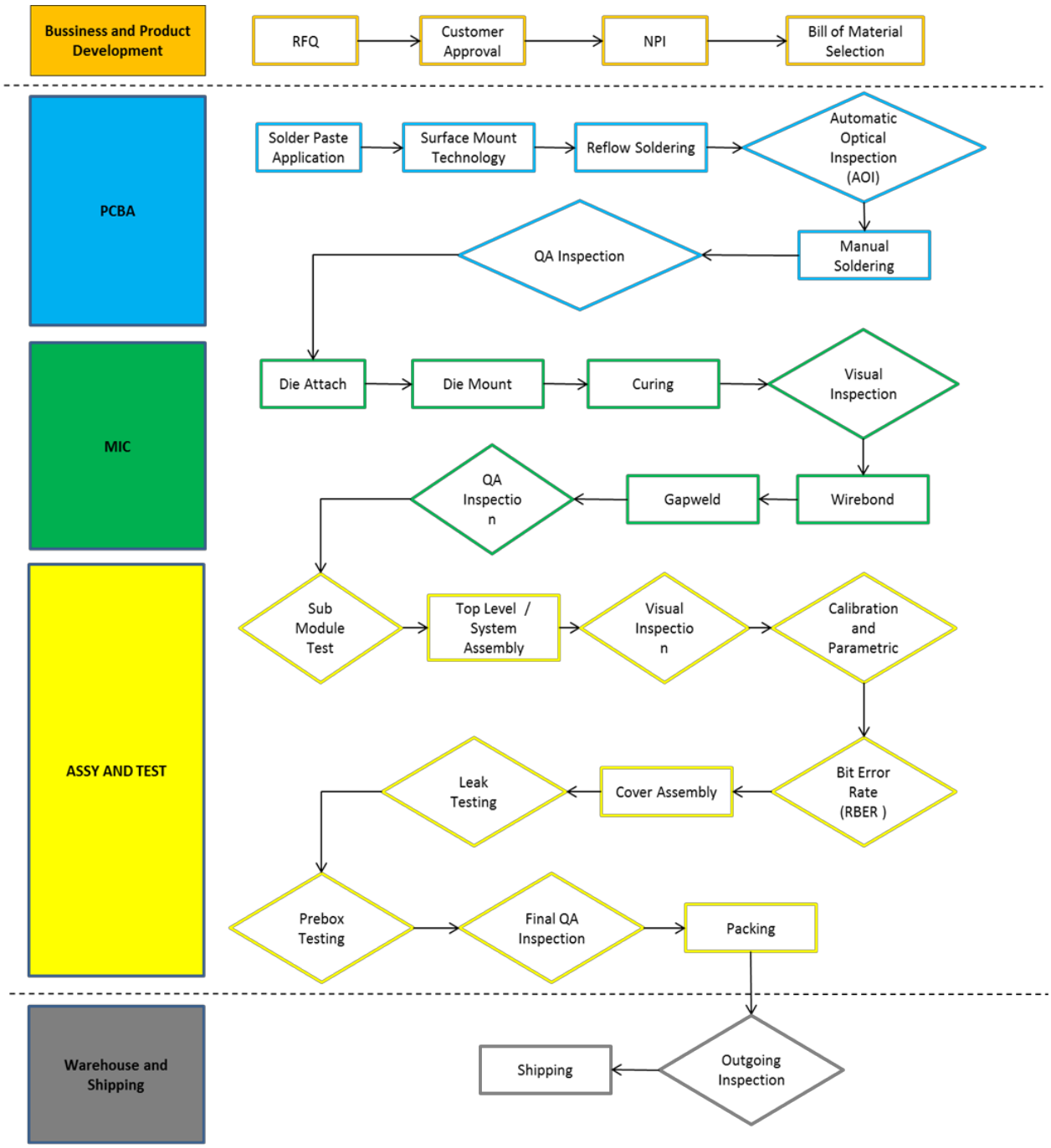
4. FLEX4G-Ultra High Availability ("UHA") - Flex4G-UHA-UHA operates in the 71-76/81-86 GHz frequency range in compliance with ECC/REC 05/07 Recommendations and is subject to use based on each EU member country's individual regulation for operation in this band. The FLEX4G-UHA uses Binary Phase Shift Keying ("BPSK") modulation and supports a maximum data rate of 1,000 Mbps in a 1,250 MHz channel. The application of FLEX4G-Ultra High Availability includes high capacity Millimeter wave radio systems operating in unlicensed 60-80 GHz band.





CATSI Manufacturing Process Flow

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



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

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

The fundamental assembly process starts with a Printed Circuit Board Assembly (PCBA). Solder paste is applied to the Printed Circuit Board (PCB), followed by placement of components during SMT pick and place. The populated board is then loaded to the reflow oven for solder paste curing. After the oven reflow, the board undergoes Automatic Optical Inspection (AOI). All boards with reject (assembly rejects, i.e. missing components, wrong part mounted, tombstone, insufficient solder, mis-oriented, tilted, etc.) during AOI are reworked. All boards without rejects proceed to the second operation or manual soldering (if required).

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

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

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

CATSI's manufacturing complex is located in the same 12,740 square meter property that CEC leases from CLC and Cayon.

CATSI Customers

Most of CATSI's customers have been its clients for more than 10 years. Hence, CATSI is expanding its salesforce in these regions. Customer expansion in the microwave and millimeter wave spectrum in US and Europe. For most of these clients, no formal supply or manufacturing contract is executed, and the orders are governed by purchase orders that provide the specification of the products to be sold, delivery schedule and terms of payment, among others. Customers are required to submit order forecasts ranging from three to six months, which CATSI uses to project its supply requirements. Depending on the relationship with the particular customers, payment terms can be on a cash-on-delivery basis or credit term of between 45 to 90 days.

CATSI Competition

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

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

Acquisition of Remec Broadband Wireless International, Inc.

On July 30, 2014, CEIC entered into a sale and purchase agreement with REMEC Broadband Wireless Holdings ("REMEC"), for the purchase of 100% of the shares of REMEC's manufacturing division, REMEC Broadband Wireless International, Inc. ("RBWI"), a Philippine-based manufacturer of value added, highly integrated technology products. Based on the terms of the sale: (i) REMEC and its remaining subsidiaries will continue to design and market its top-of-class telecommunications

products globally under its “REMEC” brand; and (ii) REMEC will enter into a manufacturing agreement with CHPC to manufacture REMEC’s products under a long term contract manufacturing relationship. CEIC acquired RBWI for a consideration of $7.5 million. The Company funded the acquisition through a combination of available cash on hand and proceeds from a corporate notes issuance.

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

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

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

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

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

Quintel Corporation

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

Quintel is radically transforming wireless infrastructure with feature-rich antenna technologies that make networks more efficient and more profitable. An innovator in low-impact and high-output solutions, Quintel simplifies rollout complexity with practical antenna solutions that quickly boost capacity and coverage within diverse heterogeneous networks. Quintel’s innovative MultiServ and SONwav product lines enable mobile operators to quickly and easily grow their networks and not their budgets.

The following are Quintel’s antenna products lines:

1. MultiServ – Single Antenna – Multiple Frequency Bands

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

Space Efficient Tower Solutions

PIM Efficient Solutions

Key Highlights of MultiServ product line:

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

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

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

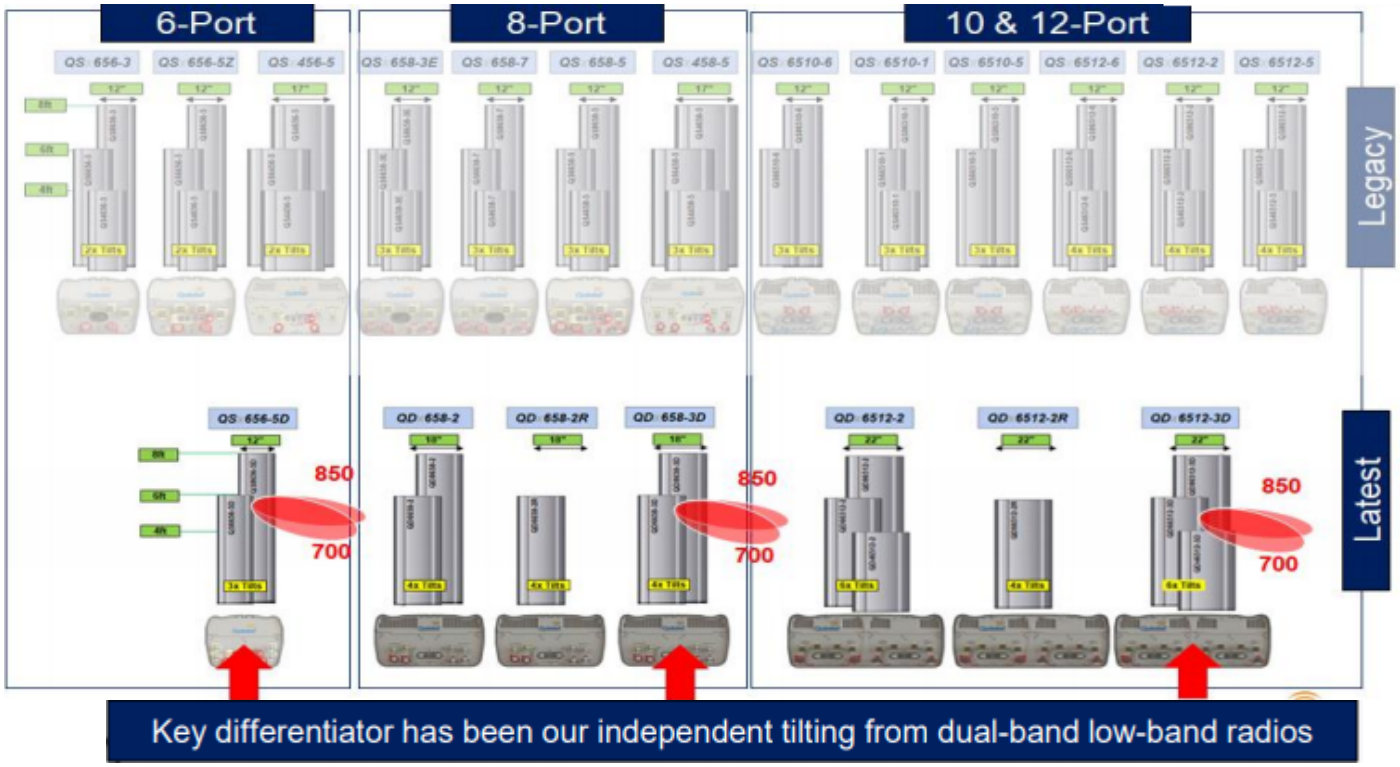
Spectrally Efficient Tower Solutions

Key Highlights of MultiServ product line:

- SONWav technique designed for Low-Band Service 700, 800, 850MHz
- Allows Downlink to be Tilt optimized with Power Limited Uplink Services (VolTE)
- Mitigates Uplink Interference when using IRC in Baseband
- Maximizes Uplink MCS, SINR, CQI and Throughput
- SonWav also has 4x1695-2400MHz Ports (as 2x independent Tilts)
- Optimized Azimuth Patterns as per MultiServe Family

- Optimized Radome & Windload as MultiServe Family

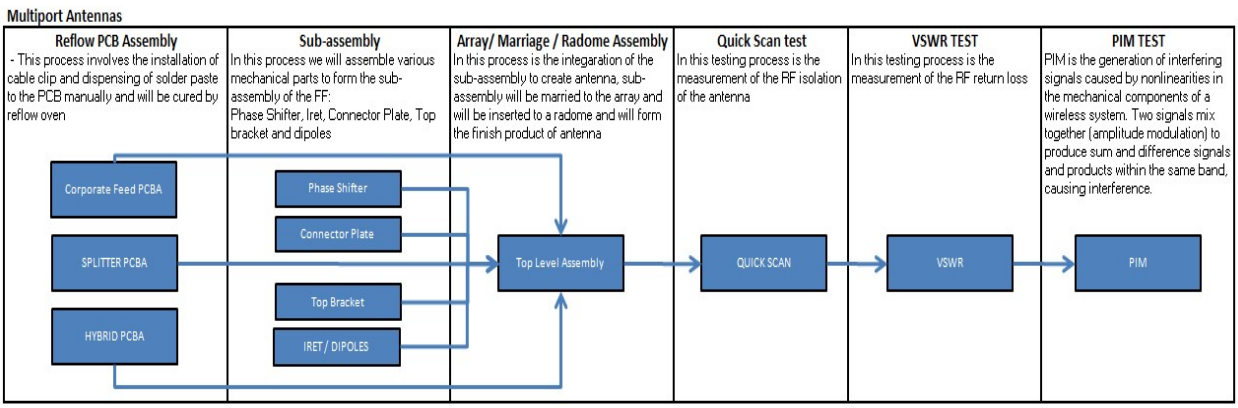
Major Products – Quintel's Current Macro Antenna Portfolio



Quintel Manufacturing Process Flow

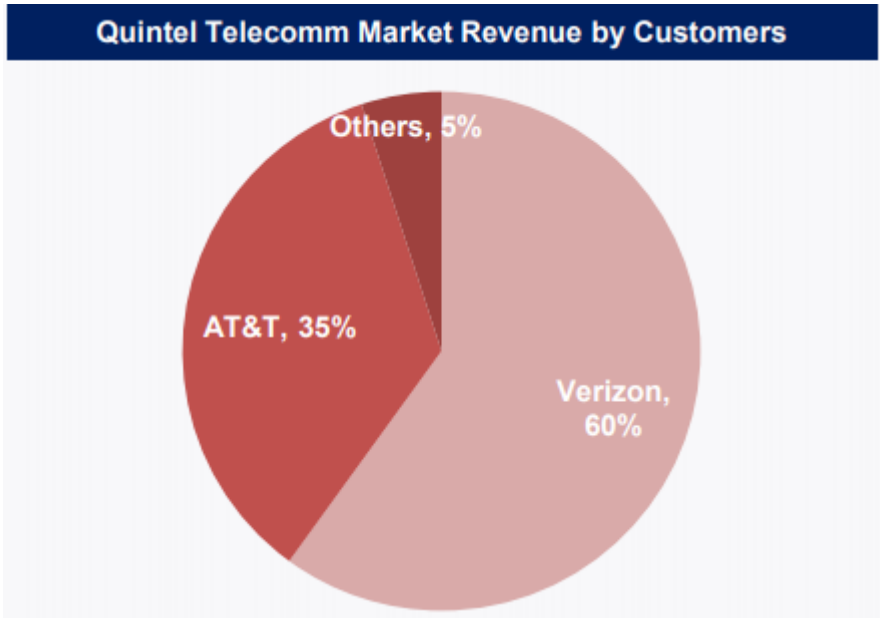
Quintel assembles and tests antenna products at its manufacturing complex located in Laguna Technopark in Biñan, Laguna. The manufacturing facility, which is owned by Cirtek Group, is composed of three buildings, with a total floor area of 22,300 square feet.

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



Quintel Customers

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

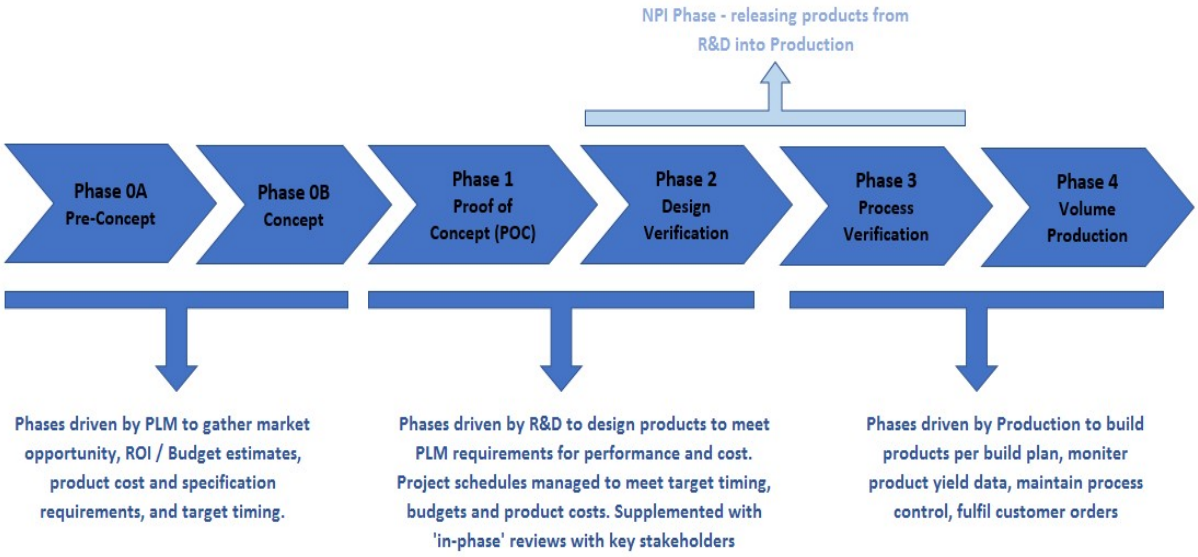


Quintel Competition

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

Quintel Product Development (Research and Development)

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



New Products

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

Risks related to CEIC, CATSI and Quintel

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

Operating Segments Contribution to Revenue

Financial information on the Cirtek Group’s business segments as of December 31, 2020, 2019 and 2018 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the six months ended June 30, 2021:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$20,872,115	$13,554,676	$11,126,781	$-	$45,553,572
Total net sales	20,872,115	13,554,676	11,126,781	-	45,553,572
Segment depreciation and amortization	1,867,797	511,593	991,796	587,460	3,958,646
Segment interest income	9,383	5,948	1	-	15,332
Segment interest expense	2,363,306	-	16,192	-	2,379,498
Segment profit (loss) before income tax	6,279,963	4,574,720	2,898,185	(5,587,460)	8,165,408
Segment provision for income tax	189,711	68,524	37,319	(111,618)	183,936
Segment profit (loss) after income tax	$6,090,252	$4,506,196	$2,860,866	($5,475,842)	$7,981,472

For the year ended December 31, 2020:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	$ 31,534,065	$ 20,522,706	$ 16,850,427	$ -	$ 68,907,198
Segment depreciation and amortization	$ 3,770,549	$ 1,018,998	$ 1,346,932	$ 1,174,920	$ 7,311,399
Segment interest income	62,440	9,972	-	-	72,412
Segment interest expense	5,375,227	-	-	-	5,375,227
Segment profit (loss) before income tax	29,215,585	6,338,063	205,135	(28,714,666)	7,044,117
Segment provision for (benefit from) income tax	335,477	307,627	27,036	(222,235)	446,905
Segment profit (loss) after income tax	$ 28,880,108	$ 6,030,436	$ 178,099	$ (28,491,431)	$ 6,597,212

For the year ended December 31, 2019:

	CEC	CATS – Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$31,140,559	$23,745,303	$25,232,854	$–	$ 80,118,716
Inter-segment	–	–	–	–	–
Total net sales	$31,140,559	$23,745,303	$25,232,854	$–	$ 80,118,716
Segment depreciation and amortization	$3,728,320	$ 734,037	$ 185,817	$1,174,920	$ 5,996,914
Segment interest income	19,310	8,915	27,404	–	55,629
Segment interest expense	4,826,419	–	69,056	–	4,895,475
Segment profit before income tax	10,212,877	7,003,878	13,491,720	(7,916,340)	22,792,135
Segment provision for (benefit from) income tax	559,105	25,663	28,935	(223,235)	390,468
Segment profit after income tax	$9,653,772	$6,978,215	$ 13,462,785	($7,639,105)	$ 22,401,667

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

For the year ended December 31, 2018:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	**$44,240,950**	**$7,599,796**	**$54,634,087**	**$–**	**$106,474,833**
Inter-segment	**–**	**35,366,017**	**–**	**(35,366,017)**	**–**
Total net sales	**$44,240,950**	**$42,865,813**	**$54,634,087**	**($35,366,017)**	**$106,474,833**
Segment depreciation and amortization	**$3,206,711**	**$1,165,693**	**$1,488,120**	**-**	**$5,860,524**
Segment interest income	**29,064**	**13,140**	**–**	**–**	**42,204**
Segment interest expense	**4,786,379**	**–**	**61,140**	**–**	**4,847,519**
Segment profit before income tax	**11,096,097**	**8,189,893**	**(684,778)**	**(8,815,376)**	**9,785,836**
Segment provision for (benefit from) income tax	**703,210**	**680,066**	**37,821**	**30,494**	**1,451,591**
Segment profit after income tax	**$10,392,887**	**$7,509,287**	**($722,599)**	**($8,845,870)**	**$8,334,245**

Credit Policy

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

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

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

1-60 days past due	Delinquent notice in a form of e-mail, phone call follow up. Set meeting/s if necessary.
61-120 days past due	E-mail, phone calls, meeting/s, written demand from company officers acknowledged by the customer’s representative.
121 days & Over	Demand letter from the company lawyer (for non-affiliated companies),except when the overdue amount does not exceed 20% of its total outstanding balance, in which case, a written demand from a company officer is advisable.

If the debtor is an affiliate company, apply offsetting. The company has the option to hold the delivery in case of pre-meditated failure or gross neglect to settle the account.

In case of a non-affiliated company, the credit line shall be revoked. All deliveries to customers will be on a cash basis until the account is settled.

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

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

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

Policy on Customer Complaints

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

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

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

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

Awards and recognition

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

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

Marketing

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

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

Suppliers

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

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

CEC

Local

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

Foreign

Product	Name of supplier and their business address
Leadframe	**ASM Technology Singapore Pte Ltd** 2 Yishun Avenue 7 Singapore 768924
Bonding Wire	**Heraeus Oriental Hitec Co Ltd** 587-122 Hakik -Dong Nam Ku Incheon 402-040 South Korea
Die Attach Epoxy	**Sumitomo Bakelite Singapore** 10 Shenton Way No.11-03 MAS Bldg Singapore
Die Attach Epoxy	**Henkel Corporation** 20021 Susana Road Rancho Dominguez CA 90221

Leadframe	**QPL Limited** QPL Industrial Bldg., 2/F--6/F, 138 Texaco Road, Tsuen Wan, New Territories, Hongkong

CATSI

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

QUINTEL

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

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

Impact of the COVID-19 pandemic to the supply chain

For the Cirtek Group's antenna business, it can be noted that majority of its suppliers are located in China where factories have returned to normal operation since April 2020. Therefore, the Antenna business is not experiencing delivery delays at this present time.

With regard to the direct raw materials supply chain, of the semiconductor business, the Cirtek Group maintains multiple sources/suppliers based in China and other sites in the Asia Pacific region and the U.S.A.. This allows it to quickly source raw materials from elsewhere should there be difficulties in one location or supplier. Hence, there is no major impact to its business operations.

Employees

As of June 30, 2021, the Cirtek Group's manpower complement numbered at 2,044.

Managers and Executives	41

Engineers	58
Administration	48
Support Group/Admin	515
Rank and File	1,382
TOTAL	**2,044**

Cirtek Group is expecting that the total number of employees will not significantly move within 12 month's time.

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

Cirtek Group does not have Collective Bargaining Agreements (CBA) and did not experience strikes from its employees. To mitigate the risk relating to the separation of key employees, the Cirtek Group gives attractive compensation packages that combine standard remuneration and performance incentives.

An Annual Incentive Program and Budget is in place to motivate the employees and recognize their contribution and significant performance.

Management-Employee Relations

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

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

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

Employees of Cirtek's Contractors

As of June 30, 2021, approximately 35% of the Cirtek Group's workforce are contractual employees while the remaining 65% are regular employees. Contractual employees are entitled to all the statutory employment rights and privileges vis-à-vis their direct employer, the contractor/agency.

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

Properties

The Company, through its Subsidiary, owns the manufacturing plants in the Laguna Technopark as well as machinery such as bonder, auto test handler, optical inspection system, wafer back grinder, mold set, SMT equipment, MIC epoxy dispense, die attach, high-speed wire bonders, automated test

stations, and other machinery necessary for the manufacture, assembly and testing of semiconductors and broadband wireless products. All of these properties are free and clear of liens, encumbrances, and other charges, and are not subject of any mortgage or other security arrangement.

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

The CEC lease agreement with CLC includes the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties, subject to such new terms and conditions as they may then be mutually agreed-upon.

CEC's lease agreement with Cayon includes the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱282,144 for a period of 10 years and renewable thereafter by mutual agreement of the parties, subject to such new terms and conditions as they may then be mutually agreed-upon.

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

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

For a more comprehensive discussion on the leases, please refer to the sub-sections under "Related Party Transactions - Transactions with CLC and Cayon" on page 184.

Intellectual Property

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

Patents

Patent Family	*Country*	*Filing Date*	*Patent #*	*Grant Date*	*Anticipated Expiry Date*	*Status*
P21	*(US)*	*23/03/2012*	*8,879,997*	*04/11/2014*	*21/04/2033*	*GRANTED*
P22	*(US)*	*18/08/2012*	*9,344,176*	*17/05/2016*	*10/12/2032*	*GRANTED*
P23	*(US)*	*21/02/2014*	*9,438,278*	*06/09/2016*	*15/06/2034*	*GRANTED*
P23	*(DE)*	*21/02/2014*	*2959710*	*20/03/2019*	*21/02/2034*	*GRANTED*
P23	*(FR)*	*21/02/2014*	*2959710*	*20/03/2019*	*21/02/2034*	*GRANTED*
P23	*(GB)*	*21/02/2014*	*2959710*	*20/03/2019*	*21/02/2034*	*GRANTED*
P23	*(IT)*	*21/02/2014*	*2959710*	*20/03/2019*	*21/02/2034*	*GRANTED*
P23	*(ES)*	*21/02/2014*	*2959710*	*20/03/2019*	*21/02/2034*	*GRANTED*
P23	*(CN)*	*21/02/2014*	*ZL20140022268.3*	*11/12/2018*	*21/02/2034*	*GRANTED*
P23	*(EP)*	*21/02/2014*	*2959710*	*20/03/2019*	*21/02/2034*	*GRANTED*
P24	*(EP)*	*16/03/2015*				*FILED*
P24	*(CN)*	*16/03/2015*	*CN201580014482.9 A*	*03/03/2020*	*16/03/2035*	*GRANTED*
P24	*(US)*	*16/03/2015*	*9,960,500*	*01/05/2018*	*20/03/2036*	*GRANTED*
P26	*(US)*	*30/01/2015*	*10,069,213*	*04/09/2018*	*19/01/2036*	*GRANTED*
P26	*(CN)*	*30/01/2015*	*ZL2015800 17564.9*	*22/09/2020*	*30/01/2035*	*GRANTED*
P26	*(EP)*	*30/01/2015*	*3100518*	*23/12/2020*	*30/01/2035*	*GRANTED*
P26	*(DE)*	*30/01/2015*	*3100518*	*23/12/2020*	*30/01/2035*	*GRANTED*
P26	*(GB)*	*30/01/2015*	*3100518*	*23/12/2020*	*30/01/2035*	*GRANTED*
P26	*(FR)*	*30/01/2015*	*3100518*	*23/12/2020*	*30/01/2035*	*GRANTED*

P26	*(ES)*	*30/01/2015*	*3100518*	*23/12/2020*	*30/01/2035*	*GRANTED*
P26	*(IT)*	*30/01/2015*	*3100518*	*23/12/2020*	*30/01/2035*	*GRANTED*
P27	*(US)*	*22/02/2016*	*9,979,079*	*22/05/2018*	*08/11/2036*	*GRANTED*
P27	*(US)*	*18/05/2018*	*10,454,162*	*22/10/2019*	*22/02/2036*	*GRANTED*
P27	*(CN)*	*22/02/2016*	*ZL2016800 23077.8*	*22/09/2020*	*22/02/2036*	*GRANTED*
P27	*(PH)*	*22/02/2016*				*FILED*
P29	*(US)*	*26/06/2017*	*10,651,568*	*12/05/2020*	*20/01/2038*	*GRANTED*
P29	*(CN)*	*18/07/2017*	*TBD*	*TBD*	*TBD*	*NOTICE TO GRANT ISSUED*
P29	*(EP)*	*18/07/2017*				*FILED*
P31	*(US)*	*12/10/2018*	*10,340,583*	*02/07/2019*	*12/10/2038*	*GRANTED*
P31	*(CN)*	*12/10/2018*	*ZL2018800 66230.4*	*11/05/2021*	*12/10/2038*	*GRANTED*
P31	*(EP)*	*12/10/2018*				*FILED*
P31	*(HK)*	*13/11/2020*				*FILED*
P31	*(SG)*	*12/10/2018*	*1120200319 5X*	*11/08/2021*	*TBD*	*GRANTED*
P31	*(JP)*	*12/10/2018*	*6858312*	*25/03/2021*	*12/10/2038*	*GRANTED*
P32	*(US)*	*10/05/2019*	*10,735,978*	*04/08/2020*	*10/05/2039*	*GRANTED*
P32	*(CN)*	*10/05/2019*				*FILED*
P32	*(EP)*	*10/05/2019*				*FILED*
P33	*(US)*	*30/07/2019*	*10,931,032*	*03/02/2021*	*30/07/2039*	*GRANTED*
P33	*(CN)*	*30/07/2019*				*FILED*
P33	*(EP)*	*30/07/2019*				*FILED*
P34	*(US)*	*30/07/2019*	*10,931,035*	*23/02/2021*	*30/07/2039*	*GRANTED*
P34	*(CN)*	*30/07/2019*				*FILED*

P34	*(EP)*	*30/07/2019*				*FILED*
P36	*(US)*	*14/04/2021*				*FILED*

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

Trademarks Registered

Trademark	Description	Registration Date	Anticipated Expiry Date
Quintel	Registered Trademark (USA and European Community)	May 20,2018	May 20,2028
Multiserv	Trademark of Quintel Technology Limited	May 20,2018	May 20,2028
QTilt	Trademark of Quintel Technology Limited	May 20,2018	May 20,2028
SONWav	Trademark of Quintel Technology Limited	May 20,2018	May 20,2028
New Dimensions in Wireless	Trademark of Quintel Technology Limited	May 20,2018	May 20,2028

Research and Development

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

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

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

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

Research and development for the year 2020 was around 5% of total sales; 2019 was roughly 2% of total sales and for 2018, around 1% of the total sales. In 2021, research and development is expected to be around 8-10% of the total sales.

Government Approval and Permits

All government approvals and permits issued by the appropriate government agencies or bodies that are material and necessary to conduct the business and operations of the Cirtek Group, were obtained by the Cirtek Group and are in full force and effect as certified by Atty. Lowela P. Layao-Concha in her opinion issued on August 27, 2021.

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

Issuing Agency	Title of Permit /License	Date of Issuance	Validity/ Expiration Date	Status/Remarks
For Cirtek Holdings Philippines Corporation				

SEC	Certificate of Incorporation	February 10, 2011	Valid for the entire corporate term	Valid and subsisting
LGU of Binan, Laguna	Business Permit	January 15, 2021	December 31, 2021	Valid and subsisting
BIR	Certificate of Registration	March 11, 2011	None stated	Valid and subsisting

Issuing Agency	Title of Permit /License	Date of Issuance	Validity/ Expiration Date	Status/Remarks
For Cirtek Electronics Corporation				
SEC	Certificate of Incorporation	May 31,1984	Valid for the entire corporate term	Valid and subsisting
BIR	Certificate of Registration	May 20, 1987	None stated	Valid and subsisting
PEZA	Certificate of Registration	March 24, 1998	None stated	Valid and subsisting
PEZA	Certification of 5% Gross Income Tax Incentive	January 29, 2021	December 31, 2021	Valid and subsisting
PEZA	Certificate of Income Tax Holiday	January 29, 2021	December 31, 2021	Valid and subsisting
LGU of Binan, Laguna	Business Permit	January 18, 2021	December 31, 2021	Valid and subsisting
DOLE	Approved Application for Registration	February 4, 2003	None stated	Valid and subsisting
SSS	Certificate of Membership	January 20, 1999	None stated	Valid and subsisting
PhilHealth	Certificate of Registration	March 11, 2011	None stated	Valid and subsisting
HDMF	Certificate	March 24, 2011	None stated	Valid and subsisting
DENR-EMB Regional Office IV	Environmental Compliance Certificate	August 31, 2017	None stated	Valid and subsisting

LLDA	Clearance for Development Plan/ Program/Project in the Laguna de Bay Region	February 8, 2018	None stated	Valid and subsisting (covers Cirtek Advanced Technologies and Solutions, Inc.)
LLDA	Discharge Permit	February 19, 2020	January 18, 2023	Valid and subsisting
Bureau of Customs	Certificate of Registration	July 27, 2020	July 14, 2022	Valid and subsisting
DENR-EMB	Chemical Control Order Registration Certificate	May 27, 2014	None stated	Valid and Subsisting
DENR-EMB	Permit to Operate (Air Pollution Source & Control Installations)	October 15, 2021	October 15, 2026	Valid and subsisting
DENR-EMB	Permit to Operate (Air Pollution Source & Control Installations)	August 31, 2017	April 29, 2022	Valid and subsisting
DENR-EMB	Permit to Operate (Air Pollution Source & Control Installations)	August 17, 2018	October 02, 2023	Valid and subsisting
DENR-EMB	Permit to Operate (Air Pollution Source & Control Installations)	August 13, 2019	October 1, 2024	Valid and subsisting
DENR- EMB Region IV	Hazardous Waste Generator Registration Certificate	December 21, 2015	N/A	Valid and Subsisting
PDEA	License to Handle Controlled Precursors and Essential Chemicals (CPECS)	January 18, 2020	February 3, 2022	Valid and subsisting
For Cirtek Advanced Technologies and Solutions, Inc.				
SEC	Certificate of Incorporation	February 18, 2015	Valid for the entire corporate term	Valid and subsisting
BIR	Certificate of Registration	February 6, 2018	None stated.	Valid and subsisting
PEZA	Certificate of Registration	March 16, 2015	None stated.	Valid and subsisting
PEZA	Certificate No. 2019-0480-5% GIT Incentive	January 25,2021	December 31, 2021	Valid and subsisting
PEZA	Certificate No. 2019-0658-ITH Incentive	January 25,2021	December 31, 2021	Valid and subsisting
LGU of Binan, Laguna	Business Permit	January 18, 2021	December 31, 2021	Valid and subsisting

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

Legal Proceedings

A Joint Complaint-Affidavit dated February 17, 2020 for alleged violation of Section 73 in relation to Section 161 of the Revised Corporation Code was filed before the Office of the City Prosecutor of Biñan, Laguna by stockholders Otilio Vicente F. Arellano II and Rafael Estrada (the "Complainants") against the following directors and officers of the Corporation namely: Jerry Liu, Jorge Aguilar, Michael Stephen Liu, Brian Gregory Liu, Justin Liu, Ernest Fritz Server, Hector Villanueva, Corazon Guidote, Emelita Cruzada and Rosario Menguito (the "Respondents").

On October 23, 2019, the Complainants demanded to inspect the Company's records, including a documented blow-by-blow account of corporate decisions, transactions, accounting judgments and estimates. However, the Complainants did not provide any legitimate reason for their request to inspect a great volume of corporate documents, contrary to the prevailing rule on the exercise of the right to inspect.

Thus, on November 4, 2019, the Company filed a Petition for Declaratory Relief seeking a declaration of the Company's duties in relation to the Complainants' right to inspect under Section 73 of Republic Act No. (RA) 11232 or the Revised Corporation Code. Specifically, the Company sought a judicial declaration and/or confirmation of its right to decline the demand to inspect corporate records on account of bad faith and ill-motive. The Petition, docketed as Civil Case No. B-10603, was filed with the Regional Trial Court of the City of Biñan, Branch 154.

On February 17, 2020, despite the pendency of the Petition for Declaratory Relief, Complainants filed the Joint Complaint-Affidavit for alleged violation of Section 73 in relation to Section 161 of the Revised Corporation Code before the Office of the City Prosecutor (OCP). Respondents received a copy of the Joint Complaint-Affidavit on August 17, 2020.

After submission of all the required pleadings, on January 19, 2021, the OCP issued a Resolution finding probable cause for the offense charged. Respondents received the decision on March 17, 2021.

On April 5, 2021, a Petition for Review entitled Otilio Vicente Arellano II and Rafael Estrada v. Jerry Liu, et al., docketed as NPS Docket No. IV-25-INV. No. 20B-00068, was timely filed with the Department of Justice (DOJ) assailing the January 19, 2021 resolution of the OCP. The Petition is still pending with the DOJ.

Sometime in April 2021, the accused learned that an Information for violation of Section 73 in relation to Section 161 of the Revised Corporation Code, entitled People v. Jerry Liu, et al., docketed as Criminal Case No. 2560-B-2021 was filed with the Regional Trial Court of the City of Biñan, Branch 153 (RTC Branch 153).

Thus, on April 12, 2021, all the accused filed an Amended Omnibus Motion with the RTC Branch 153, seeking to (a) Dismiss and/or Quash the Information, (b) Withhold the Issuance of a Warrant of Arrest or Recall Warrant of Arrest, if already issued; or in the alternative, (c) Suspend the Proceedings Due to Prejudicial Question.

In an Order dated July 5, 2021, RTC Branch 153 suspended the criminal proceedings by reason of prejudicial question, and subsequently upheld such suspension in an Order dated July 30, 2021 in view of the appeal of the civil case.

Meanwhile, in an Order dated July 9, 2021, RTC Branch 153-A dismissed the Petition for Declaratory Relief. On July 30, 2021, the Company filed a Notice of Appeal of the said Order.

As of date, the criminal proceedings remain suspended and the case has no material impact to the business or operations of the Company.

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

MARKET PRICE OF AND DIVIDENDS ON THE EQUITY OF THE COMPANY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's Common and Preferred Shares are traded on the PSE under the symbol "TECH".

The tables below set out, for the periods indicated, the high and low sales prices for the Company's shares, as reported on the PSE.

Common Shares

In ₱	**High**	**Low**
2017		
1st Quarter	24.00	22.30
2nd Quarter	26.70	22.75
3rd Quarter	40.95	26.30
4th Quarter	46.75	40.00
2018		
1st Quarter	65.00	46.50
2nd Quarter	51.90	45.90
3rd Quarter	53.80	28.50
4th Quarter	39.00	30.50
2019		
1st Quarter	31.80	28.30
2nd Quarter	29.50	19.20
3rd Quarter	19.74	8.60
4th Quarter	9.46	3.66
2020		
1st Quarter	13.38	3.62
2nd Quarter	9.99	5.81
3rd Quarter	8.45	5.07
4th Quarter	7.80	5.02
2021		
1st Quarter	13.38	3.36
2nd Quarter	7.15	5.25

The price of the Company's Common Shares as of November 22, 2021 trading date was ₱4.25 per share.

Preferred Class B2-A Shares

In US$	High	Low
2018		
3rd Quarter	1.00	0.99
4th Quarter	1.02	1.01
2019		
1st Quarter	1.00	0.98
2nd Quarter	1.00	0.99
3rd Quarter	1.01	1.01
4th Quarter	0.96	0.96
2020		
1st Quarter	0.89	0.87
2nd Quarter	0.91	0.90
3rd Quarter	0.98	0.96
4th Quarter	0.75	0.65
2021		
1st Quarter	0.89	0.85
2nd Quarter	0.99	0.89

Preferred Class B2-B Shares

In US$	High	Low
2021		
1st Quarter	$1.00	$1.00
2nd Quarter	$1.00	$1.00

The price of the Company's Preferred Class B2-A and Class B2-B shares as of November 22, 2021 trading date was $1.00 and $1.00 per share, respectively.

DIVIDENDS

Limitations and Requirements

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital

stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (1) when justified by definite expansion plans approved by the board of directors of the corporation; (2) when the required consent of any financing institution or creditor to such distribution has not been secured; (3) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (4) when the non-distribution of dividends is consistent with the policy or requirement of a government office.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. In case no record date is specified, the same is deemed to be fixed at 15 days from such declaration. The disclosure of the record date must not be less than ten (10) trading days from said date. However, companies that are obliged to pay dividends may have a single declaration for several cash dividends within a year, subject to the condition that their record and payment dates are also explicitly provided.

For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend Policy

On April 28, 2011, the Company's Board approved an annual dividend payment ratio of approximately 30% of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of dividends including, but not limited to, when the Company undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants. The Company's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

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

As of the date of this Prospectus, there are no changes in the approved Dividend Policy.

Dividend History

The dividend history of the Company from 2014 to 2021 is provided below:

Stock Dividends

Class	Declaration Date	Percent	No. of Actual Shares Issued	Record Date	Payment Date

Common	11-Jul-14	10%	28,021,765[3]	25-Jul-14	20-Aug-14
Common	12-May-15	10%	30,823,937[4]	26-May-15	18-Jun-15

Cash Dividend

Class	Declaration Date	Rate/Share	Total Cash Dividend	Record Date	Payment Date
Common	29-Jan-14	US$0.00428	US$1,200,000.00	13-Feb-14	25-Feb-14
Common	30-May-14	US$0.00214	US$600,000.00	16-Jun-14	7-Jul-14
Common	23-Feb-15	US$0.003893	US$1,200,000.00	10-Mar-15	27-Mar-15
Common	10-Aug-15	US$0.002628	US$900,000.00	25-Aug-15	28-Aug-15
Preferred A	10-Aug-15	US$0.000022		25-Aug-15	28-Aug-15
Common	28-Jan-16	US$0.005000	US$2,100,000.00	12-Feb-16	29-Feb-16
Preferred A	28-Jan-16	US$0.000021		12-Feb-16	29-Feb-16
Common	9-Jun-16	US$0.003620	US$1,520,000.00	23-Jun-16	7-Jul-16
Preferred A	9-Jun-16	US$0.000001		23-Jun-16	7-Jul-16
Common	23-Jan-17	US$0.004322	US$1,820,000.00	6-Feb-17	22-Feb-17
Preferred A	23-Jan-17	US$0.000021		6-Feb-17	22-Feb-17
Common	15-Sep-17	US$0.004629	US$1,940,000.00	29-Sep-17	6-Oct-17
Common	02-Feb-18	US$0.004609	US$1,941,462.993	19-Feb-18	21-Feb18
Preferred A	02-Feb-18	US$0.000012	US$8,400.00	19-Feb-18	21-Feb18
Preferred B1	27-Feb-18	Php0.15313	Php1,071,875.00	06-Mar-18	08-Mar-18
Preferred B2	27-Feb-18	US$0.015353	US$1,025,937.50	06-Mar-18	08-Mar-18
Preferred B2	04-June-18	US$0.015313	US$1,025,937.50	06-June-18	08-June-18
Preferred B2	04-June-18	US$0.015313	US$1,025,937.50	06-Sep-18	10-Sep-18
Preferred B2	04-June-18	US$0.015313	US$1,025,937.50	06-Dec-18	10-Dec-18
Common	03-Sep-18	US$0.0048	US$2,000,000.00	18-Sep-18	24-Sep-18
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	06-Mar-19	08-Mar-19
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	06-June-19	10-June-19
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	05-Sep-19	09-Sep-19
Preferred B2	30-Jan-19	US$0.015313	US$1,025,937.50	05-Dec-19	09-Dec-19
Common	24-May-19	US$0.002366	US$991,462.99	11-June-19	28- June-19
Common	24-May-19	US$0.002386	US$1,000,000.00	11-Nov-19	29-Nov-19

Preferred A	24-May-19	US$0.000012	US$8,537.01	10-June-19	28- June-19
Preferred B2	17-Feb-20	US$0.015313	US$1,025,937.50	04-Mar-20	09-Mar-20
Preferred B2	17-Feb-20	US$0.015313	US$1,025,937.50	02-June-20	08-June-20
Preferred B2	17-Feb-20	US$0.015313	US$1,025,937.50	02-Sept-20	08-Sept-20
Preferred B2	17-Feb-20	US$0.015313	US$1,025,937.50	02-Dec-20	09-Dec-20
Common	17-July-20	US$0.001193137	US$500,000.00	04-Aug-20	11-Aug-20
Preferred B2A	5-Feb-21	US$1,025,937.50	US$0.015313	1-Mar-21	8-Mar-21
Preferred B2A	5-Feb-21	US$1,025,937.50	US$0.015313	1-Jun-21	8-Jun-21
Preferred B2A	5-Feb-21	US$1,025,937.50	US$0.015313	1-Sep-21	8-Sep-21
Preferred B2A	5-Feb-21	US$1,025,937.50	US$0.015313	1-Dec-21	9-Dec-21
Preferred B2B	5-Feb-21	US$300,000	US$0.015	5-Mar-21	18-Mar-21
Preferred B2B	5-Feb-21	US$300,000	US$0.015	4-Jun-21	18-Jun-21
Preferred B2B	5-Feb-21	US$300,000	US$0.015	6-Sep-21	20-Sep-21
Preferred B2B	5-Feb-21	US$300,000	US$0.015	6-Dec-21	20-Dec-21

Voting Trust Holders of 5% or More

The corporation is not aware of any person holding more than 5% of the common shares of the corporation under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the corporation and the Securities and Exchange Commission.

Change in Control

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

Recent Sale of Unregistered or Exempt Securities

The following securities were issued as exempt from the registration requirements of the SRC and therefore have not been registered with the SEC.

In 2015, the Company declared a total of 30,823,934 (10%) common shares as stock dividends to all stockholders of record as of May 26, 2015.

On July 22, 2015, the SEC approved the Company's increase in authorized capital stock from ₱400,000,000.00 to ₱560,000,000.00, which created 400,000,000 Preferred A Shares with a par value of ₱0.10 per share. Camerton, Inc. subscribed to 400,000,000 Preferred A Shares at the par value of ₱0.10 per share and partially paid ₱10,000,000.00 for the subscription.

On September 20, 2016, the Company entered into a Note Facility Agreement with Bank of the Philippine Islands as Initial Noteholder, Bank of the Philippine Islands – Asset Management and Trust Group as Facility Agent and Paying Agent, and BPI Capital Corporation as Arranger. The Company was authorized to constitute and issue corporate notes in the aggregate principal amount of US$30 million, which the Company issued to BPI. The corporate note is an exempt security under SRC Rule 10.1.4 as an issuance of indebtedness to a primary institutional lender.

On September 29, 2017, the SEC approved the Company's increase in authorized capital stock from ₱560,000,000.00 to ₱860,000,000.00. The increase resulted into: (i) the increase of Preferred A Shares from ₱40,000,000.00 to ₱70,000,000.00, with an additional 300,000,000 Preferred A Shares with a par value of ₱0.10 per share; and (ii) the creation of ₱270,000,000 worth of Preferred Class B Shares with a par value of ₱1.00 per share, classified into the following series: (i) ₱70,000,000 worth of Preferred B-1 Shares, and (ii) ₱200,000,000 worth of Preferred B-2 Shares. The Board approved the issuance to Camerton, Inc. of: (i) 300,000,000 Preferred A Shares at the par value of ₱0.10 per share, for which Camerton, Inc. partially paid ₱7,500,000.00; and (ii) 70,000,000 Preferred B-1 Shares at the par value of ₱1.00 per share, for which Camerton, Inc. partially paid ₱17,500,000.00.

No underwriting discounts or commissions were incurred or paid for the foregoing issuances of shares. No request for confirmation of exemption was filed by the Company for the sale of securities relying upon exemptions under Sec. 10.1(d) and (i) of the SRC, and SRC Rule 10.1.4.

On December 18, 2020, the Company issued to its Principal Shareholder, Camerton Inc., 20,000,000 Preferred Class B-2B Shares at a par value of ₱1.00 per share, and at a subscription price of US$1.00 per share for a total transaction value of US$20,000,000.00. The application to list the Preferred Class B-2B Shares was filed with the PSE on January 4, 2021 via a private placement transaction and was thereafter approved on January 20, 2021. The Preferred Class B2-B Shares were listed on February 2, 2021.

An application to list the Company's Common Shares with Bonus Detachable Warrants was filed with the PSE on May 12, 2021 via a stock rights offering and was thereafter approved on June 23, 2021.

On August 10, 2021, the SEC approved the Company's increase in authorized capital stock from ₱860,000,000.00 to ₱1,700,000,000.00. The increase resulted into (a) 1,200,000,000 common shares, with a par value of ₱1.00 per share, (b) 700,000,000 Preferred Class A Shares with a par value of ₱0.10 per share, and (c) 430,000,000 Preferred Class B-2 Shares with a par value of ₱1.00 per share. The Common Shares and Bonus Detachable Warrants were listed on the PSE on August 16, 2021.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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

The financial data, including the notes set forth in this Prospectus were derived from the Company's reviewed consolidated financial statements as of June 30, 2021, unaudited consolidated financial statements as of June 30, 2020 and audited consolidated financial statements as of December 31, 2020, 2019, and 2018.

The reviewed interim consolidated financial statements as of June 30, 2021 and the audited consolidated financial statements as of December 31, 2020 and 2019 were audited by RSBA. The consolidated financial statements as of December 31, 2018 were audited by SGV and were all prepared in accordance with the PFRS. The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2021 COMPARED TO THE SIX-MONTH PERIOD ENDING JUNE 30, 2020

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

	For the six months ended June 30	
In US$ Thousands except EPS	**2021 (Reviewed)**	**2020 (Unaudited)**
REVENUE FROM CONTRACTS WITH CUSTOMERS	45,554	42,289
COST OF SALES	(31,857)	(30,621)
GROSS PROFIT	13,697	11,668
NET INCOME	**7,981**	**4,981**
TOTAL COMPREHENSIVE INCOME	7,981	4,981
Basic/Diluted EPS	US$0.013	US$0.007
EBITDA	US$14,488	US$11,907

Revenue from Contracts with Customers

The Company recorded consolidated revenue of US$45.6 million for the six months ending June 30, 2021, an increase of 8% from US$42.3 million for the same period in 2020. The increase accounted

for was mainly due to 15% increase in revenue contribution from semiconductor business and 18% increase in revenue contribution from RF/MW/mmW and antenna manufacturing business.

Revenue contribution from Quintel for the six-month period ending June 30, 2021 amounted to US$11.13 million. In August 2017, the Company acquired 100% of Quintel, a US-based developer of leading-edge base station antennas used for cellular wireless networks.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the six months ending June 30, 2021 amounted to US$13.6 million, an 18% increase compared to the US$11.4 million for same period in 2020.

Revenues from the semiconductor business amounted to US$20.9 million compared to US$18.1 million for the same period in 2020, a 15% increase.

Disaggregated Revenue Information

Below is the disaggregation of the Group's revenue from contracts with customers for the six months ended June 30, 2021 and 2020 respectively.

	For the six months ended June 30	
	(Reviewed)	(Unaudited)
	2021	2020
8 port antennas	$ 7,843,859	$ 7,177,273
6 port antennas	6,711,839	11,763,837
Integrated Circuits	5,200,538	2,471,164
Multichips	5,047,115	4,626,910
Dual and quad flat no leads	4,313,520	2,814,927
New product	3,841,114	3,682,642
Remec, manufacturing services	3,618,836	1,662,446
Discrete	3,363,823	3,843,616
Hermetics	2,947,120	862,174
12 port antennas	1,197,899	1,081,588
Others	918,553	955,853
Cougar	312,386	133,287
Brackets	130,613	313,127
Outdoor unit	82,978	57,360
Indoor radio frequency	10,203	801,695
10 port antennas	9,900	37,713
Bridgewave	3,276	3,359
	$ 45,553,572	$ 42,288,971

The Group has no contract assets as of June 30, 2021 and December 31, 2020.

The Group's contract liabilities pertain to advance payments from customers amounting to $1,877,556 and $2,001,473 as of June 30, 2021 and December 31, 2020, respectively. Contract liabilities as of January 1, 2018 were recognized as revenue in 2018.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; 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 increased by 4% to US$31.9 million for the six months ending June 30, 2020 from US$30.62 million for the same period in 2020. The increase was mainly due to:

- Raw materials, spare parts, supplies and other inventories used increased by 2% to US$20.7 million for the six months ending June 30, 2021, from $20.3 million for the same period in 2020.
- Salaries, wages and employees' benefits increased by 21% to US$5.0 million for the six months ending June 30, 2021, from US$4.1 million for the same period in 2020.

- Depreciation and amortization increased by 12% to US$3.5 million for the six months ending June 30, 2020 from US$3.1 million for the same period in 2020.

- Utility expenses amounted to US$1.6 million for the six months ending June 30, 2020, from US$1.4 million for the same period in 2020, an increase of 14%

The Company's gross margin was 30% for the six months ending June 30, 2021, 2% higher than the gross margin recorded for the same period in 2020.

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Raw materials, spare parts, supplies and other inventories used	$ 20,714,236	$ 20,263,186
Salaries, wages and employees' benefits	4,988,799	4,117,385
Depreciation Amortization - Note 10, 11, 12, 13	3,487,729	3,122,427
Utilities	1,624,108	1,419,880
Inward freight and duties and others	865,750	1,269,550
Others	176,279	428,950
	$ 31,856,901	$ 30,621,378

Operating Expenses

The Company's operating expenses for the six months ending June 30, 2020 amounted to US$4.3 million, 8% lower compared to the US$4.6 million recorded during the same period in 2020. The significant decrease is due to:

- Salaries, wages and employees' benefits decreased by 1% to US$1.72 million for the six months ending June 30, 2021, from US$1.73 million for the same period in 2020.
- Utilities decreased by 50% to US$220 thousand for the six months ending June 30, 2021, from US$442 thousand for the same period in 2020.
- Professional fees decreased by 15% to US$422 thousand for the six months ending June 30, 2021, from US$494 thousand for the same period in 2020.
- Transportation and travels decreased by 56% to US$42 thousand for the six months ending June 30, 2021, from US$95 thousand for the same period in 2020.
- Entertainment, amusement and recreation decreased by 74% to US$ 29 thousand for the six months ending June 30, 2021, from US$108 thousand for the same period in 2020.
- Insurance premiums decreased by 17% to US$46 thousand for the six months ending June 30, 2021, from US$56 thousand for the same period in 2020.

It is composed of the following expenses:

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Salaries, wages and employees' benefits	$ 1,715,731	$ 1,726,111
Commissions	475,057	421,618
Utilities	220,356	442,159
Professional fees	422,055	494,409
Transportation and travels	42,051	94,598
Depreciation Amortization - Note 10, 11, 12, 13	470,918	521,867
Taxes and licenses	480,408	53,017
Entertainment, amusement and recreation	28,525	108,227
Insurance premiums	46,337	55,560
Office supplies	14,433	7,583
Others	359,412	720,890
	$ 4,275,283	$ 4,646,039

Utilities are consumptions of water, electricity and telephone service.

Taxes and licenses are business permits, registration renewals and other fees to government units.

Income Before Income Tax

For the six months ending June 30, 2021, the Company recorded a net income before income tax of US$8.2 million, an increase of 60% compared with US$5.1 million recorded for the same period in 2020.

Provision for / Benefit from Income Tax

Provision for income tax for the six months ending June 30, 2021 amounted to US$184 thousand compared with a provision for income tax of US$136 thousand for the same period in 2020.

Net Income After Tax

The Company's net income after tax for the six months ending June 30, 2021 amounted to US$8.0 million an increase of 60% compared with US$5.0 million for the same period in 2020.

FINANCIAL CONDITION

For the six-month period ending June 30, 2021 compared to the period ending December 31, 2020

Assets

The Company's cash and cash equivalent for the six months ending June 30, 2021 amounted to US$10.21 million, compared with US$31.84 million for the period ending December 31, 2020, a decrease of US$21.6 million or 68%.

Trade and other receivables for the six months ending June 30, 2021 amounted to US$59.8 million, compared with US$56.7 million for the period ending December 31, 2020, a 6% increase.

Inventory levels for the six months ending June 30, 2021 amounted to US$60.8 million, 6% higher compared with US$57.1 million for the period ending December 31, 2020.

Amounts owed by related parties for the six months ending June 30, 2021 amounted to US$0.19 million compared to US$0.19 million for the period ending December 31, 2020, a 1% 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 six months ending June 30, 2021 amounted to US$141 million compared with US$148 million for the period ending December 31, 2020, a decrease of 4%.

Product development costs

Movements of product development cost are as follows:

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Carrying amount		
Cost	$ 7,391,309	$ 5,482,284
Accumulated amortization	(1,929,935)	(1,141,967)
	$ 5,461,374	$ 4,340,317
Movements during the year		
Balance, January 1	5,461,374	4,340,317
Additions	1,327,622	1,715,290
Reclassification from Technology		193,736
Amortization	(538,479)	(787,968)
Balances	$ 6,250,517	$ 5,461,374

Product development cost pertains 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.

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 six months ending June 30, 2021, current liabilities were at US$ 88.72 million, compared with US$110.51 million the period ending December 31, 2020, a decrease of 20%.

For the six months ending June 30, 2021, 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$54.2 million compared with US$57.1 million for the period ending December 31, 2020, a 5% decrease.

Details of long-term debt are as follow:

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Principal	$53,100,000	$58,748,700
Less deferred financing costs	(354,215)	(318,214)
	$52,745,785	$58,430,486
Current – Note 16.01, 16.02	$5,246,398	$8,113,098
Non-current – Note 16.01, 16.02	47,499,387	50,317,388
	$52,745,785	$58,430,486

Equity

The Company's shareholders' equity for the six months ending June 30, 2021 amounted to US$146.7 million compared with US$141.4 million for the period ending December 31, 2020, a 4% increase.

Liquidity and Capital Resources

For the six months ending June 30, 2021, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its corporate note's 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 six months ending June 30, 2021 and the same period in 2020.

In US$ Thousands	**For the six months ending June 30**	
	2021	**2020**
Net cash flows provided by/ (used for) operating activities	11,863	(147)
Net cash flows provided by/ (used for) investing activities	2,130	(6,358)
Net cash flows provided by/ (used for) financing activities	(35,657)	6,562
Net increase (decrease) in cash equivalents	(21,623)	(382)

Net Cash Flows from Operating Activities

Net cash outflow from operating activities was US$11.9 million for the six months ending June 30, 2021, compared with (US$147) thousand for the same period in 2020.

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

Investing Activities

Net cash outflow from investing activities amounted to US$2.1 million for the six months ending June 30, 2021, as compared to US$6.4 million for the same period in 2020. Investing activities mainly involved acquisition of PPE, and increase in non-current assets.

Financing Activities

Net cash flow from financing activities for the six months ending June 30, 2021 amounted to (US$35.7 million). Major financing activities involved proceeds from loans and CP reissuances and sale by a subsidiary of Parent Company's shares, less payment of cash dividends, payment 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 2020 net cash flow financing activities amounted to US$6.6million.

Material Changes to the Company's Reviewed Income Statement as of June 30, 2021 compared to the Unaudited Income Statement as of June 30, 2020 (increase/decrease of 5% or more)

- 8% increase in net sales
  Increase in revenue contribution of CEC and CATSI
- 4% increase in Cost of Sales
  Increase in Raw Materials, spare parts, supplies and other inventories used, salaries, wages and employees' benefits, depreciation and amortization and utilities
- 8% decrease in operating expenses
  Decrease in salaries, wages and employees' benefits, Transportation and travels, Professional fees, Taxes, Entertainment, amusement and recreation and Insurance Premiums
- 60% increase in Income Before income Tax
  Increase in Sales, and higher Gross Margin
- 60% increase in Net Income After Tax
  Increase in Sales, and higher Gross Margin

Material Changes to the Company's Reviewed Balance Sheet as of June 30, 2021 compared to the Audited Balance Sheet as of December 31, 2020 (increase/decrease of 5% or more)

- 6% increase Trade and Other Receivables – Net

Longer collection period for certain major customers

- 6% increase in Inventories
  Longer lead times for certain raw materials and high level of FG inventory in Quintel

- 4% decrease in other noncurrent assets
  Lower advances to major suppliers due to negotiated terms and loans to employees

- 35% Decrease in Current Portion of Long-term Debt
  Additional payment for long-term credit facilities

KEY PERFORMANCE INDICATORS

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

Amounts in thousands US$, except ratios, and where indicated		**2020 Full Year**	**2020 Six Months**	**2021 Six Months**
EBITDA		19,658	11,907	14,488
EBITDA Margin		29%	28%	32%
Sales Growth/Decline		(14%)	-13%	8%
Current Ratio (x)		1.46x	1.28x	1.67x
Earnings per share (US$)		0.006	0.007	0.013

Note:
**Earnings per Share was calculated using CHPC's average outstanding Preferred Shares for the years 2021 and 2020*
***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 Six Months Ended June 30**
In US$ 000	**2019**	**2020**	**2021**
Net income	8,422	6,597	7,981
Add back:			
Interest expense/income-net	4,851	5,303	2,364

Provision for / Benefit from income tax	391	447	184
Depreciation and amortization	5,997	7,311	3,959
EBITDA	**19,661**	**19,658**	**14,488**

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

	For the years ended December 31		**For Six Months Ended June 30**
In US$ 000	**2019**	**2020**	**2021**
EBITDA	19,661	19,658	14,488
Deduct:			
Interest expense/income-net	(4,851)	(5,303)	(2,364)
Provision for / Benefit from income tax	(391)	(447)	(184)
Depreciation and amortization	(5,997)	(7,311)	(3,959)
Net Income	**8,422**	**6,597**	**7,981**

- *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.

FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	June 30, 2021	December 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	**1.67**	1.51
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.78**	1.02
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.71**	0.80
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**1.97**	2.19
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**6.09**	3.66
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.30**	0.29
Net Profit Margin	Net Income/Revenues	**0.18**	0.10
EBITDA Margin	EBITDA/Revenues	**0.32**	0.29
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.02
Return on Equity	Net Income/Total Equity[3]	**0.05**	0.05

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

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

[3] Based on balances as at June 30, 2021 and December 31, 2020

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020, VERSUS DECEMBER 31, 2019 RESULTS OF OPERATIONS

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

	For the years ended December 31		
In US$ Thousands except EPS	**2020 Audited**	**2019 Audited**	**2018 Audited**
REVENUE FROM CONTRACTS WITH CUSTOMERS	68,907	80,119	106,475
COST OF SALES	49,202	57,091	84,624
GROSS PROFIT	19,705	23,028	21,851
NET INCOME	6,597	8,422	8,334

TOTAL COMPREHENSIVE INCOME	8,869	22,500	8,549
Basic/Diluted EPS	US$0.00570	US$0.0015	US$0.0110
EBITDA	US$19,658	US$19,661	US$20,452

Revenue from Contracts with Customers

The Company recorded consolidated revenue of US$68.9 million for the period ending December 31, 2020, a decrease of 14% from US$80.1 million for the same period in 2019. The decrease accounted for was mainly due to 33% decrease in revenue contribution of Quintel, a US-based product and R&D company acquired in August 2017. The widespread slowdown in global markets due to COVID-19 pandemic and slow 5G rollout in the US market hindered the growth of the Cirtek Group's operating units.

Revenue contribution from Quintel for the period ending December 31, 2020 amounted to US$16.9 million compared to US$25.2 million for the same period in 2019.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the period ending December 31, 2020 amounted to US$20.5 million, a 14% decrease compared to the US$23.7 million for same period in 2019.

Revenues from the semiconductor business amounted to US$31.5 million compared to US$31.1 million for the same period in 2019 a 1% increase.

Disaggregated Revenue Information

Below is the disaggregation of the Group's revenue from contracts with customers in 2020, 2019, and 2018.

		2020		2019		2018
6 port antennas	**$**	**13,694,010**	$	13,774,254	$	5,356,743
8 port antennas		**10,995,245**		19,242,837		28,874,102
New product		**10,249,616**		6,195,194		6,808,873
Multichips		**7,516,411**		6,110,854		11,043,990
Discrete		**5,947,718**		6,425,672		10,667,990
Dual and quad flat no-leads		**4,535,365**		5,001,100		6,385,914
Remec manufacturing services		**4,326,585**		5,729,194		4,122,599
Integrated circuits		**3,259,032**		6,079,549		7,569,714
Hermetics		**2,145,934**		1,328,190		1,764,468
12 port antennas		**1,894,914**		6,428,062		19,124,028
Indoor radio frequency unit		**1,587,150**		981,759		1,191,608
Brackets		**429,204**		466,836		1,034,534
Cougar		**357,147**		211,164		142,754
Outdoor unit		**125,347**		120,114		1,667,913
10 port antennas		**73,762**		171,075		244,681
Bridgewave		**9,273**		11,794		345,598
Others		**1,760,485**		1,841,069		129,324
	$	**68,907,198**	$	80,118,716	**$**	106,474,833

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

The Group's contract liabilities pertain to advance payments from customers amounting to $37,952 and $1,807,952 as of December 31, 2020 and 2019, respectively. Contract liabilities as of January 1, 2018 were recognized as revenue in 2018.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; 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 14% to US$49.2 million for the period ending December 31, 2020 from US$57.1 million for the same period in 2019. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories decreased by 24% to US$26 million for the period ending December 31, 2020 from US$34.2 million for the same period in 2019.
- Inward freight and duties and others decreased by 6% to US$4.0 million for the period ending December 31, 2020, from US$4.2 million for the same period in 2019.
- Utilities decreased by 18% to US$3.2 million for the period ending December 31, 2020, from US$ 4.0 million for the same period in 2019.

The Company's gross margin was 29% for the period ending December 31, 2020, same gross margin recorded for the same period in 2019.

The Company's cost of sales decreased. The decrease was mainly due to:

	2020	2019	2018
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 9)	**$ 25,926,859**	$ 34,159,682	$ 53,980,162
Salaries, wages and employees' benefits (Note 27)	**9,420,010**	9,450,859	12,691,030
Inward freight and duties and others	**3,965,014**	4,234,641	8,148,510
Depreciation and amortization (Notes 15, 16 and 17)	**6,647,115**	5,275,072	5,209,430
Utilities	**3,243,462**	3,970,816	4,468,332
	$ 49,202,459	$ 57,091,070	$ 84,624,337

Operating Expenses

The Company's operating expenses for the twelve months ending December 31, 2020 amounted to US$7.0 million, 29% lower compared to the US$9.8 million recorded during the same period in 2019. The decrease is due to:

- Transportation and travel decreased by 82% to US$0.11 million for the twelve-months ending December 31, 2020, from US$0.60 million for the same period in 2019.
- Utilities decreased by 50% to US$0.50 million for the twelve months ending December 31, 2020, from US$0.99 million for the same period in 2019.
- Entertainment, amusement and recreation decreased by 6% to US$0.18 million for the twelve months ending December 31, 2020 from US$0.19 million for the same period in 2019.
- Insurance premium decreased by 29% to $0.10 million for the twelve months ending December 31, 2020, from US$0.14 million for the same period in 2019.

It is composed of the following expenses:

	2020 Full Year	2019 Full Year	2018 Full Year
Salaries, wages and employees' benefits	3,752,752	3,782,002	7,579,136
Commissions	866,204	1,022,828	1,324,413
Utilities	495,906	993,787	485,756
Professional fees	953,427	965,697	2,308,451
Transportation and travel	107,662	595,526	752,810
Depreciation and amortization	664,284	436,614	651,094
Taxes and licenses	411,891	362,081	417,298
Entertainment, amusements and recreation	178,338	189,833	198,932
Insurance	100,761	142,563	154,756
Supplies	17,600	23,971	346,036
Provision for probable losses	-	-	151,840
Service Fee			
Others	(510,822)	1,080,058	966,879
TOTAL	$7,038,003	$9,844,960	$15,587,401

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

Other expenses pertain to repairs and maintenance and bank charges.

Income Before Income Tax

For the twelve months ending December 31, 2020, the Company recorded a net income before income tax of US$7.0 million, a decrease of 20% compared with US$8.8 million recorded for the same period in 2019.

For the 12 months ending December 31, 2019, the Company recorded a net income before income tax of US$ 8.8 million, a decrease of 10% compared with US$9.8 million recorded for the same period in 2018.

Provision for / Benefit from Income Tax

Benefit from income tax for the 12 months ending December 31, 2020 amounted to US$0.45 million compared with a provision for income tax of US$0.39 million for the same period in 2019.

Benefit from income tax for the 12 months ending December 31, 2019 amounted to US$0.4 million compared with a provision for income tax of US$1.5 million for the same period in 2018.

Net Income After Tax

The Company's net income from continuing operations for the 12 months ending December 31, 2020 amounted to US$6.6 million, a decrease of 22% compared with US$8.4 million for the same period in 2019. The decrease was brought about by the widespread slowdown in global markets due to COVID-19 pandemic.

Total Comprehensive Income

The Company's total comprehensive income for the 12 months ending December 31, 2020 amounted to US$8.9 million, compared to US$22.5 million for the same period in 2019, a decrease of 60.44% mainly due to the one-time income from discontinued operations in 2019. Income from discontinued operations (Quintel Technology, Ltd, based in UK) amounted to $13.7 million. Quintel UK, the former supply chain and R&D facility of Quintel Group was moved to Quintel USA and discontinued to further bring down Quintel's operating cost.

FINANCIAL CONDITION

For the twelve-month period ending December 31, 2020 compared to the period ending December 31, 2019

Assets

The Company's cash and cash equivalent for the twelve months ending December 31, 2020 amounted to US$31.84 million, compared with US$15.4 million for the period ending December 31, 2019, an increase of US$16.5 million or 107%.

Trade and other receivables for the twelve months ending December 31, 2020 amounted to US$56.7 million, compared with US$43.7 million for the period ending December 31, 2019, a 29% increase.

Inventory levels for the twelve months ending December 31, 2020 amounted to US$57.1 million, 55% higher compared with US$36.8 million for the period ending December 31, 2019.

Due from related parties for the twelve months ending December 31, 2020 amounted to US$0.19 million compared to US$23.0 million for the period ending December 31, 2019, a 99% decrease.

Assets held for sale pertain to the Company's Carmelray property which is being actively marketed for sale.

Non-current assets, comprised of other financial asset at amortized cost, investment property, property, plant and equipment (PPE), intangible assets, right-of-use-asset, deferred income taxes and other noncurrent assets for the twelve months ending December 31, 2020 amounted to US$148 million compared with US$133 million for the period ending December 31, 2019, an increase of 11%.

Product development cost

Movements of product development cost are as follows:

	2020	2019
Carrying amount		

Cost	**$**	**5,482,284**	$	2,944,300
Accumulated amortization		**(1,141,967)**		(821,243)
		4,340,317		2,123,057
Movements during the year				
Balance, January 1		**4,340,317**		2,123,057
Additions		**1,715,290**		2,537,984
Reclassification from Technology		**193,736**		
Amortization (Notes 24 and 25)		**(787,968)**		(320,724)
Balance, December 31	**$**	**5,461,374**	$	4,340,317

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

Of the total additions in 2019, only $1,382,211 has been paid in cash. The remaining balance amounting to $1,155,733 pertains to non-cash adjustment related to Quintel's product development cost capitalized in the books of the Group.

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, Dividend payable, Lease liability-current portion and income tax payable. For the twelve months ending December 31, 2020, current liabilities were at US$110.51 million, compared with US$93.4 million the period ending December 31, 2019, an increase of 18%.

For the twelve months ending December 31, 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$57.1 million compared with US$59.2 million for the period ending December 31, 2019, a 3% decrease.

Details of long-term loans are as follows:

		Current		**Non-current**		**Total**
December 31, 2020						
Principal	**$**	**8,248,700**	**$**	**50,500,000**	**$**	**58,748,700**
Deferred finance cost		**(135,602)**		**(182,602)**		**(318,214)**
	$	**8,113,098**	**$**	**50,317,388**	**$**	**58,430,486**
December 31, 2019						
Principal	$	9,680,000	$	53,110,000	$	62,790,000
Deferred finance cost		(28,864)		(280,216)		(309,080)
	$	9,651,136	$	52,829,784	$	62,480,920

Movements of deferred finance costs are as follows:

		2020		2019		2018
Balance at January 1	**$**	**309,080**	$	443,329	$	272,155
Transaction costs		**-**		-		300,274
Amortization		**9,134**		(134,249)		(129,100)
Balance at December 31	**$**	**318,214**	$	309,080	$	443,329

Reconciliation of liabilities arising from financing activities is as follows:

		2020		2019
Beginning balance, January 1	$	128,457,703	$	128,623,549
Proceeds from short-term loans		111,083,761		69,449,593
Proceeds from long-term loans		748,700		-
Effect of lease liability		(28,194)		493,078
Dividends declared		4,661,821		-
Net movement of due to related party		53,014		(35,326)
Debt issuance cost		(9,134)		-
Finance costs incurred		5,375,227		-
Finance costs paid		(5,375,227)		(2,118,477)
Payment of cash dividends		(4,564,004)		(5,863,974)
Payment of long-term loans		(4,790,000)		-
Payment of short-term loans		(89,744,208)		(58,460,000)
Ending balance, December 31	**$**	**145,869,459**	$	128,457,703

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 3,413,095	$ -	$ 3,413,095
Fair value of plan assets	(665,538)	-	(665,538)
	$ 2,747,557	$ -	$ 2,747,557

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

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

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

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	$ 2,544,100	$	$ 2,544,100
Current service cost	187,190		187,190
Interest cost (income)	131,696		131,696
Remeasurement gains	385,411		385,411
Benefits paid from working capital	(209,817)		(209,817)
Benefits paid from plan assets	(22,623)		(22,623)
Translation difference	397,138		397,138
	$ 3,413,095	$	$ 3,413,095

Equity

The Company's shareholders' equity for the twelve months ending December 31, 2020 amounted to US$141.4 million compared with US$114.3 million for the period ending December 31, 2019.

Please see below for the Reconciliation of Retained Earnings available for Dividend Declarations as of December 31,2020:

Unappropriated retained earnings, beginning	$	1,719,921
Add net income actually earned during the period		10,281,794
Less cash dividends declared		4,701,567
Retained earnings available for dividend declaration	**$**	**7,300,148**

The amounts presented on the Consolidated Statements of Changes in Equity were net of dividends declared for CEC, a subsidiary of CHPC amounting to $4,661,821.01 and $5,872,511.00, in 2020 and 2019, respectively. See computation below:

	2020	2019
Preferred B2	$ 4,103,750.00	$ 4,103,750.00
Preferred A	$ 8,537.01	$ 8,537.01
Preferred B1	$ 89,280.00	$ -
Common	$ 500,000.00	$ 1,991,462.99
Total Dividends declared as reflected in Note 34.03	**$ 4,701,567.01**	**$ 6,103,750.00**
Forex and difference in rounding off		**$ (4,945.00)**
Dividends paid to CEC (eliminated)	$ (39,746.00)	$ (226,294.00)
Net Dividends as reflected in Changes in Equity	**$ 4,661,821.01**	**$ 5,872,511.00**

Liquidity and Capital Resources

For the twelve months ending December 31, 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 twelve months ending December 31, 2020 and the same period in 2019.

In US$ Thousands	**For the twelve months ending December 31**	
	2020	**2019**
Net cash flows provided by/ (used for) operating activities	(14,331)	(34,095)
Net cash flows provided by/ (used for) investing activities	(21,428)	(3,696)
Net cash flows provided by/ (used for) financing activities	52,050	36,062
Net increase (decrease) in cash equivalents	16,482	(2,088)

Net Cash Flows from Operating Activities

Net cashflow used for operating activities was (US$14.3) million for the twelve months ending December 31, 2020, compared with net cash inflow of (US$34.1) million for the same period in 2019.

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

Investing Activities

Net cash outflow used for investing activities amounted to (US$21.4) million for the twelve months ending December 31, 2020 compared to ($3.7) million in the same period in 2019. Investing activities mainly involved increase in PPE.

Financing Activities

Net cash flow from financing activities for the twelve months ending December 31, 2020 amounted to US$52.0 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$36.1 million.

The cash flow related to due from and due to related parties were presented on a net basis, including the effect of non-cash adjustment. The other accounts were also net of non-cash adjustments such as unrealized foreign exchange gains (losses).

Material Changes to the Company's Audited Income Statement as of December 31, 2020 compared to the Audited Income Statement as of December 31, 2019 (increase/decrease of 5% or more)

- 14% decrease in net sales
    - Decrease in revenue contribution of Quintel and CATSI

- 14% decrease in cost of sales
    - Decrease in raw materials, salaries, inward freight and duties and utilities

- 29% decrease in operating expenses

- Decrease in Transportation and travel, Utilities, Entertainment, amusement and recreation, and Insurance Premium, Provision for estimated credit losses and Others

- 20% decrease in Income Before income Tax
  - Decrease in revenue

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

- 107% increase in Cash and Cash Equivalent
  - Increase in net cash flow from investing and financing activities

- 29% increase in Trade and Other Receivables – Net
  - Longer collection period for certain major customers

- 1,050% increase in in Other Noncurrent Assets
  - Increase in advances to major suppliers

- 33% increase in Short-term Loans
  - Additional availment of short-term credit facilities used for working capital

- 16% Decrease in Current Portion of Long-term Debt
  - Payment of Maturing long term credit facilities

- 56% Decrease in Income Tax Payable
  - Payment of income tax due

KEY PERFORMANCE INDICATORS

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

Amounts in thousands US$, except ratios, and where indicated		**2018 Full year**	**2019 Full Year**	**2020 Full Year**
EBITDA		20,452	19,661	19,658
EBITDA Margin		19%	25%	29%
Sales Growth/Decline		20%	(21%)	(14%)
Current Ratio (x)		1.45x	1.43x	1.46x
Earnings per share (US$)		0.011	0.0015	0.00570

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

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

	For the years ended December 31		
In US$ 000	**2018**	**2019**	**2020**
Net income	8,334	8,422	6,597
Add back:			
Interest expense/income-net	4,805	4,852	5,303
Provision for / Benefit from income tax	1,452	391	447
Depreciation and amortization	5,861	5,997	7,311
EBITDA	**20,452**	**19,661**	**19,658**

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

	For the years ended December 31		
In US$ 000	**2018**	**2019**	**2020**
EBITDA	20,452	19,661	19,658
Deduct:			
Interest expense/income-net	(4,805)	(4,851)	(5,303)
Provision for / Benefit from income tax	(1,452)	(391)	(447)
Depreciation and amortization	(5,861)	(5,997)	(7,311)
Net Income	**8,334**	**8,422**	**6,597**

- *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.

FINANCIAL SOUNDNESS INDICATORS

Ratios	**Formula**	**December 31, 2020**	**December 31, 2019**
(i) Current Ratio	Current Assets/Current Liabilities	**1.46**	**1.43**
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**1.02**	**1.11**
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.80**	**0.98**
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.19**	**2.34**
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**3.66**	**4.06**
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.29**	**0.29**
Net Profit Margin	Net Income/Revenues	**0.10**	**0.11**
EBITDA Margin	EBITDA/Revenues	**0.29**	**0.25**
Return on Assets	Net Income/Total Assets[3]	**0.02**	**0.03**

Return on Equity	Net Income/Total Equity[3]	**0.05**	**0.08**

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

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

[3] Based on balances as of December 31, 2020 and December 31, 2019.

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 VERSUS DECEMBER 30, 2018

RESULTS OF OPERATIONS

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

	Years Ended December 31		
In US$ Thousands except EPS	2019	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS	80,119	106,475	88,710
COST OF SALES	57,091	84,624	70,430
GROSS PROFIT	23,028	21,851	18,279
NET INCOME	8,422	8,334	3,150
TOTAL COMPREHENSIVE INCOME	20,047	8,549	3,306
Basic/Dilutes EPS	US$0.011	US$0.011	US$0.008
EBITDA	$19,661	20,452	10,697

Revenue from Contracts with Customers

The Company achieved US$80.12 million of consolidated revenues for the 12 months ending December 31, 2019, a decrease of 25% from US$106.47 million for the same period in 2018. The widespread slowdown in global markets particularly in the Semicon industry and slow 5G rollout in the US market hindered the growth of Cirtek's operating units.

Revenue contribution from Quintel Group amounting to US$ 25.2 million accounted for the 55% of the total revenue decline in 2019. It dropped by 54% compared to the revenue of $54.6 million of the same period in 2018 due to lower demand for 12 port and 8 port legacy antennas and slow 5G antenna rollouts in North America market.

Revenues from the semiconductor business amounted to US$31.1 million compared to US$44.2 million for the same period in 2018, a 30% decrease mainly due to automotive, telecommunications and industrial space underperforming in 2019.

Revenues from the RF/MW/maw and antenna manufacturing business before consolidation amounted to US$23.7 million, a 45 % decrease compared to 2018.

Disaggregated Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers as of December 31, 2019.

Product	Revenue Contribution
8 port antennas	$19,242,837
6 port antennas	13,774,254
12 port antennas	6,428,062
Discrete	6,425,672
New product	6,195,194
Multichips	6,110,854
Integrated circuits	6,079,549
Remec manufacturing services	5,729,194
Dual and quad flat no-leads	5,001,100
Hermetics	1,328,190
Indoor radio frequency unit	981,759
Brackets	466,836
Cougar	211,164
10 port antennas	171,075
Outdoor unit	120,114
Bridgewave	11,794
Others	1,841,069
TOTAL	**$80,118,716**

Gross and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and changes in finished goods and work in process inventories. The Company's cost of sales decreased by 33% to US$ 57.1 million in the 12 months ending December 31, 2019 from US$84.6 million for the same period in 2018. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories decreased by 37% to US$34.16 million for the 12 months ending December 31, 2019 from US$53.98 million for the same period in 2018.
- Salaries, wages and employees' benefits decreased by 26% to US$ 9.5 million for the 12months ending December 31, 2019, from US$12.82 million for the same period in 2018.
- Freight and duties decreased by 48% to US$4.2 million for the 12 months ending December 31, 2019 from US$8.15 million for the same period in 2018.
- Utility expenses amounted to US$ 3.9 million for the 12 months ending December 31, 2019, from US$4.5 million for the same period in 2018, a decrease of 11%
- Depreciation and amortization increased by 1% to US$5.3 million for the 12 months ending December 31 2019, from US$5.2 million for the same period in 2018.

The Company's gross margin was 29% for the 12 months ending December 31, 2019, 8% increased of the gross margin recorded for the same period in 2018.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2019 amounted to US$9.8 million, 37% lower compared to the US$15.6million recorded during the same period in 2018.

The account is composed of the following expenses:

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

Income Before Income Tax

For the 12 months ending December 31, 2019, the Company recorded a net income before income tax of US$ 8.8 million, a decrease of 10% compared with US$9.8 million recorded for the same period in 2018.

Provision for / Benefit from Income Tax

Benefit from income tax for the 12 months ending December 31, 2019 amounted to US$0.4 million compared with a provision for income tax of US$1.5 million for the same period in 2018.

Net Income After Tax

The Company's net income from continuing operations for the 12 months ending December 31, 2019 amounted to US$8.4 million, an increase of 1% compared with US$8.3 million for the same period in 2018. Income from discontinued operations (Quintel Technology, Ltd, based in UK) amounted to $13.7 million. Quintel UK, the former supply chain and R&D facility of Quintel Group was moved to Quintel USA and discontinued to further bring down Quintel's operating cost.

Total Comprehensive Income

The Company's total comprehensive income for the 12 months ending December 31, 2019 amounted to US$20.1 million, compared to US$8.6 million for the same period in 2018, an increase of 134% mainly due to onetime income from discontinued operations

FINANCIAL CONDITION

Assets

The Company's cash and cash equivalent for the 12 months ending December 31, 2019 amounted to US$15.4 million, compared with US$17.4 million for the period ending December 31 2018, a decrease of US$2.1 million or 12%.

Trade and other receivables for the 12 months ending December 31, 2019 amounted to US$43.7 million, compared with US$14.7 million for the period ending December 31, 2019, a 197% increase.

Inventory levels for the 12 months ending December 31, 2019 amounted to US$36.8 million, a 30% higher compared with US$28.3 million for the period ending December 31, 2018.

Amounts owed by related parties amounted to US$23.0 million compared to US$57.0 million in the previous year, a 60% decrease.

Assets held for sale pertain to the Company's vacant factory located in Carmelray 1, Canlubang which is being actively marketed for sale.

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

Non-current assets comprised of Available-for-sale (AFS) financial asset, HTM investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2019 amounted to US$133.2 million compared with US$144.5 million for the period ending December 31, 2018, a decrease of 8%.

Below is the corrected details of Product development cost:

Product development cost

Movements of product development cost are as follows:

	2019	2018
Carrying amount		
Cost	$ 2,944,300	$ 1,327,019
Accumulated amortization	(821,243)	(606,190)
	2,123,057	720,829
Movements during the year		

Balance, January 1	2,123,057	720,829
Additions	2,537,984	1,617,281
Amortization (Notes 24 and 25)	(320,724)	(215,053)
Balance, December 31	$ 4,340,317	$ 2,123,057

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

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

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, and income tax payable. For the 12 months ending December 31, 2019, current liabilities were at US$93.4 million compared with US$82.8 million for the period ending December 31, 2018, a 13% increase.

For the 12 months ending December 31, 2019, the Company's non-current liabilities comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$59.2 million, a 13% decrease compared to US$67.9 million for the period ending December 31, 2018.

The Company's long-term loans, both current and non-current portion, amounted to US$62.5 million as of December 31, 2019 compared with US$73.3 million as of December 31, 2018, a 14.7% decrease.

Below is the corrected Details of long-term loans being as follows:

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

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2019 amounted to US$114.3 million compared with US$113.8 million for the period ending December 31, 2018, a 0% increase.

The discrepancy per Note 35.03 versus amount per Changes in Equity pertains to the effect of foreign exchange rate since payment of dividends are in Philippine Peso using 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 Class B-2 shares amounting to an aggregate sum of $1,025,971, for payment and distribution on the following dates:

1. March 6, 2019 to shareholders of record as of March 6, 2019
2. June 6, 2019 to shareholders of record as of June 6, 2019
3. September 5, 2019 to shareholders of record as of September 5, 2019
4. December 5, 2019 to shareholders of record as of December 5, 2018

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

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

1. June 11, 2019 to shareholders of record of as of June 11, 2019; and
2. 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.

Liquidity and Capital Resources

For the 12 months ending December 31, 2019, the Company's principal sources of liquidity was cash from sales of its products, bank credit facilities and collection of advances from related parties.

The following table sets out the Company's cash flows for the 12 months ending December 31, 2019 and the same period 2018:

In US$ Thousands	**For the 12 months ending December 31**	
	2019	2018
Net cash flows provided by/ (used for) operating activities	(32,609)	2,991
Net cash flows provided by/ (used for) investing activities	(3,696)	(10,074)
Net cash flows provided by/ (used for) financing activities	34,578	(12,643)
Net increase (decrease) in cash equivalents	(2,088)	(19,779)

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$32.6 million for the 12 months ending December 31, 2019, compared with US$3.0 million for the same period in 2018.

For the 12 months ending December 31, 2019, net income before tax was US$8.8 million. After adjustments for depreciation, interest income/expense, operating net unrealized foreign exchange gains, income before change in working capital was US$6.5 million decreased by 65% compared with $18.4 million for the same period in 2018. This was mainly due to increase in trade and other receivables amounting to $29.0 million and additional inventory amounting to $8.5 million.

Investing Activities

Net cash outflow from investing activities amounted to US$ 3.7 million for the 12 months ending December 31, 2019. Investing activities in 2019 mainly involved acquisition of machineries and equipment and investments in researched and development for Quintel.

Financing Activities

Net cash inflow from financing activities for the 12 months ending December 31, 2018 amounted to US$34.6 million. Major financing activities involved proceeds from availment of short-term loans, sale by subsidiary of Parent Company shares less payment of cash dividends, payment of short-term and long-term loans, interest, acquisition by subsidiary of Parent Company Shares, stock issue cost, and net movement in amounts owed by and owed to related parties. For the same period in 2018 net cash inflow financing activities amounted to US12.6 million.

Material Changes to the Company's Audited Income Statement as of December 31, 2019 compared to the Audited Income Statement as of December 31, 2018 (increase/decrease of 5% or more)

- 25% decrease in net sales
  Sales decline of Quintel mainly from 12 port and 8 port legacy antennas
- 33% decrease in cost of sales
  Significant cost reduction from materials and manpower cost, increased outsourcing of materials and antennas from China Contract Manufacturers
- 38% decrease in operating expenses
  50% reduction in selling, general and admin manpower cost and reduction professional fees
- 10% decrease in Income Before income Tax
  Lower sales and other income, 2018 with one-time gains recognized as other income
- 73% decrease in Provision for Income Tax
  Lower taxable income for CHPC

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

- 12% decrease in Cash and Cash Equivalent
  Increase in working capital, Investments in PPE
- 199% increase in Trade and Other Receivables – Net
  Longer payment term for certain key and/ new customers of Quintel and CATSI
- 30% increase in inventories
  Increase in raw materials stocks to anticipate increase volume of production and high level of slow-moving FG inventory in Quintel
- 60% decrease in amounts owed by related parties
  Collection from advances to related parties
- 8% decrease in Non-current Assets
  Reclassification of Remec CIP 1 plant from Investment Properties back to Noncurrent assets held for sale
- 13% increase in Current Liabilities
  Increase in short term loans
- 13% decrease in Noncurrent Liabilities
  Decrease in long-term loans

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2017 Full year**	**2018 Full year**	**2019 Full year**
EBITDA		10,697	20,452	19,661
EBITDA Margin		12%	19%	25%
Sales Growth		19%	20%	(25%)
Current Ratio (x)		1.41x	1.45x	1.43x
Earnings per share (US$)		0.008	0.011	0.011

Note:
*Earnings per Share was calculated using CHPC's average outstanding Preferred Shares for the years 2019, 2018 and 2017

EBITDA and EBITDA Margin

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

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

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

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

	For the years ended December 31		
In US$ 000	**2017**	**2018**	**2019**
Net income	3,150	8,334	8,422
Add back:			
Interest expense/income-net	3,320	4,805	4,851
Benefit from income tax	101	1,452	391
Depreciation and Amortization	4,126	5,861	5,997
EBITDA	**10,697**	**20,452**	**19,661**

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

	For the years ended December 31		
In US$ 000	**2017**	**2018**	**2019**
EBITDA	10,697	20,452	19,661
Deduct:			

Interest expense/(income)	(3,320)	(4,805)	(4,851)
Benefit from income tax	(101)	(1,452)	(391)
Depreciation and Amortization	(4,126)	(5,861)	(5,997)
Net Income	**3,150**	**8,334**	**8,422**

- 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$5.6 million for capital expenditure for full year 2019 from the proceeds of its bank 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.

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

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

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

FINANCIAL SOUNDNESS INDICATORS

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

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

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

[3] Based on balances as of December 31, 2019 and December 31, 2018

Summary of Significant Accounting Policies

Adoption of New and Revised Accounting Standards

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

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

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

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.

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

- 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. 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, 2025. 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 affective to annual reporting periods beginning on or after January 1, 2025.

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.

Principal accounting and financial reporting policies

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

Business Combination

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

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

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

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

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

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

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

a) The aggregate of:
    i. The consideration transferred, which is generally measured at acquisition-date fair value;
    ii. The amount of any non-controlling interest in the acquiree; and
    iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

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

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

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

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

The Group applied pooling of interest method in accounting for common control business combinations. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

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

Fair Value Measurement

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

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

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

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

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

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

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

Financial Assets

Initial Recognition and Measurement

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

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

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

Classification

- Financial Asset at Amortized Cost

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

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

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

  a) Cash and Cash Equivalents

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

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

  b) Receivables

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

- Financial Asset at Fair Value through Other Comprehensive Income

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

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

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

Reclassification

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

Effective Interest Method

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

Impairment

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

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

The Group adopted general approach in accounting for impairment.

- General Approach

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

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

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

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

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

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

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

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

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

- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

➢ Simplified Approach

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

Derecognition

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

Write-off

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

Inventories

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

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

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

Other Current Assets

Prepayment

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

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

Advances to Suppliers

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

Assets Held for Sale

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

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

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

Investment Properties

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or

- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations (“contract legal” criterion)

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

Research and Development Costs

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

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

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

Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any of its assets other than financial assets that are within the scope of PFRS 9, *Financial Instruments,* inventories, and assets held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Borrowing Costs

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

Financial Liabilities and Equity Instruments

Financial Liabilities

Initial Recognition and Measurement

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

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

Classification

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

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

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

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

Deposit for Future Stock Subscription

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

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

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

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

Derecognition

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

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

Equity Instruments

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

Ordinary shares are classified as equity.

Employee Benefits

Short-term Benefits

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

Defined Benefit Plans

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Defined Contribution Plans

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

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

Provisions

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

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

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

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

Revenue Recognition

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

Performance Obligations Satisfied at a Point in Time

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

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

Dividend and Finance Income

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

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

Expense Recognition

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

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

Leases

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

The Group as Lessee

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

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

Right-of-Use (ROU) Asset

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

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

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

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

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

Lease Liability

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

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

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

Foreign Currency Transactions

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

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

Related Parties and Related Party Transactions

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

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

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

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

Taxation

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

Current Tax

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

Deferred Tax

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

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

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

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

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

Current and Deferred Taxes for the Period

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

Final Tax on Dividend

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

Earnings per Share

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

Events after the Reporting Period

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

Prior Period Errors

The Group corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for the prior period presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Notes 2.01 and 2.02, was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

DIRECTORS, EXECUTIVE OFFICERS AND KEY PERSONS

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

Position	Name	Age	Citizenship
Chairman	Jerry Liu	72	Chinese
Vice Chairman, President, and Chief Executive Officer	Jorge Aguilar	63	Filipino
Director Vice President and Corporate Information Officer	Justin T. Liu	39	Filipino
Director Executive Vice-President, Treasurer and Chief Financial Officer	Brian Gregory Liu	34	Filipino
Director Executive Vice President and Chief Technology Officer	Michael Stephen T. Liu	36	Filipino
Director	Ernest Fritz Server	77	Filipino
Independent Director	Hector Villanueva	85	Filipino
Independent Director	Corazon P. Guidote	60	Filipino
Independent Director	Bernardino Ramos	76	Filipino
Corporate Secretary	Dyan Danika G. Lim-Ong	36	Filipino
Chief Compliance Officer and Assistant Corporate Secretary	Emelita Cruzada	64	Filipino

Board of Directors and Executive Officers of the Issuer

The overall management and supervision of the Company is vested in its Board of Directors. The Company's officers and management team cooperate with its Board by preparing relevant information and documents concerning the Company's business operations, financial conditions and results of operations for its review and action. At present, the Board consists of nine members, including four independent directors in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. All the Directors of the Company were elected at the Company's annual stockholders' meeting held on May 28, 2021 and will continue to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

A Joint Complaint-Affidavit dated February 17, 2020 for alleged violation of Section 73 in relation to Section 161 of the Revised Corporation Code was filed before the Office of the City Prosecutor of Biñan, Laguna by stockholders Otilio Vicente F. Arellano II and Rafael Estrada (the "Complainants") against the following directors and officers of the Company namely: Jerry Liu, Jorge Aguilar, Michael Stephen Liu, Brian Gregory Liu, Justin Liu, Ernest Fritz Server, Hector Villanueva, Corazon Guidote, Emelita Cruzada and Rosario Menguito (the "Respondents").

On October 23, 2019, the Complainants demanded to inspect the Company's records, including a documented account of corporate decisions, transactions, accounting judgments and estimates. However, the Complainants did not provide any legitimate reason for their request to inspect a great volume of corporate documents, contrary to the prevailing rule on the exercise of the right to inspect. Thus, on 4 November 2019, the Company filed a Petition for Declaratory Relief seeking a declaration of the Company's duties in relation to stockholders Arellano's and Estrada's right to inspect under Section 73 of Republic Act No. (RA) 11232 or the Revised Corporation Code. Specifically, the Company sought a judicial declaration and/or confirmation of its right to decline the demand to inspect corporate records on account of bad faith and ill motive. The Petition, docketed as Civil Case No. B-10603, is pending with the Regional Trial Court of the City of Biñan, Branch 153. The Petition was dismissed in an Order dated July 9, 2021. As of July 30, 2021, a Notice of Appeal has been filed with the RTC.

Despite the pendency of the Petition for Declaratory Relief, Complainants filed a Joint Complaint-Affidavit for alleged violation of Section 73 in relation to Section 161 of the Revised Corporation Code. Respondents received a copy of the Joint Complaint-Affidavit on August 17, 2020.

A criminal case for violation of Section 73 in relation to Section 161 of the Revised Corporation Code entitled People v. Jerry Liu, et al., docketed as Criminal Case No. 2560-B-2021 is pending with the Regional Trial Court of the City of Biñan, Branch 153.

The case has yet to be set for pre-trial and has no material impact to the business or operations of the Company.

As of date, the criminal proceedings are currently suspended by reason of prejudicial question.

On April 5, 2021, a Petition for Review, docketed as NPS Docket No. IV-25-INV. No. 20B-00068, was filed with the Department of Justice assailing the Resolution dated January 19, 2021 issued by the Office of the City of Prosecutor of the City of Biñan, which found probable cause against the respondent directors and officers for violation of Section 73 in relation to Section 161 of the Revised Corporation Code. The Petition for Review is currently pending.

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

The Officers were elected by the Board of Directors at the organizational meeting of the Board on May 28, 2021. The Board also elected during the said meeting the chairman and members of the Audit and Risk Management Committee, the Sustainability and Compliance Committee, the Compensation and Nomination Committee, and the Related Party Transaction Committee.

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

Jerry Liu, 72 years old, was elected as the Company's Chairman and President on May 25, 2012. He is currently the Chairman of the Company. He is also concurrently Chairman of CEC, Director of CLC and Cayon and Chairman of Silicon Link, Inc., Mr. Liu holds a Bachelor of Science degree in Physics from Chung Yuan University of Taiwan and an MBA from the University of the East.

Jorge Aguilar, 63 years old, was elected as Director, Vice-Chairman and President on May 10, 2019. Mr. Aguilar served as a director of the Company from 2011 until 2015. He joined CEC in 1985 and is

concurrently EVP/General Manager of CEC, a position he has held since 2004. Mr. Aguilar has a Bachelor of Science degree in Mechanical engineering from the Manuel L. Quezon University and an MBA from the Collegio de San Juan de Letran.

Justin T. Liu, 39 years old, was elected as Corporate Information Officer on February 1, 2019. He is also the President and Director of Figaro Coffee Systems; Inc. Mr. Liu graduated from the De La Salle University with a Bachelor of Science in Business Management and earned his Master's in Finance from the University of San Francisco in 2006.

Brian Gregory Liu, 34 years old, was elected as the Executive Vice-President and Chief Financial Officer on August 2, 2019. He was formerly the Chief Operating Officer of TECH. He was first elected as Director on May 11, 2015. He is concurrently a stockholder in CEC, CLC and Turbog Trading. Mr. Liu trained as an Operations Trainee in Domino's Pizza from 2001 to 2002, then as an Analyst in Evergreen Stockbrokerage & Securities Inc. from 2003 to 2005. He obtained his degree in Management in Financial Institutions from the De La Salle University in 2009.

Michael Stephen T. Liu, 36 years old, is currently the General Manager of Cirtek Advanced Technology and Solutions, a Cirtek company catering to the telecom and wireless broadband space. He was first elected as Director on May 11, 2015. Mr. Liu obtained his degree in Electronics and Communications Engineering from De La Salle University in 2007 and is a licensed Electrical Engineer.

Ernest Fritz Server, 77 years old, was elected as an Independent Director of the Corporation on February 17, 2011. During the last annual stockholders' meeting held on May 28, 2021, Mr. Server was elected as a regular Director and shall serve as such for one year or until his successor is elected and qualified. Mr. Server serves as the President of Multimedia Telephony Inc., Vice Chairman of RFM Corporation, Chairman of Arrakis Holdings, Inc., President of Seacage Industries, Inc., President of West Properties, Inc., President of Superior Las Pinas, Inc., a director of ABS CBN Convergence, Inc. and a director of BJS Development Corp. Previously, Mr. Server served as Vice Chairman of the Commercial Bank of Manila, Consumer Bank and Cosmos Bottling Corporation, President of Philippine Home Cable Holdings, Inc. and Philam Fund, and a director of Philippine Township, Inc.. Mr. Server graduated from the Ateneo de Manila University in 1963 with degree in Bachelor of Arts in Economics and holds an MBA Major in Banking and Finance from the University of Pennsylvania, Wharton Graduate School.

Hector Villanueva, 85 years old, has held senior positions in both private and public sectors. He was Chairman of the Board of First Metro Philippine Equity Exchange Traded Fund, Inc., Chairman, Postmaster General & CEO of Philippine Postal Corporation, Member of the Advisory Board, First Metro Investment Corporation, and Publisher and Editor-in-Chief of Sun Star Manila. Mr. Villanueva was also Cabinet Secretary from 1995-1998. Mr. Villanueva obtained a Bachelor of Science degree in Economics from the London School of Economics and Political Science, and post-graduate studies from Royal Institute of Bankers, United Kingdom.

Corazon P. Guidote, 60 years old, was elected as Independent Director on May 31, 2019, a Certified Public Accountant, Ms. Guidote is a Bachelor of Science graduate, major in Accountancy at the University of Santo Tomas in 1982. The UST College of Commerce eventually recognized her as one of its most outstanding alumnae in 2004. She holds a Master's Degree in Applied Business Economics from the University of Asia and the Pacific where she likewise received an Achievement Award in 1997 from the ABEP Alumni Association. She is now a member of the teaching faculty at the Institute of Corporate Directors currently specializing in the field of Sustainability Reporting otherwise referred to as ESG or (Environmental, Social and Governance). She successfully concluded her 15-year career in Investor Relations on October 2017. It was during this period that her pioneering spirit ushered her into two of her most challenging tasks of setting up the Investor Relations offices; first, at the Bangko Sentral ng Pilipinas (BSP), and second at SM Investments Corporation.

Bernardino Ramos, 76 years old, was elected as Independent Director on August 2, 2019. He is a Certified Public Accountant and has a Bachelor of Science degree in Business Administration Major in Accounting from the Far Eastern University and a Manager's Secondment/ On-the-Job Training at Ernst & Young (Formerly Ernst & Whinney) – Chicago, USA. He served as Partner in SGV& Co. (Affiliated with Arthur Andersen & Co. from 1985 to 2001, & Ernst & Young from 2002 to 2005), including almost seven years as Partner/Advisor of DrsUtomo& Co., SGV Group.

Key Officers

Dyan Danika G. Lim-Ong, 36 years old, was recently elected as the Company's Corporate Secretary during the organizational meeting of the Company on May 28, 2021. Atty. Lim-Ong is a Partner at Tolosa Javier Lim & Chua Law Firm. After completing her Master of Laws degree at the University of Pennsylvania School of Law and graduating with distinction in 2017, Atty. Dyan Danika G. Lim-Ong was formerly a part of the Institutional and Transaction Advisory Group of China Banking Corporation, one of the largest commercial banks in the Philippines. While at China Bank, Atty. Lim-Ong was promoted to Assistant Vice President and worked on trust, treasury, bancassurance and capital raising transactions worth more than US$1 billion in aggregate, including the largest bond and LTNCD issuance in the bank's history. In 2019, Atty. Lim-Ong left China Bank to become a named partner of Tolosa Javier Lim & Chua Law Firm, where she currently heads the firm's Special Projects and Banking/Finance practice areas. Atty. Lim-Ong has advised clients on joint venture agreements, mergers and acquisitions, and other commercial transactions across several key industries such as water, energy, mining, infrastructure and banking and finance. She manages the firm's corporate housekeeping clients and also assists in commercial litigation, energy, data privacy and competition law matters. Atty. Lim-Ong is concurrently a professor at the University of the Philippines College of Law where she teaches Sales and Legal Profession/Legal Ethics.

Emelita Cruzada, 64 years old, was appointed as the Company's new Chief Compliance Officer on April 28, 2021 and Assistant Corporate Secretary on My 28, 2021. She is concurrently the Vice-President HR/Admin and Purchasing of Cirtek Electronics Corporation. She obtained her degree in Bachelor of Science in Management Engineering from Feati University.

Significant Employees

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

Family Relationships

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

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

EXECUTIVE COMPENSATION

The aggregate compensation during the last fiscal year and to be paid in the ensuing fiscal year to the Company's four most highly compensated officers and to all other unnamed officers and directors of Cirtek Group is as follows:

Summary Compensation Table

Name & Position	Year	Salary	Bonus	Other Annual Compensation
Jerry Liu (Chairman) Jorge Aguilar (Vice Chairman & President) Brian Gregory Liu (EVP & CFO) Michael Stephen Liu (EVP&CTO)	FY 2021 (est)	₱ 38 million	-	₱ 5 million
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	FY 2021 (est)	₱ 45 million	-	₱ 5 million
Jerry Liu (Chairman) Jorge Aguilar (Vice Chairman & President) Brian Gregory Liu (EVP & CFO) Michael Stephen Liu (EVP&CTO)	FY 2020	₱ 40 million	-	₱ 5 million
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	FY 2020	₱ 47 million	-	₱ 5 million
Jerry Liu (Chairman) Roberto Juanchito Dispo (Vice Chairman & President) Brian Gregory Liu (EVP & CFO) Rolando Enriquez (Vice President CATS) Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	FY 2019 FY 2019	₱ 45 million ₱ 48 million	-	₱ 5 million ₱ 5 million
All other officers and directors as a group unnamed	FY 2021 (est) FY 2020 FY 2019	₱ 20 million ₱ 15 million ₱ 20 million		₱ 3 million ₱ 2 million ₱ 3 million

Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Each of the Directors is entitled to a per diem of Php 8,000.00 for every Board of Directors meeting attended. Each member of the Audit and Risk Management Committee, Sustainability and Compliance Committee, Compensation and Nomination Committee, and Related Party Transactions Committee is entitled to a fee of Php8,000.00 for every committee meeting attended.

Below are the details of the renumeration paid to the Directors in 2020:

Remuneration for Board Meetings Attended in 2020	Remuneration for Committee Meetings Attended in 2020	Total
₱ 1,000,000.00	₱ 96,000.00	₱ 1,096,000.00

Standard Arrangements and Other Arrangements

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

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

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

Warrants and Options

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

Corporate Governance

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

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

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

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Holders

Members of the Liu family, through their control of Camerton, Inc., a private holding company incorporated in the Philippines, are the majority shareholders of and effectively control the Company. As August 31, 2021, Camerton, Inc. holds or owns 16.49% of the total outstanding common shares and 100% of the outstanding voting Preferred A Shares of the Company.

As of August 31, 2021, Cirtek's other principal shareholder was PCD Nominee Corporation (Filipino) at 81.63% of the total outstanding common shares .

The table below summarizes the security ownership of certain records and beneficial owners of more than 5% of the Company's voting securities as of August 31, 2021:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Camerton, Inc. Parent Company of the Issuer	Same as Record Owner	Filipino	110,260,791	16.49%
Common	PCD Nominee Corporation No relationship with Issuer	Same as Record Owner	Filipino	545,683,119	81.63%
Common	PCD Nominee Corporation No relationship with Issuer	Same as Record Owner	Non-Filipino	12,466,846	1.87%
Preferred A	Camerton, Inc. Parent Company of the Issuer	Same as Record Owner	Filipino	700,000,000	100%
Preferred B2A	PCD Nominee Corporation No relationship with Issuer	Same as Record Owner	Filipino	66,619,800	99.43%
Preferred B2A	PCD Nominee Corporation No relationship with Issuer	Same as Record Owner	Non-Filipino	380,200	0.567%
Preferred B2B	PCD Nominee Corporation No relationship with Issuer	Same as Record Owner	Filipino	20,000,000	100%

Under the PCD account, the following participants hold shares representing more than 5% of the Company's common outstanding shares as of August 31, 2021.

Participant	Number of Shares	Percentage
Abacus Securities Corporation	175,621,172	26.27%
COL Financial Group, Inc.	98,902,170	14.79%
Guild Securities	49,333,469	7.38%
First Metro Securities Brokerage Corp.	39,834,464	5.96%
Participant	Number of Shares	Percentage
Abacus Securities Corporation	175,621,172	26.27%
COL Financial Group, Inc.	98,902,170	14.79%
Guild Securities	49,333,469	7.38%
First Metro Securities Brokerage Corp.	39,834,464	5.96%

Except as disclosed above, the Company has no knowledge of any person or any group who, directly or indirectly, is the beneficial owner of more than 5% of the corporation's outstanding shares or who has a voting power, voting trust, or any similar agreement with respect to shares comprising more than 5% of the corporation's outstanding common shares.

The following are the top 20 registered holders of the Company's securities as of August 31, 2021:

Stockholder's Name	**Class of Securities**	**No. Shares**	**% of Total**	**Nationality**
PCD Nominee Filipino	Common	545,683,119	81.63	Filipino
Camerton, Inc.	Common	110,260,791	16.49	Filipino
PCD Nominee Non-Filipino	Common	12,466,846	1.87	Others
Beant Singh Grewal	Common	37,000	0	Indian
Anna Loraine Mendoza	Common	17,500	0	Filipino
Myra Villanueva	Common	14,000	0	Filipino
Raymond Alvin Mendoza	Common	13,100	0	Filipino
Fernando Magno Enriquez	Common	12,000	0	Filipino

Eduardo Lizares	Common	1,000	0	Filipino
Julius Victor Emmanuel Sanvictores	Common	145	0	Filipino
Stephen Soliven	Common	122	0	Filipino
Owen Nathaniel S. Au ITF LI Marcus Au	Common	106	0	Filipino
Jesus San Luis Valencia	Common	62	0	Filipino
Dondi Ron R. Limgenco	Common	11	0	Filipino
Shareholders' Association of The Philippines, Inc.	Common	10	0	Filipino
Joselito T. Bautista	Common	3	0	Filipino
Jorge Aguilar	Common	1	0	Filipino
Rafael Estrada	Common	1	0	Filipino
Corazon Guidote	Common	1	0	Filipino
Brian Gregory Liu	Common	1	0	Filipino
Jerry Liu	Common	1	0	Chinese
Justin T. Liu	Common	1	0	Filipino
Michael Stephen Liu	Common	1	0	Filipino
Hector Villanueva	Common	1	0	Filipino
Bernardino Ramos	Common	1	0	Filipino
Ernest Fritz Server	Common	1	0	Filipino
Total	Common	668,505,825	100	

As of August 31, 2021, the total number of common shareholders is 26.

Holders of Preferred Shares

As of August 31, 2021, the following are the holders of the Company's preferred shares.

Stockholder Name	**Series**	**Number of Preferred Shares Held**	**Percentage of Shareholding**	**Nationality**
Camerton, Inc.	Preferred Class A	700,000,000	100%	Filipino

Camerton, Inc.	Preferred Class B-1	70,000,000	100%	Filipino
PCD Nominee Corp. (Filipino)	Preferred Class TCB2-A	66,619,800	99.43%	Filipino
PCD Nominee Corp. (Non-Filipino)	Preferred Class TCB2-A	380,200	0.567%	Non-Filipino
PCD Nominee Corp. (Filipino)	Preferred Class TCB2-B	20,000,000	100%	Filipino

As of August 31, 2021, the total number of Preferred Class A shareholder is 1; Preferred Class B-1 Shareholder is 1; Preferred Class B2-A is 2; and Preferred Class B2-B is 1.

Security Ownership of Directors and Management

The following table sets forth the number of Common Shares beneficially owned by the Company's Directors and Officers as of August 31, 2021:

Title of Class	Name & address of record owner & relationship with Issuer	Citizenship	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Jerry Liu[4] Chairman *24 Buchanan St.,* *North Greenhills* *San Juan Metro Manila, Philippines*	Chinese	110,260,792	Chinese	16.49%
Common	Jorge Aguilar Vice Chairman and President *Phase 2, Lot 2, Blk 2, Rosal St. Greenland Cainta Rizal, Philippines*	Filipino	1	Filipino	0.00%

[4] The family of Messrs. Jerry Liu, Justin T. Liu, Michael Stephen T. Liu and Brian Gregory T. Liu, through Charmview Enterprises, Ltd. and Carmetheus Holdings, Inc., owns Camerton, which in turn is the principal stockholder of the Company.

Common	Justin T. Liu Director, EVP and CIO *24 Buchanan St.,* *North Greenhills* *San Juan Metro Manila, Philippines*	Filipino	1	Filipino	0.00%
Common	Brian Gregory Liu Director, EVP and Chief Financial Officer *24 Buchanan St.,* *North Greenhills* *San Juan Metro Manila, Philippines*	Filipino	1	Filipino	0.00%
Common	Michael Stephen Liu Director, EVP and CTO *24 Buchanan St.,* *North Greenhills* *San Juan Metro* *Manila, Philippines*	Filipino	1	Filipino	0.00%
Common	Bernardino Ramos Independent Director *206 Balayan Street, Ayala Alabang Village, Muntinlupa City, Philippines*	Filipino	1	Filipino	0.00%

Common	Ernest Fritz Server Director *319 Chico Drive, Ayala Alabang Village, Muntinlupa City, Philippines*	Filipino	1	Filipino	0.00%
Common	Hector Villanueva Independent Director *4419 Bluebelle* *Road, Sun Valley* *Subd., Barangay Sun Valley, Paranaque City Philippines*	Filipino	1	Filipino	0.00%
Common	Corazon Guidote Independent Director *6A South Edades, North South Executive Village, Commonwealth Avenue, Quezon City Philippines*	Filipino	1	Filipino	0.00%

There is no director or key officer of the Company that directly owns at least 10% of its issued and outstanding shares of common stock.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Liu family, primarily through Camerton, Inc., is the largest shareholder in the Company, and as of August 31, 2021 owns 110,260,791 shares, or approximately 16.49% of the Company's issued and outstanding common shares.

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

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

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

a. Advances for operating requirements of CHI, former parent of CEC and CEIC;

b. Rental of land and lease deposit with Cirtek Land Corporation, an affiliate, where the manufacturing building 1 and administrative building is situated;

c. Payments and /or reimbursements of expenses made or in behalf of the affiliates; and

d. Rental of land with Cayon Holdings, Inc., an affiliate, where the building 2 of the Cirtek Group is situated;

e. Collections made by Camerton in behalf of the Cirtek Group;

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

a. Amounts owed to related parties

		Transactions		Balances as of			
		Six Months Ended June 30					
		2021 (Reviewed)	2020 (Unaudited)	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)	Terms	Conditions
Other related parties							
CLC	Rental	($705)	$–	$467,170	$467,875	Due on demand; noninterest-bearing	Unsecured
Cayon	Rental	2,598	16,859	117,676	115,078	Due on demand; noninterest-bearing	Unsecured
Stockholders	Payment made on behalf of the Group	–	–	35,928	35,928	Due on demand; noninterest-bearing	Unsecured
		$1,893	$16,859	$ 620,774	$618,881		

b. Amounts due from related parties as of June 30, 2021

		Transactions		Balances as of			
		Six Months Ended June 30					
		2021 (Reviewed)	2020 (Unaudited)	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)	Terms	Conditions
Cayon	Reimbursement of expenses	$2,023	$141	$191,569	$193,592	Due on demand; non-interest bearing	Unsecured; no impairment

Transactions with CHI, Charmview Enterprises Ltd (CEL)

The amount owed by an officer amounting to $7.7 million as of December 31, 2010 was transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, Inc., the parent of the Company.

The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.

For purposes of settling outstanding balances with the Cirtek 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 Cirtek 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 (see Note 28).

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 Cirtek Group's liability aggregating $6.8 million. The amount represents the above-mentioned total liability of $3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to $3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of June 30, 2021 and December 31, 2020 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.

Transactions with CLC

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

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Cirtek Group has classified the rental deposit amounting to ₱60.1 million ($1.1 million and $1.2 million as of December 31, 2018 and 2017, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 10).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a fixed annual rate of P0.64 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 S0.01 million in both years.

Transactions with Cayon

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱282,144 for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to $.002 million and 0.01 million in 2021 and 2020, respectively. The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given

Cirtek Group, as lessee, entered into leasing arrangements with its related parties. The following are the amounts of lease liabilities. Movement in the lease liabilities is as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Not later than one year	$ 25,427	$ 25,427	$ 16,163	$ 16,163
Later than one year but not later than five years	102,037	102,037	83,206	83,206
Later than five years	283,978	391,360	258,133	365,515
	411,442	518,824	357,502	464,884
Discount	(53,940)	(53,940)	-	-
Present value of minimum lease payments	357,502	464,884	357,502	464,884
Current lease liabilities	194,519	301,901	194,519	301,901
Non-current lease liabilities	$ 162,983	$ 162,983	$ 162,983	$ 162,983

	June 30, 2021	Dec 31, 2020
	Reviewed	Audited
Balance, January 1	$464,884	$493,078
Lease payment	107,382	-
Interest Expense	-	28,194
Balance, December 31	$357,502	$464,884

Cirtek Group is required to pay security deposit and advanced rental equivalent to one month rent amounting to $1,939. These shall be applied to the last one month's rent and unpaid bills, or refunded upon termination of lease contract. The rental deposits amounted to $1,235,609 and $1,248,654 as of June30, 2021 and December 31, 2020, respectively.

Cirtek 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.

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

MATERIAL CONTRACTS AND AGREEMENTS

The following table sets out the Company's debt, shareholders' equity and capitalization as at December 31, 2020.

A. Short-term Loans:

	June 30, 2021 (Reviewed)	**December 31, 2020 (Audited)**	**December 31, 2019 (Audited)**	December 31, 2018 (Audited)
Rizal Commercial Banking Corporation (RCBC)	$25,716,46	$28,442,435	$40,399,593	$25,610,000
China Banking Corporation (CBC)		-	10,500,000	11,000,000
Security Bank Corporation (SBC)	6,125,00	7,350,000	9,800,000	10,000,000
BDO Unibank, Inc. (BDO)	-	-	-	5,400,000
Metropolitan Bank and Trust Company (MBTC)	-	-	-	1,700,000
Shinhan Bank	3,600,000	3,600,000	4,000,000	-
United Coconut Planters Bank (UCPB)	5,000,00	5,000,000	-	-
Commercial Paper	20,643,41	41,646,711	-	-
TOTAL	**$61,084,87**	**$86,039,146**	$64,699,593	$53,710,000

B. Long-term Loans:

	June 30, 2021 (Reviewed)	**December 31, 2020 (Audited)**	**December 31, 2019 (Audited)**	December 31, 2018 (Audited)
Principal	$53,100,00	**$58,748,700**	**$ 62,790,000**	$73,790,000
Less deferred financing costs	(354,215)	**318,214**	**309,080**	443,329
TOTAL	**$52,745,78**	**$58,430,486**	**$62,480,920**	**$**73,346,671

C. Capital:

	June 30, 2021 (Reviewed)	**December 31, 2020 (Audited)**	**December 31, 2019 (Audited)**	December 31, 2018 (Audited)
Common stock	**$ 9,594,321**	**$ 9,594,321**	**$ 9,594,321**	$9,594,321
Preferred stock	**3,032,140**	**3,032,140**	**2,615,995**	2,615,995
Additional paid-in capital	**120,053,514**	**120,053,514**	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	**4,030,214**	**4,030,214**	4,030,214
Other comprehensive income (loss)	**1,365,298**	**1,365,298**	**(906,973)**	(1,225,830)
Retained earnings	**33,376,251**	**28,144,471**	**26,209,080**	25,144,690
Parent company shares held by a subsidiary	**(24,777,434)**	**(24,786,492)**	**(27,753,128)**	(26,812,680)
	$141,674,304	**$141,433,466**	**$114,259,168**	$113,816,369

The financing and credit facility agreements discussed below are subject to representations and warranties, covenants and events of default standard for similar agreements. A comprehensive discussion of the agreements below is provided in the Company's consolidated financial statements and related notes. Outstanding principal balances disclosed below are exclusive of interest payable and deferred financing costs.

1. Agreements with the Bank of the Philippine Islands ("BPI")

Long-term Debt

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). As of March 31, 2021, the outstanding principal balance of the loan facility is $10.0 million. The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 4.0% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used for capital expenditures, including production facilities and to refinance existing debt obligation and for working capital requirement.

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

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

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

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

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

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Group to pay or repay including, without limitation: (i) all obligations of the Group for borrowed money evidenced by promissory notes or other instruments, (ii) all financial obligations of any other person guaranteed by the Group, (iii) all financial obligations of any

other person secured by a security upon or in property owned by the Group, whether or not the Group have assumed or become liable for the payment of such financial obligations, and (iv) capitalized lease obligations of the Group which are capitalized in accordance with PFRS.

The carrying amount of the loan from the 2016 NFA as of December 31, 2020 and 2019 amounted to $21.0 million and $23.2 million, respectively.

The Parent Company is in compliance with the debt covenants as of June 30, 2021 and December 31, 2020.

Long Term Loan

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 $37.0 million and $38.4 million as of December 31, 2020 and 2019, respectively.

The Parent Company is in compliance with the debt covenants as of June 30, 2021 and December 31, 2020.

2. Agreement with Security Bank Corporation ("Security Bank")

Short Term Loan

The Company has a revolving loan facility with Security Bank, evidenced by various promissory notes issued on different dates, which have payment terms of 177 days. The facility is unsecured and charged an interest of 1.95% to 6 % per annum in 2021 and 2020.

The revolving loan facility was used for the working capital requirements and other general corporate requirements of the Company.

3. Credit Facility Agreements with Rizal Commercial Banking Corporation ("RCBC")

Long Term Loan

On April 12, 2018, the Company entered into a Note Facility Agreement with RCBC as Noteholder which provided for the conversion of the outstanding balance of the Company's short-term bridge loan facilities amounting to $20.0 million into long-term credit facilities through the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly.

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

Moreover, under this NFA, the following financial ratios must be maintained:

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

The proceeds of the pertinent issuance was used to refinance the bridge loan facilities used to acquire 100% ownership of Quintel.

The carrying amount of the loan from the 2018 NFA amounted to $37.0 million and $38.4 million as of December 31, 2020 and 2019, respectively.

The Company is in compliance with the debt covenants as of the date June 30, 2021 and December 31, 2020.

Short Term Loan

The Company has a revolving loan facility with RCBC, evidenced by various promissory notes issued on different dates, which have payment terms of 60 to 360 days. The facility is unsecured and charged an interest of 2.25% to 5.00% per annum paid quarterly. As of December 31, 2020, the outstanding principal balance of the revolving loan facility of US$28.4 million was already converted to long term loan under a new Note Facility Agreement.

The revolving loan facility was used for working capital requirements and to partially fund the acquisition of Quintel.

The Company entered into the following loan facilities with RCBC on the dates indicated below:

(a) July 09, 2021 – evidenced by an FCDU promissory note, which has a payment term of 90 days. The facility is unsecured and charged an interest of 4.75% per annum. The loan amounting to $1.812 million is due on October 07, 2021.
(b) July 09, 2021 – evidenced by an FCDU promissory note, which has a payment term of 90 days. The facility is unsecured and charged an interest of 4.75% per annum. The loan amounting to $1.535 million is due on October 07, 2021.
(c) June 28, 2021 – evidenced by an FCDU promissory note, which has a payment term of 90 days. The facility is unsecured and charged an interest of 4.75% per annum. The loan amounting to $2.917 million is due on September 27, 2021.
(d) June 17, 2021 – evidenced by an FCDU promissory note, which has a payment term of 90 days. The facility is unsecured and charged an interest of 4.75% per annum. The loan amounting to $15.317 million is due on September 15, 2021.

Revolving loan facilities with RCBC have payment terms ranging from 60 days to 360 days. The facilities charged interest of 2.25% to 5% per annum in 2021 and 2020.

4. Term Loan Agreements with Shinhan Bank-Manila Branch

Short Term Loans

On August 27, 2019, the Company entered into a $4 million Term Loan Agreement with Shinhan Bank-Manila Branch, evidenced by a promissory note and with a due date of August 30, 2020 and an interest rate of 4.8% per annum.

The revolving loan facility was used for the working capital requirements and operating expenses and/or potential bridge for any acquisition opportunity during the duration of loan.

On September 1, 2020, the Company applied for an extension of term of the loan agreement. The loan is unsecured, in the principal amount of $3.6 million, and with an interest rate of 3.75% per annum.

The promissory note was amended to extend the original maturity date from August 30, 2020 to August 30, 2021 with interest of 3.75% per annum. Ten percent of the partial principal amounting to $400,000.00 will be repaid upon extension. The loan extension will be used for additional working capital requirements.

5. United Coconut Planters Bank (UCPB)

As of June 30, 2021, the outstanding principal balance of the loan facility is US$5 million. The revolving loan facilities with UCPB have payment terms of 180 days. The facilities charged interest of 4.75% and nil per annum in 2021 and 2020, respectively.

6. Quintel Acquisition Agreement and Plan of Merger

On July 31, 2017, the Company entered into an Agreement and Plan of Merger under which the Company, through its subsidiary CEIC and the latter's subsidiary Cirtek Corporation, a Delaware corporation ("Cirtek Delaware"), will acquire 100% of Quintel Cayman Ltd. ("Quintel Cayman").

The transaction was structured as a reverse triangle merger whereby the Company established Cirtek Cayman Ltd. to merge with Quintel Cayman, with the latter as the surviving

corporation. Pursuant to the transaction, all outstanding shares, warrants, and stock options in Quintel Cayman were converted to a right to receive the consideration from the Company and Cirtek Delaware. As a result of the merger, Quintel Cayman will be a wholly-owned subsidiary of Cirtek Delaware. The memorandum of association and articles of association of Quintel Cayman as surviving company shall be amended to conform to the organizational documents of Cirtek Cayman Ltd.

The Company acquired Quintel for at least US$ 77 million, subject to the adjustments in the pre- and post- closing statements, setting forth the different amounts comprising the total consideration, prepared by Quintel Cayman and the Company, which statements will be finalized within 60 to 90 days from July 31, 2017.

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

7. Commercial Papers

In February 2020, the SEC authorized the Company's issuance of Commercial Papers with an issue size of ₱2 billion, to be issued in one lump sum or multiple tranches. The Commercial Papers may be issued and reissued, in each case, in whole or in part and in one or more series, within three (3) years from the date of the SEC order rendering the Registration Statement effective and a corresponding permit to offer securities for sale covering the Commercial Paper Program.

On May 29, 2020, Listing of Reissued Cirtek Holdings Philippines Corporation ₱275,000,000.00 Commercial Paper Maturing February 18, 2021.

On July 15, 2020, Listing of Reissued Cirtek Holdings Philippines Corporation ₱494,000,000.00 Commercial Paper Maturing February 18, 2021.

On September 1, 2020, Listing of Reissued Cirtek Holdings Philippines Corporation ₱545,200,000 Commercial Paper Maturing February 18, 2021.

On April 28, 2021, the Company listed its ₱1 billion worth of Commercial Papers (CP) with the Philippine Dealing and Exchange Corp as part of its Six Billion Pesos (₱6,000,000.00) CP Program.

Finance Costs

In 2021 and 2020, finance costs incurred and paid on short-term loans amounted to $975,975 and $1,370,022 respectively

Debt Covenants

The Group is in compliance with the debt covenants as of June 30, 2021 and December 31, 2020. Other than what were discussed above, the Company does not maintain any other financial covenants under its loan facilities.

Loan Collateral

None of the Company's loans are secured by a collateral.

Philippine Economic Zone Authority

The PEZA is an attached agency to the Department of Trade and Industry and is tasked to promote investments, extend assistance, register, grant incentives to, and facilitate the business operations of investors in export-oriented manufacturing and service facilities located inside selected areas throughout the country proclaimed by the President of the Philippines as PEZA Special Economic Zones. It oversees and administers incentives to developers/operators and locators in Special Economic Zones.

Entities registered with the PEZA are entitled to fiscal and non-fiscal incentives. Fiscal Incentives include income tax holiday; tax and duty free importation of raw materials, capital equipment, machineries and spare parts; VAT zero rating; exemption from payment of local government imposts, fees, licenses, and taxes; and exemption from expanded withholding tax. Non-fiscal incentives include simplified import-export procedures; and special non-immigrant visa with multiple entry privileges for certain officers and employees. PEZA also extends visa facilitation assistance to foreign nationals and their spouses and dependents.

PEZA registered entities are required to maintain distinct and separate books for its operations inside the Special Economic Zones and are mandated to submit financial and other reports/documents to PEZA. Below are some of the periodic reports/documents required to be submitted to PEZA and their respective due dates:

Types of Report	**Due Date**
Economic Zone Monthly Performance Report	every 20th day of the following month
Annual Report (For Developer/Operator Enterprises)	90 days after the end of the accounting period
Audited Financial Statements ("AFS") (For Developer/Operator Enterprises)	30 days after filing with BIR
Quarterly Income Tax Returns (For Developer/Operator Enterprises)	15 days after filing with BIR
Annual Income Tax Returns ("ITR") (For Developer/Operator Enterprises)	30 days after filing with BIR
Annual Tax Incentives Report- Income Tax Based Incentives	30 days from statutory deadline for filing of Final Adjustment Return for Income Tax and payment of tax due thereon
Annual Tax Incentives Report- VAT, Excise Tax and Duty-based Incentives	15 March of the succeeding year
Breakdown/Schedule of Sales per Activity	Together with AFS & Annual ITR
Breakdown/Schedule of Other Income	Together with AFS & Annual ITR
Data on Revenues and Taxes Paid	Together with AFS & Annual ITR

Change of Corporate Name & Equity Ownership	30 days after the said change

As PEZA-registered entities, CEC and CATSI are required to submit the periodic reports described above to PEZA. They are also required to submit quarterly, semi-annual and annual reports to the DENR as part of their ECC requirements. The failure to comply with these reports and with any other requirements or regulations of these government agencies could expose CEC and CATSI to penalties and the revocation of their respective registrations.

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

Environmental Laws

Presidential Decree No.1586 established the Environmental Impact Statement ("EIS") System which is concerned primarily with assessing the direct and indirect impacts of a project or undertaking to the quality of the environment and ensures that these impacts are addressed by appropriate environmental protection and enhancement measures. The EIS system successfully culminates in the issuance of an Environmental Compliance Certificate ("ECC").

The ECC serves as a government certification based on the representations of the proponent that: (i) the proposed project or undertaking will not cause a significant negative environmental impact; (ii) that the proponent has complied with all the requirements of the EIS system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, Initial Environmental Examination ("IEE"). The ECC also contains specific measures and conditions that a project proponent must undertake before, during, and in some cases, at the abandonment of a project.

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a pre-requisite for the issuance of an ECC, an environmentally critical project must submit an EIS to the EMB while a project in an environmentally critical area is generally required to submit an IEE to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The Initial Environmental Examination refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration, and assessment of the effects of any project on the quality of the physical, biological, and socio-economic environment as well as the design of appropriate preventive, mitigating, and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life,

health, property, and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

CEC and CATSI incur expenses for complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

CEC is required to obtain the following environmental certifications and permits from the Department of Environment and Natural Resources Environmental Management Bureau for its operations:

Permit	**Issuance**	**Expiration**
Permit to Operate (Air Pollution Source & Control Installations)	Aug. 31, 2017	Apr. 29, 2022
Environmental Clearance Certificate (ECC)[5]	Aug. 31, 2017	N/A
Permit to Operate (Air Pollution Source & Control Installations)	Oct. 17, 2016	Oct. 29, 2021
Permit to Operate (Air Pollution Source & Control Installations)	Aug. 17, 2018	Oct. 02, 2023
Permit to Operate (Air Pollution Source & Control Installations)	Aug. 13, 2019	Oct. 1, 2024
Hazardous Waste Generator Registration Certificate	Dec. 21, 2015	N/A
Chemical Control Order Registration Certificate	May 27, 2014	N/A

CATSI is required to obtain the following environmental permits for its operations:

Permit	**Issuance**	**Expiration**
Environmental Clearance Certificate (ECC)	Aug. 13, 2015	N/A
Permit to Operate (Air Pollution Source & Control Installations)	Oct 17, 2016	Oct. 25, 2021

[5] An Environmental Clearance Certificate (ECC) expressly states that it is a planning tool and not a permit. It remains in effect provided the company complies with conditions stipulated under the ECC, and therefor has no expiration date. The DENR/EMB monitors the company/project periodically to ensure compliance with stipulations in the ECC.

All development projects, installations, and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay region are also required to obtain a discharge permit from the Laguna Lake Development Authority (LLDA). CEC's discharge permit is currently being renewed.

Toxic Substances, Hazardous and Nuclear Wastes Control Act

The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 ("R.A. No. 6969") mandates control and management of the import, manufacture, process, distribution, use, transport, treatment and disposal of toxic substances and hazardous and nuclear wastes. R.A. No. 6969 is primarily enforced by the DENR, with the assistance of the Inter-Agency Technical Advisory Council. It seeks to protect public health and the environment from unreasonable risks posed by these substances. Persons (natural or juridical) who generate or produce hazardous wastes, through any commercial, industrial or trade activities, are required to register with the EMB Regional Office having jurisdiction over the location of the waste generator. A DENR I.D. Number shall be issued upon registration. This is a one-time permit unless there is a change in the hazardous wastes produced.

In addition, waste generators are required to (1) notify the DENR of the type and quantity of waste generated in accordance with the form and in a manner approved by the DENR and pay the prescribed fee; (2) provide the DENR, on a quarterly basis, with certain information including the type and quantity of the hazardous waste generated, produced or transported outside in a form approved by the DENR; (3) continue to own and be responsible for the hazardous waste generated or produced in the premises until the hazardous waste has been certified by the waste treater as adequately treated, recycled, reprocessed or disposed of; (4) prepare and submit to the DENR comprehensive emergency contingency plans that conform with DENR guidelines to mitigate spills and accidents involving hazardous wastes; and (5) train and inform personnel and staff on (a) the implementation of the emergency contingency plan, and (b) the hazards posed by the improper handling, storage, transport, and use of hazardous waste and their containers.

Aside from R.A. No. 6969, those involved in hazardous waste management are also required to comply with the requirements of other specific environmental laws, such as Presidential Decree No. 984 (National Pollution Control Decree of 1976), Presidential Decree No. 1586 (Environmental Impact Statement System Law), RA 8749 (Philippine Clean Air Act of 1999) and RA 9003 (Ecological Solid Waste Management Act of 2000) and their implementing rules and regulations.

Philippine Clean Air Act

The Philippine Clean Air Act of 1999 ("R.A. No. 8749") focuses primarily on pollution prevention and provides for a comprehensive management program for air pollution. Consistent with the policies of R.A. No. 8749, all planned sources of air pollution that have the potential to emit 100 tonnes per year or more of any regulated air pollutant, or when required under the ECC, must secure an Authority to Construct and Permit to Operate from the EMB prior to commencement of construction or operation. The Authority to Construct is a one-time permit while the Permit to Operate must be renewed at least 30 days before its expiration date.

Philippine Clean Water Act

The Philippine Clean Water Act of 2004 ("R.A. No. 9275") focuses primarily on water quality management in all water bodies and the abatement and control of pollution from land based sources. All owners or operators of facilities that discharge regulated effluents pursuant to this Act are required to secure a permit to discharge. The discharge permit shall be the legal authorization granted by the DENR to discharge wastewater.

The DENR, as part of the permitting procedure, also urges the adoption of waste minimization and waste treatment technologies when such technologies are deemed cost effective. The DENR also develops procedures in relation to the current water quality guideline or the projected water quality

guideline of a given receiving water body with total pollution loadings from various sources, so that effluent quotas can be properly allocated in the discharge permits. Effluent trading may be allowed in each management area.

For compliance with R.A. No. 9275, fiscal and non-fiscal incentives are provided such as the inclusion in the IPP and tax and duty exemption of donations, legacies and gifts for the support of waste management programs.

Ecological Solid Waste Management

Ecological Solid Waste Management Act of 2000 provides for the proper management of solid waste which includes, discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Nationality Restrictions

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40% where the condominium corporation owns the land where the condominium development is located.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Eleventh Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

The Company does not currently own real estate. However, if the Company acquires real estate in the future, it would be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals. The term “Philippine National” as defined under the R.A. No. 7042, as amended, shall mean a citizen of the Philippines, a domestic partnership or association wholly owned by citizens of the Philippines or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

Labor Code and Other Labor Legislation

The Labor Code recognizes subcontracting arrangements, whereby a principal (i.e. CEC or CATSI, as the case may be) puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the Department of Labor and Employment ("DOLE") issued DOLE Department Order No. 174-17 or *Rules Implementing Articles 106 to 109 of the Labor Code, As Amended* ("D.O. No 174-17"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

The Rules for Occupational Safety and Health Standards ("OSHS") issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values ("TLV") for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV refers to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS or must not exceed the 8-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided in the Labor Code. The Labor Code imposes a fine of not less than ₱1,000.00 nor more than ₱ 10,000.00 or imprisonment of not less than three months nor more than three years, or both such fine and imprisonment, at the discretion of the court. If the offense is committed by a corporation, the penalty will be imposed upon the guilty officers of such corporation.

Depending on the size of the workforce and the nature of the work place as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries where the number of workers is from 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay in the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods with the other. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an

emergency clinic, unless there is a hospital or dental clinic which can be reached in 25 minutes of travel, and it has facilities readily available for transporting its workers to the hospital or clinic in case of emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must report to the DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

DOLE released Department Order No. 198-18 which implemented Section 32 of Republic Act No. 11058. It aims to protect every worker against injury, sickness or death through safe and healthful working conditions.

It mandates the Company to create an Occupational Safety and Health Program which needs to be approved by DOLE prior to construction. Any willful failure or refusal of an employer, contractor or subcontractor to comply with the following OSH standards or with a compliance order issued by the Secretary of Labor and Employment or his/her authorized representative shall be penalized with administrative fines.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with and later jointly approved by the employees.
The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System ("SSS"). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits, and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act created the National Health Insurance Program ("NHIP") to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The Home Development Fund Law (R.A. No. 9679) or the Pag-IBIG Fund Law, created the Home Development Mutual Fund ("HDMF"), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF.

The Pag-IBIG Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

Philippine Competition Act

Republic Act No. 10667, or the Philippine Competition Act ("PCA"), is the primary competition policy of the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

1. Anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

2. Practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrictor lessen competition; and

3. Merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

Moreover, the parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the Philippine Competition Commission ("PCC"), the agency responsible for the implementation of the PCA, within 30 days from signing the definitive agreement and before consummating the transaction where:

1. In a merger or acquisition of assets, the value of the transaction exceeds Two Billion Four Hundred Million Pesos (₱2,400,000,000.00), and the aggregate annual gross revenues or value of the assets in the Philippines of the ultimate parent entity of one of the parties to the transaction exceeds Six Billion Pesos (₱6,000,000,000.00); or

2. In an acquisition of voting shares of a corporation or of an interest in a non- corporate entity, the acquiring entity, together with its affiliates, would own thirty-five percent (35%) of the voting shares or shares entitled to profits, or, if the acquiring entity had already owned at least said percentage prior to the transaction, increase its shareholdings to fifty percent (50%) and the value of the assets of the target or its gross revenues in or into the Philippines exceeds Two Billion Four Hundred Million Pesos (₱2,400,000,000.00), and the aggregate annual gross revenues or value of the assets in the Philippines of the ultimate parent entity of one of the parties to the transaction exceeds Six Billion Pesos (₱6,000,000,000.00); or

3. In a notifiable joint venture transaction, if either (i) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds Two Billion Four Hundred Million Pesos (₱2,400,000,000.00) or (ii) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed Two Billion Four Hundred Million Pesos (₱2,400,000,000.00), and the aggregate annual gross revenues or value of the assets in the Philippines of the ultimate parent entity of one of the parties to the transaction exceeds Six Billion Pesos (₱6,000,000,000.00).

An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction.

Moreover, Section 4(eee) of the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below Fifty Billion Pesos (₱50,000,000,000.00) if entered into within two years from the effectivity of Bayanihan 2 Act, or from September 15, 2020. A transaction is considered "entered into" upon signing by the parties of the definitive agreement.

Under the PCC rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

(a) the transaction value is at least Fifty Billion Pesos (₱50,000,000,000.00); or
(b) the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan Act 2 suspends PCC's power to motu proprio review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

Data Privacy Act

The Philippines government enacted legislation with the aim of protecting the fundamental human right to privacy while ensuring the free flow of information. Republic Act No. 10173, or the "Data Privacy Act of 2012" applies to processing of all types of information, whether that be of individuals or legal entities, except for publicly available information, or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (i.e. whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term "data collectors" refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term data processors refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the Data Privacy Act and its accompanying implementing rules and regulations.

Laws on Importation

Republic Act No. 1937 ("R.A. No. 1937") or the "Tariff and Customs Code of the Philippines" provides that all articles, when imported from any foreign country into the Philippines, shall be subject to duty upon each importation, even though previously exported from the Philippines, except as otherwise specifically provided for in this Code or in other laws.

In 2014, the Department of Finance issued DO No. 12-2014 requiring importers to secure an Importer Clearance Certificate ("ICC") from the BIR as a pre-requisite for accreditation with the Bureau of Customs ("BOC"). This is the first stage of the accreditation process that will enable the importers to import and transact business with the BOC. Importers will then present the BIR ICC to the BOC as a final requirement for accreditation and to be able to enter the customs premises.

The BIR then issued Revenue Memorandum Order No. 10-2014 ("RMO 10-2014"), which provides for the requirements and guidelines for ICC applicants, and required ICC applicants to establish a physical and legitimate presence in the Philippines and to demonstrate compliance with existing tax laws and regulations.

Under BOC Memorandum Order No. 26-2019 in furtherance of CMO No. 19-2019 on "Decentralizalizing the CPRS Activation of Entities Accredited by other Government Agencies and the Renewal of Accreditation of Customs Brokers to the District Collectors" all PEZA locators that have already been registered and approved by PEZA through the Client Profile Registration System (*"CPRS"*) shall be activated immediately by the BOC-Management Information System and Technology Group (*"MISTG"*) after presentation of the BOC official receipt showing payment of the application fee and the copy of the CPRS notification from the PEZA. The memorandum order was issued with the objective of promoting an effective and efficient customs management by streamlining and simplifying the BOC accreditation procedure for PEZA locators, thereby creating a more business and investor-friendly environment.

In BIR Revenue Regulations No. 9-2021 ("BIR No. RR 9-2021"), which took effect on June 27, 2021, the BIR imposed a 12% VAT on certain transactions that were previously taxed at 0% VAT. Subsequently, BIR RR No. 15-2021 was issued on July 21, 2021 deferring the implementation of BIR RR No. 9-2021. In the event that BIR RR No. 9-2021 is implemented, the zero-rating of sales of goods or properties and services rendered to persons or to entities exempt under special laws, such as PEZA-registered entities, would be removed.

Bayanihan Act

On March 25, 2020, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal As One Act" (the "Bayanihan Act"), was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the COVID-19 pandemic.

On September 11, 2020, the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") was signed into law by President Duterte. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until December 19, 2020. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan, and to scrutinize the government's implementation of programs related to the pandemic.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Law

Republic Act No. 11534 or CREATE, which amends the Tax Code, was signed into law by the President Duterte on March 26, 2021. CREATE took effect on April 11, 2021.

Under CREATE, the Government will no longer grant perpetual fiscal incentives such as the 5% tax on gross income earned ("GIT"). Registered business enterprises whose projects or activities were granted only an income tax holiday ("ITH") prior to the effectivity of CREATE are given a transitory period and may continue to avail themselves of the ITH for the remaining period after CREATE takes effect, while those currently availing of the 5% GIT prior to the effectivity of CREATE are allowed to continue availing themselves of the said tax incentive for 10 years from the effective date of CREATE. Existing activities may avail of the incentives under CREATE, provided that the activities are included in the Strategic Investment Priority Plan ("SIPP"), and subject to the criteria and conditions in the SIPP. The SIPP will

be formulated upon effectivity of CREATE by the BOI, in coordination with the Fiscal Incentives Review Board, Investment Promotion Agencies (as defined under CREATE; includes PEZA), other government agencies administering tax incentives, and the private sector. The SIPP will be submitted to the President for approval and is subject to revision every three years.

The new tax incentives which may be granted under CREATE to an export enterprise are, among others, the following:

- ITH of four to seven years, depending on the tier/industry and location of the registered activities;

- Upon expiry of ITH, one of the following for 10 years, at the option of the registered enterprise: (a) special corporate income tax ("SCIT") of 5% based on the gross income earned, in lieu of all national and local taxes; or (b) enhanced deductions on certain types of expenses; provided that enhanced deductions cannot be availed of simultaneously with the SCIT;

- Duty exemption on importation of capital equipment, raw materials, spare parts, or accessories; and

- VAT exemption on importation and VAT zero-rating on local purchases.

The period to avail of the incentives will depend on the combination of both location and tier/industry priorities as defined in the SIPP. Among others, the SIPP will contain "priority projects or activities that are included in the Philippine Development Plan or its equivalent, or other government programs", taking into account several factors such as substantial amount of investments, considerable generation of employment (especially towards less developed areas), and contribution to Philippine food security and increased incomes in the agriculture and fisheries sector.

Under CREATE, the location of the registered project or activity shall be prioritized according to the level of development as follows: (1) National Capital Region (locators can get ITH for four to six years); (2) metropolitan areas, or areas contiguous and adjacent to the National Capital Region (locators can get ITH for five to seven years); and (3) all other areas (locators can get ITH for six to seven years). The metropolitan areas shall be determined by the National Economic and Development Authority.

The tier/industry of the registered project or activity, on the other hand, will be prioritized according to national industrial strategy specified in the SIPP. The SIPP will also define the coverage of the tiers and provide the conditions for qualifying the activities.

Tier I (ITH period can be for four to six years) includes activities that "(i) have high potential for job creation; (ii) take place in sectors with market failures resulting in under-provision of basic goods and services; and (iii) generate value creation through innovation, upgrading or moving up the value chain; (iv) provide essential support for sectors that are critical to industrial development; or (v) are emerging owing to potential comparative advantage."

Tier II (ITH period can be for five to seven years) includes activities that "produce supplies, parts and components, and intermediate services that are not locally produced but are critical to industrial development and import-substituting activities, including crude oil refining."

Tier III (ITH period can be for six to seven years) activities include "(i) research and development resulting in demonstrably significant value-added, higher productivity, improved efficiency, breakthroughs in science and health, and high-paying jobs; (ii) generation of new knowledge and intellectual property registered and/or licensed in the Philippines; (iii) commercialization of patents, industrial designs, copyrights and utility models owned or co-owned by a registered business enterprise; (iv) highly technical manufacturing; or (v) are critical to the structural transformation of the economy and require substantial catch-up efforts."

THE PHILIPPINE STOCK EXCHANGE

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, or any of their respective subsidiaries, affiliates or advisors in connection with sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE has an authorized capital stock of 120.0 million, consisting of 120 million shares with a par value of ₱1.00 per shares, of which ₱84.9 million was subscribed and fully paid-up as of October 5, 2018. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, PSE allowed listing on the First Board, Second Board or the Small and Medium Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the issuer. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi includes 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched.

In December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's Xstream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the PSE received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

With the increasing calls for good corporate governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets forth movements in the composite index from 2008 to as of September 30, 2019, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Selected Stock Exchange Data

Calendar year	Composite index at closing	Number of listed companies	Aggregate market capitalization	Combined value of turnover
			(in ₱ billions)	
2009	3,052.7	248	6,032.2	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,446.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0
2020	7,139.7	271	15,888.9	1,770.9

Source: PSE. Data in the table above for the years 2009 to 2020 is as of the last trading day of each year.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day after the trade. Equities trading on the PSE starts at 9:30 am and ends at 12:00 pm for the morning session, and resumes at 1:30 pm and ends at 3:30 pm for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays.

Beginning on March 15, 2020, the PSE, in the observance of the government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID19 pandemic, has

implemented shortened trading hours starting at 9:30 and ending at 1:00 pm. The shortened trading hours are still being implemented as of date of this prospectus and will continue to be implemented.

Minimum trading lots range from five shares to one million shares depending on the price range and nature of the security traded. The minimum trading lot for our Preferred Shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Orders cannot be posted, modified or canceled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;

- in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

Warrants may be listed in the PSE together with the Underlying Shares (where appropriate) under existing rules for listing of securities, and under such other rules as the PSE may adopt, provided, however, that the Warrants shall be automatically delisted upon the lapse of the Exercise Period. Under Article V, Part E, Section 20 of the PSE's Consolidated Listing and Disclosure Rules, the listing of Warrants issued by listed companies shall be mandatory.

The listing of Warrants shall be effected seven Trading Days from submission of all requirements specified in the Listed Company's Notice of Approval. However, the actual listing of Warrants will be scheduled three Trading Days from the Company's compliance of all requirements specified in the Notice of Approval. This rule is applicable to all types of securities except convertible bonds.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the shareholder's BSP-licensed custodian bank that will file and process the application for registration of the equity investment. It is the custodian bank that issues the certification of registration on behalf of the BSP. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated with foreign exchange sourced from the Philippine banking system.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (i) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (ii) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the

implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund; and (iii) performance of risk management and monitoring to ensure final and irrevocable settlements of trades.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE broker maintains a cash settlement account with one of the existing settlement banks of SCCP, which include BDO, Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited, Unionbank of the Philippines, Maybank Philippines, Inc., Asia United Bank and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system ("CCCS") on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO, Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, HSBC Philippines, Unionbank of the Philippines and Maybank Philippines, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee, a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished by way of book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS

system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rules on Lodgment of Securities of the PSE.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to (a) the shares/securities of the applicant company in the case of an initial public offering; (b) the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction; (c) new securities to be offered and applied for listing by an existing listed company; and (d) additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof.

Issuance of Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply to PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. As stated above, if a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for

upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Pursuant to the amended rules on minimum public ownership promulgated by the PSE and approved by the SEC, companies listed prior to December 6, 2017 are required at all times to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage as may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) purpose of investment; and (c) extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) social security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("SEC MC 13-2017") on the rules and regulations on minimum public ownership ("MPO") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

Furthermore, notwithstanding the quarterly public ownership report requirement of the PSE, a company is required to establish and implement an internal policy and procedure to monitor its MPO and to immediately report to the SEC within the next business day if its public float level has fallen below 20%. The company must submit to the SEC within 10 days after knowledge about the deficiency in its MPO, a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from the date of such decline. The company must submit to the SEC a public ownership report and progress report on submitted business plan within 15 days after end of each month until such time that its public float reaches the required level.

The minimum public ownership requirement is also a requirement for the registration of securities. Non-compliance with these requirements may subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC. Since the Company was already publicly traded as of December 1, 2017, the 20% MPO requirements of SEC MC 13-2017 are not currently applicable to the Company. Accordingly, the Company is currently subject to the 10% minimum public ownership requirement. The PSE has also issued Memorandum Circular 2020-0076 on August 3, 2020 which contain the Guidelines on Minimum Public Ownership Requirement for Initial and Backdoor Listings (the "2020 MPO Guidelines").

The following are the salient points of the 2020 MPO Guidelines:

1. A company applying for initial listing through an initial public offering ("IPO") is required to have a minimum public offer size of 20% to 33% of its outstanding capital stock post-IPO, as follows:

Market Capitalization	Public Offer
Not exceeding P500M	33% or P50M, whichever is higher
Over P500M to P1B	25% or P100M, whichever is higher
Over P1B	20% or P250M, whichever is higher

   The company must maintain a public ownership level of at least 20% at all times after initial listing.

2. A company applying for listing by way of introduction is required to have at least 20% public float upon and after listing.

3. A company doing a backdoor listing is required to have at least 20% public float upon and after listing.

As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO are yet to be issued by SEC for comments by the public.

Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies

The Supplemental Listing and Disclosure Requirements for Petroleum and Renewable Energy Companies (the "Supplemental Requirements") took effect on 8 September 2011 and provides for the following minimum requirements:

- The applicant petroleum or renewable energy company should either be an operator or co-venturer of a valid and subsisting service/operating contract duly approved and awarded by the Department of Energy.
- It should prove that it has the right to participate actively in exploration for and/or extraction of natural resources through adequate control over assets or through adequate rights.

Amended Listing Rules for Real Estate Investments Trusts (REIT)

On 7 February 2020, the PSE issued the amended listing rules for REITs in light of the requirement under Section 5 of Republic Act No. 9856 (otherwise knows as the REIT Act of 2009) which requires the shares of stock of a REIT to be listed. The general criteria for admission to listing of a REIT are:

- It is a stock corporation principally for the purpose of owning income-generating real estate assets.
- It must have a dividend policy of distributing annually at least 90% of the its distributable income as dividends to its shareholders.
- It must be a public company upon and after listing with at least 1,000 public shareholders each owning at least 50 shares of any class of shares who in aggregate own at least 1/3 of the outstanding capital stock.
- It must have a minimum paid-up capital of Php300 million.
- At least 75% of the deposited property of the REIT must be invested in, or consist of, income-generating real estate, provided that a REIT shall not invest in real estate located out the Philippine which exceeds more than 40% of its deposited property and provided further, that the REIT shall at all times secure a special authority from the SEC in making such investment outside the Philippines.
- At least 1/3 of the board of directors of a REIT must be independent directors, which in no case shall be less than two.
- It must appoint a qualified fund manager and property manager in accordance with the REIT Act of 2009 and its implementing rules and regulations, as may be amended.
- Its directors or officers, fund manager, property manager, distributor and other REIT participants are subjected to the fit and proper rules under the REIT Act of 2009 and its implementing rules and regulations, as may be amended.
- Its articles of incorporation and by-laws shall provide that all of its shares of stock shall be in the form of certificated securities and an investor may not require the REIT to issue a certificate in respect of any share recorded in their name.
- It shall submit a firm undertaking on the part of its sponsors/promoter which transferred income generating real estate to the REIT to reinvest in real estate or infrastructure projects in the Philippines

any monies realized by such sponsors/promoters from (a) the subsequent sale of REIT shares or other securities issued in exchange of income-generating real estate transferred by such sponsors/promoters to the REIT; or (b) the sale of any income-generating real estate to the REIT. The firm undertaking shall also state the firm commitment to regularly report to the REIT the status of the implementation of the reinvestment plan.

- The submission of a reinvestment plan by the sponsor/promoters which transferred income-generating real estate to the REIT.
- The REIT and its sponsors/promoters which transferred income-generating real estate to the REIT shall be parties to a listing agreement with the PSE which contains, among other, their undertaking to comply with the REIT rules.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Foreign Exchange Regulations

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), however, subjects foreign exchange dealers, money changers and remittance agents to Republic Act No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, a notarized application form and supporting documents in connection with their application to purchase foreign exchange exceeding US$5,000 for purposes of capital repatriation and remittance of dividends.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (a) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (b) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into pesos; and (c) transfer instructions from the stockbroker or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments or dividends of registered investments, are repatriable or remittable immediately and in full with foreign exchange sourced from the Philippine banking system, net of applicable tax, without need of BSP approval. Remittance is permitted upon presentation of (a) the BSP registration document; (b) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned; (c) copy of the corporate secretary's sworn statement on the board resolution covering the dividend declaration and (d) detailed computation of the amount applied for in the format prescribed by the BSP. Pending registration or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of BSP, through the Monetary Board and with the approval of the President of the Philippines, to temporarily suspend or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

Foreign Ownership Controls

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies that own land in the Philippines and companies that conduct mining activities by entering into co-production, joint venture, or production-sharing agreements with the Government in the exploration, development, and utilization of natural resources of the Philippines.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or

to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

With regard to the conduct of mining activities, Article XII, Section 2 of the Constitution states "the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens."

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of said law defines a "Philippine National" as:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of the Philippine Nationals;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- a corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of the Philippines of which 100.0% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

On May 20, 2013, the SEC issued Memorandum Circular No. 8, Series of 2013 which provided guidelines (the "Ownership Guidelines") on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities (the "Nationalized Corporations"). The Ownership Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

In addition, on October 29, 2018, President Duterte promulgated the 11th Regular Foreign Investment Negative List which provides that no foreign equity participation is allowed in a company that is conducting any form of small-scale mining. The same list also provides that foreign equity participation in a company that is engaged in the exploration, development and utilization of natural resources is limited to 40.0% of that company's outstanding capital stock. Full foreign participation will be allowed through financial or technical assistance agreements entered into with the President.

Considering the foregoing, in the event that the Company or any of its subsidiaries own land in the Philippines or conduct mining operations in the Philippines, foreign ownership in the Company will be limited to a maximum of 40% of the outstanding capital stock entitled to vote. Compliance with the required ownership by Philippine nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not.

PHILIPPINE TAXATION

Following is a general description of certain Philippine tax consequences of the acquisition, ownership and disposition of the Company's Preferred Class B-2 Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Company's Preferred Class B-2 Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Preferred Class B-2 Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Preferred Class B-2 Shares in such other jurisdictions.

This discussion is based upon Philippine tax laws, in particular the Tax Code, its implementing regulations and rulings in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective Holders.

The tax treatment applicable to a holder of the Company's Preferred Class B-2 Shares may vary depending on such Holder's particular situation and certain Holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Holder of the Preferred Class B-2 Shares.

EACH PROSPECTIVE HOLDER OF THE PREFERRED CLASS B-2 SHARES SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES OF THE PURCHASING, OWNING AND DISPOSING OF THE PREFERRED Class B-2 SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation which is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (the "TRAIN Law") took into effect. The TRAIN Law amended provisions of the Tax Code.

On April 11, 2021, Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives Reform Act", ("CREATE") which further amended the provisions of the Tax Code, including the provisions on corporate income tax and percentage tax. Under CREATE, the Government will no longer grant perpetual fiscal incentives such as the 5% tax on gross income earned ("GIT"). Registered business enterprises whose projects or activities were granted only an income tax holiday ("ITH") prior to the effectivity of CREATE are given a transitory period and may continue to avail themselves of the ITH for the remaining period after CREATE takes effect, while those currently availing of the 5% GIT prior to the effectivity of CREATE are allowed to continue availing themselves of the said tax incentive for 10 years from the effective date of CREATE. Existing activities may avail of the incentives under CREATE, provided that the activities are included in the Strategic Investment Priority Plan ("SIPP"), and subject to the criteria and conditions in the SIPP. The SIPP will be formulated upon effectivity of CREATE by the BOI, in coordination with the Fiscal Incentives Review Board, Investment Promotion Agencies (as defined under CREATE; includes PEZA), other government agencies administering tax incentives, and the private sector. The SIPP will be submitted to the President for approval and is subject to revision every three years.

CORPORATE INCOME TAX

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction ("OSD") equivalent to an amount not exceeding 40% of the corporation's gross income.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax. After June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

TAX ON DIVIDENDS

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or resident aliens of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company.

Non-resident alien individuals doing business in the Philippines are subject to a final withholding tax on dividends derived from Philippine sources at the rate of 20% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual. Non-resident aliens not doing business in the Philippines are subject to a final withholding tax on dividends derived from Philippine sources at the rate of 25% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individual.

Both cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by nonresident foreign corporations are subject to final withholding tax at the rate of 25%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation.

The 25% rate may be reduced to a special 15% rate if (i) the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends or (ii) the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The BIR has issued Revenue Memorandum Order No. 14-2021 ("RMO No. 14-2021") to streamline the procedures and documents for the availment of treaty benefits covering all items of income, including dividends, derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty. Under this regulation, when the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with the International Tax Affairs Division ("ITAD") of the BIR a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a tax treaty relief application ("TTRA") with

ITAD. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. The request for confirmation or TTRA shall be supported by the documentary requirements under RMO No. 14-2021.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

The claim for refund may be filed independently of, or simultaneously with, the TTRA. If the claim was not filed simultaneously with the TTRA, the office where it was filed shall coordinate with, and defer to, ITAD the resolution of the non-resident's entitlement to treaty benefit. If, on the other hand, the claim was filed simultaneously with the TTRA, it shall be the responsibility of the ITAD to endorse the claim for refund to the proper office that handles the processing of tax refunds after the resolution of the TTRA. At any rate, all issues relating to the application and implementation of treaty provisions shall fall within the exclusive jurisdiction of the ITAD.

Transfer taxes (e.g., VAT on deemed sale, DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and DST, if otherwise.

TAX TREATIES

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	**Stock transaction tax on sale or disposition effected through the PSE(%)[12]**	**Capital gains tax due on disposition of shares outside the PSE (%)**
Canada	25[1]	0.5	May be exempt[9]
China	15[2]	0.5	May be exempt[9]
France	15[3]	0.5	May be exempt[9]
Germany	15[4]	0.5	5/10[10]
Japan	15[5]	0.5	May be exempt[9]
Singapore	25[6]	0.5	May be exempt[9]
United Kingdom	25[7]	0.5	Exempt[11]
United States	25[8]	0.5	May be exempt[9]

Notes:

(1) 15% if the recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends.

(4) 10% if the recipient company (excluding a partnership) owns directly at least 25% of the capital of the company paying the dividends.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.

(6) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(8) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(10) Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.

(11) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

(12) Exempt if the stock transaction tax is expressly covered by the applicable tax treaty or is deemed by the relevant authorities as an identical or substantially similar tax to the Philippine income tax. In BIR Ruling No. ITAD 22-07 dated February 9, 2007, the BIR held that the stock transaction tax cannot be considered as an identical or substantially similar tax on income, and, consequently, ruled that a Singapore resident is not exempt from the stock transaction tax on the sale of its shares in a Philippine corporation through the PSE.

TAXATION ON SALE, EXCHANGE OR DISPOSITION OF THE PREFERRED CLASS B-2 SHARES AFTER THE OFFER

Capital Gains Tax, if Sale was Made Outside the PSE

Pursuant to the Republic Act No. 10963 (TRAIN), net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and sold or disposed outside of the facilities of the local stock exchange, are subject to a final tax rate of 15% on the net capital gains beginning January 1, 2018.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic

corporation outside the facilities of the PSE are subject to the rate of 15% of the net capital gains realized during the taxable year.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Philippine Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

The transfer of shares shall not be recorded in the Company's books unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the PSE

Beginning on January 1, 2018, sales, exchanges or other dispositions of shares which are affected through the facilities of the PSE by a resident or non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the BIR by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, a VAT of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the Minimum Public Ownership requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

On December 31, 2012, the SEC began imposing a trading suspension for a period of not more than six months, on shares of a listed company that has not complied with the Rule on Minimum Public Ownership which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the Minimum Public Ownership requirement after the lapse of the trading suspension shall be automatically delisted. The sale of such listed company's shares during the trading suspension or such delisted company may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Philippine Tax Code, provided that a sale of property made in the ordinary course of business (a transaction which is bona fide and made on arm's length, and free from any donative intent) will be considered as made for an adequate and full consideration in money or money's worth.

DOCUMENTARY STAMP TAXES

Beginning on January 1, 2018, the Philippines imposes a documentary stamp tax, or DST, on the issuance by a corporation of shares at the rate of ₱2.00 on each ₱200.00, or fraction thereof, of the par value of the shares. The DST on the issuance of the Preferred Class B-2 Shares shall be paid by the Company.

The Philippines also imposes a DST upon transfers of shares of stock issued by a Philippine corporation at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of shares of stock listed and traded through the PSE are exempt from DST.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority and should be duly registered and approved by the BIR.

ESTATE AND GIFT TAXES

Beginning January 1, 2018, the transfer of the Company's Preferred Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at the rate of 6% of the value of the net estate. Individual and corporate registered holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation will be liable for Philippine donor's tax on such transfers at the rate of 6% of the total gifts made during the calendar year which exceed ₱250,000.

Estate and gift taxes will not be collected in respect of intangible personal property (i) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

CORPORATE INCOME TAX

In general, a tax of 25.0% is imposed upon the taxable net income of a domestic corporation from all sources (within and outside the Philippines) pursuant to the Philippine Tax Code.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

INDEPENDENT AUDITORS

The reviewed consolidated financial statements as of June 30, 2021, unaudited consolidated financial statements as of June 30, 2020 and the consolidated financial statements as of and December 31, 2019 and 2020 were audited by R.S. Bernaldo & Associates ("RSBA") while the consolidated financial statements as of December 31, 2018 were audited by SyCip Gorres Velayo & Co. ("SGV") a member practice of Ernst & Young Global, all in accordance with Philippine Financial Reporting Standards ("PFRS"). The Company's fiscal year begins on January 1 and ends on December 31 of each year.

SGV & Co. has acted as the Company's independent auditors since inception until the calendar year of 2018. Kristopher S. Catalan was the audit partner and has served the Company since 2016. Prior to Kristopher S. Catalan, Ladislao Z. Avila, Jr. and then Martin Guantes acted as the Partners-in-Charge for the audit years 2011 to 2015. The Company, in compliance with SRC Rule 68, paragraph 3 (b) (iv) re: compliance with the five (5) year rotation requirement for external auditors, has requested for a new Partner-in-Charge from SGV to handle its accounts. Kristopher S. Catalan has been assigned by SGV & Co. as Partner-in-Charge effective 2016 Audit.

The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

During the annual stockholders' meeting of the Company in 2019, the stockholders delegated the authority to appoint the external auditor to the Board of Directors upon favorable recommendation by the Audit and Risk Management Committee.

The Board of Directors, upon recommendation by the management and the Audit and Risk Management Committee, approved the appointment of RSBA as the Company's external auditor for calendar year 2019 on December 20, 2019.

The re-appointment of RSBA as the external auditor of the Company was upon the recommendation of the Audit and Risk Management Committee and was approved by the stockholders during the 2021 Annual Stockholders' Meeting held on May 28, 2021.

The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditors for the same periods or any subsequent interim period. RSBA has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. RSBA will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for 2020 and 2019 by R.S. Bernaldo & Associates and for 2018 by SGV & Co. for the professional services they have rendered, excluding fees directly related to the Offer.

In ₱	2021	2020	2019	2018

Audit and Audit-related Fees[a]	300,000.00	1,560,000.00	1,500,000.00	1,991,272.73
All Other Fees[b]	45,000.00	234,000.00	245,700.00	703,170.69
Total	**345,000.00**	**1,794,000.00**	**1,745,700.00**	**2,694,443.42**

a Audit and Audit-Related Fees. This category includes the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work.

b All Other Fees. This category includes other services rendered by SGV & Co. such as agreed upon procedures and tax compliance services.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, which was approved by the Board of Directors on December 15, 2010 (revised on June 2, 2017), provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the independent auditors in relation to the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Company, (ii) ensure that other non-audit work provided by the independent auditors are not in conflict with their functions as independent auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

FINANCIAL INFORMATION

The following pages set forth the Company's reviewed consolidated financial statements for the six-month period ended June 30, 2021, unaudited consolidated financial statements as of June 30, 2020, and audited consolidated financial statements for the years ended December 31, 2020, 2019, and 2018.

INDEX TO FINANCIAL STATEMENTS

Consolidated financial statements for the six-month period ended June 30, 2021	F-2
Audited consolidated financial statements for the years ended December 31, 2020	F-91
Audited consolidated financial statements for the years ended December 31, 2019	F-219
Audited consolidated financial statements for the years ended December 31, 2018	F-243

COVER SHEET

for

REVIEWED QUARTERLY FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7

Company Name

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRMD	STOCK ISSUER

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
26	28-May	31-Dec

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

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

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR 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 June 30, 2021 and December 31, 2020 and for the periods ended June 30, 2021 and 2020, 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

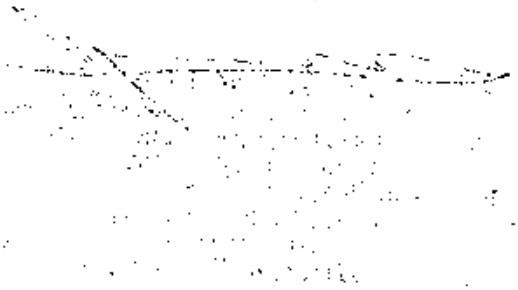
Signed this 30th day of July 2021.

SUBSCRIBED AND SWORN to before me this AUG 03 2021 day of _____ 2021 affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

Name	CTC No.	Date of Issue	Place of Issue
JERRY LIU	**CCI2021 08517376**	**January 04,2021**	**City of Manila**
JORGE AGUILAR	**CCI2021 08517382**	**January 04,2021**	**City of Manila**
BRIAN GREGORY LIU	**CCI2021 08517377**	**January 04,2021**	**City of Manila**

Doc. No. 88;
Page No. 19;
Book No. XXII;
Series of 2021

ATTY. MA. FATIMA UNGSON-LIU
Unit 109 Humans Wellness Ctr., Sta. Rosa, Laguna
NOTARY PUBLIC for CITY OF STA. ROSA, LAGUNA
UNTIL DECEMBER 31, 2021
ROLL NO. 46386, MCLE NO. VI-0024880 / 04-17-2019
IBP Lifetime Reg. No. 03411
TIN No. 172-447-973
PTR No. 4135821 / 1-04-21 / 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 June 30, 2021 and the related interim consolidated statement of comprehensive income, changes in equity and cash flows for the six-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 Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
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

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8539809
Issued on January 7, 2021 at Makati City

July 30, 2021

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 June 30, 2021

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

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

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

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

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

8. Issuer's telephone number, including area code **+63 2 7729 6205 +63 49 541 2317**

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	419,063,353 / n/a
Preferred B2-A Shares	67,000,000/ n/a
Preferred B2-B Shares	20,000,000/ n/a

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

Yes [✓] No [ ]

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

Philippine Stock Exchange – Common Shares and Preferred B2 Shares
PDEX – Commercial Paper

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 **Emelita Cruzada**
Chief Compliance Officer

Date: August 03, 2021

Principal Financial/Accounting Officer/Controller:

Signature and Title. **Brian Gregory Liu**
EVP & Chief Financial Officer

Date: August 03, 2021

CIRTEK HOLDINGS PHILIPPINES CORPORATION

TABLE OF CONTENTS

PART I – FINANCIAL STATEMENTS

1	Consolidated Balance Sheet	Schedule 1
2	Consolidated Statement of Comprehensive Income	Schedule 2
3	Consolidated Statement of Changes in Equity	Schedule 3
4	Consolidated Statement of Cash Flow	Schedule 4
5	Notes to Financial Statements	1

PART II – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS

6	Management's Discussion and Analysis of Financial Conditions	55

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

	NOTES	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	10,213,842	31,837,190
Trade and other receivables – net	5	59,812,395	56,654,779
Due from related parties	18	191,569	193,592
Inventories	6	60,751,434	57,101,037
Other current assets	7	6,648,386	5,060,619
		137,617,726	150,847,217
Assets held for sale	9	10,605,040	10,605,040
		148,222,766	161,452,257
Non-current Assets			
Other financial asset at amortized cost	8	-	456,055
Property, plant and equipment – net	10	40,235,529	41,951,841
Intangible assets – net	11	94,273,804	94,072,121
Right-of-use asset – net	12	335,627	443,009
Deferred income tax assets – net		288,326	329,361
Other non-current assets	13	6,261,847	10,379,809
		141,395,133	147,632,196
TOTAL ASSETS		289,617,899	309,084,453
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	14	20,908,727	14,989,780
Short-term loans	15	61,084,877	86,039,146
Long-term debt – current portion	16	5,246,398	8,113,098
Due to related parties	18	620,774	618,881
Dividend payable	30	224,772	126,955
Lease liabilities – current portion	17	194,519	301,901
Deposit for future stock subscription		189,107	189,107
Income tax payable		247,696	130,616
		88,716,870	110,509,484
Non-current Liabilities			
Long-term debt – net of current portion	16	47,499,387	50,317,368
Lease liabilities – net of current portion	17	162,983	162,983
Retirement benefit obligation	24	2,758,090	2,747,557
Deferred income tax liabilities – net		3,806,265	3,913,575
		54,226,725	57,141,503
TOTAL LIABILITIES		142,943,595	167,650,987
STOCKHOLDERS' EQUITY			
Common Stock	29,30a	9,594,321	9,594,321
Preferred Stock	29,30b	3,032,140	3,032,140
Additional Paid-in Capital	29	120,053,514	120,053,514
Equity Reserve	29	4,030,214	4,030,214
Other Comprehensive Loss	29	1,365,298	1,365,298
Retained Earnings	29,30c	33,376,251	28,144,471
Parent Company shares held by a subsidiary	29	(24,777,434)	(24,786,492)
TOTAL STOCKHOLDERS' EQUITY		146,674,304	141,433,466
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		289,617,899	309,084,453

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	NOTES	For the Six Months Ended June 30		For the Three Months Ended June 30	
		2021 (Reviewed)	2020 (Unaudited)	2021 (Reviewed)	2020 (Unaudited)
REVENUE FROM CONTRACTS					
CUSTOMERS	19	46,963,672	42,288,971	22,889,668	20,018,832
COST OF SALES	20	31,856,901	30,621,378	15,748,639	14,654,443
GROSS PROFIT		13,096,671	11,667,593	7,060,629	5,364,389
OPERATING EXPENSES	21	4,276,283	4,645,039	2,202,024	2,303,909
FINANCIAL EXPENSE (INCOME)					
Finance income	4	(15,332)	(62,040)	10,812	(14,094)
Finance costs	15,16	2,379,488	3,208,082	1,251,941	1,648,691
OTHER (INCOME - net	25	1,108,186	1,241,354	925,788	1,186,218
PROFIT BEFORE TAX		8,165,466	5,116,866	4,921,540	2,621,501
PROVISION FOR (BENEFIT FROM) INCOME TAX					
Current		295,554	247,598	209,206	103,299
Deferred		(111,618)	(111,617)	(55,809)	(55,808)
INCOME TAXES	26	183,936	136,881	153,485	47,491
PROFIT		7,981,472	4,980,885	4,368,044	2,574,010
OTHER COMPREHENSIVE INCOME					
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:					
Remeasurement - net					
TOTAL COMPREHENSIVE INCOME		7,981,472	4,980,885	4,368,044	2,574,010
Basic Earnings per Share	27	0.0125	0.0068	0.0073	0.0037
Dividends per share on common stock	31	-	-	-	-

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 Six Months Ended June 30, 2021 (Reviewed)								
						Other Comprehensive Income(Loss)				
	Note	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Remeasurement	Net Changes in Fair Value of Equity Investment at FVOCI	Retained Earnings	Parent Company shares held by a subsidiary	Total
Balance, December 31, 2020		$ 9,594,321	$ 3,032,140	$ 120,053,514	$ 4,030,214	$ 3,032,298	$ (1,667,000)	$ 28,144,471	$ (24,758,492)	$ 141,433,486
Net Income								$ 7,981,472		$ 7,981,472
Other comprehensive income										$ -
Cash dividends declared	30							$ (2,749,692)		$ (2,749,692)
Acquisition/Disposal of subsidiary of Parent Company's shares									$ 9,058	$ 9,058
Balances as of June 30, 2021		$ 9,594,321	$ 3,032,140	$ 120,053,514	$ 4,030,214	$ 3,032,298	$ (1,667,000)	$ 33,376,251	$ (24,777,434)	$ 146,674,304

		For the Six Months Ended June 30, 2020 (Unaudited)								
						Other Comprehensive Income(Loss)				
	Note	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Remeasurement	Net Changes in Fair Value of Equity Investment at FVOCI	Retained Earnings	Parent Company shares held by a subsidiary	Total
Balance, December 31, 2019		$ 9,594,321	$ 2,615,985	$ 100,089,659	$ 4,030,214	$ 760,027	$ (1,667,000)	$ 26,209,080	$ (27,752,128)	$ 114,259,169
Net Income								$ 4,980,885		$ 4,980,885
Other comprehensive income										$ -
Cash dividends declared	30							$ (2,051,908)		$ (2,051,908)
Acquisition/Disposal of subsidiary of Parent Company's shares									$ 1,215,621	$ 1,215,621
Balances as of June 30, 2020		$ 9,594,321	$ 2,615,985	$ 100,089,659	$ 4,030,214	$ 760,027	$ (1,667,000)	$ 29,138,057	$ (26,537,507)	$ 118,403,766

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	June 30, 2021 (Reviewed)	June 30, 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,165,406	5,116,866
Adjustments for:			
Depreciation	10,20,21	2,706,082	2,456,867
Amortization	11,12,18,20,21	1,252,555	1,187,527
Finance costs	15,16	2,379,498	3,208,082
Retirement benefit costs	24	10,583	(23,424)
Net unrealized foreign exchange losses (gains)	25	(334,259)	441,999
Finance income	4	(15,332)	(62,040)
Operating cash flows before changes in working capital		14,164,496	12,325,777
Decrease (increase) in operating assets:			
Trade and other receivables		(2,611,943)	(3,407,427)
Inventories		(3,650,397)	(9,239,560)
Other current assets		(1,567,787)	(3,753,495)
Increase in trade and other payables		5,666,119	4,306,806
Cash from (used in) operations		11,980,608	234,101
Interest received	4	15,332	62,040
Income taxes paid		(133,131)	(443,490)
Net cash from (used in) operating activities		11,862,709	(147,349)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment	10	(989,780)	(4,773,888)
Product development costs	11	(1,327,622)	(1,391,320)
Lease liability at amortized cost	17	(107,382)	-
Proceeds from matured bond investment	8	456,055	-
Decrease (increase) in other noncurrent assets	13	4,098,728	(193,244)
Net cash from (used in) investing activities		2,129,999	(6,358,452)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from:			
Proceeds from loans & CP reissuances	15	29,116,324	60,330,845
Proceeds from sale by a subsidiary of Parent Company's sh	30	9,058	1,215,521
Payments of:			
Cash dividends	30	(2,661,875)	(2,051,908)
Finance costs	15,16	(2,379,498)	(3,208,082)
Debt issuance costs	16	(38,000)	37,863
Long-term loan	16	(5,648,701)	(2,738,150)
Short-term loan	15	(54,072,588)	(58,814,181)
Net movement in amounts owed by and owed to related part	18	3,916	11,789,819
Net cash from (used in) financing activities		(35,657,389)	6,561,527
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH	26	41,413	(437,575)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(21,623,248)	(381,748)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	31,837,190	15,354,711
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	10,213,942	14,972,962

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

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

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

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

In the same period, CCL was incorporated in the Cayman Islands. CCL is a wholly owned subsidiary of Cirtek Corporation and was merged with Quintel Cayman Ltd. (Quintel) in accordance with the Agreement and Plan of Merger ("Agreement") between the 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 and into Quintel, with the latter surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from CHPC and Cirtek Corporation. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished, and be converted automatically into the right to receive a portion of the purchase price.

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

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

Commercial Papers

On March 26, 2021, the Securities and Exchange Commission (SEC) approved the ₱1,000,000,000 worth of Commercial Papers (CPs) of the Company. On April 28, 2021, the CPs have been listed in the Philippine Dealing and Exchange Corporation. The CPs were issued in lump-sum or in tranches as follows:

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

Series	Discount Rate	Tenor	Denomination
D	4.000%	182 days	Minimum of ₱5,000,000 face value and increments of ₱100,000
E	4.250%	364 days	Minimum of ₱5,000,000 face value and increments of ₱100,000

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

The Parent Company is 70% owned by Camerton, Inc., a domestic Corporation, 68.10% owned by Filipino individuals and 2.8% owned by foreign individuals.

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

Effect of COVID-19

In order to hasten the achievement of herd immunity against COVID-19 within the company and ensure the good health of its employees, Cirtek's Top Management has facilitated the reservation of vaccines by tying up with a leading pharmaceutical company that cooperates with the appropriate government agencies and ordering of adequate number of vaccines. This move is welcomed by the Cirtek's employees who desire to be vaccinated at the soonest possible time. The Company continues to implement/enforce its Workplace Policy and Program on COVID-19 Prevention and Control in compliance with DOLE and DOH regulations. Moreover, a work-from-home policy especially for office staff and staggered attendance scheme are currently in place.

Amidst the global pandemic, the Company is experiencing a good booking in product orders for medical chips supplied to medical equipment end customers globally. In view of the manifestation of COVID-19 around the world, it is critical for hospitals to have enough medical equipment to save lives, flatten the curve, prevent further spread of the virus and control the pandemic. The Cirtek Group has been tapped by several of its customers for chips used in medical equipment desperately needed all over the world. Cirtek Group is able to produce 1 million chips per week for these devices that are in urgent demand which medical practitioners rely on. This year 2021, there is a strong demand of semi-conductor devices due to shortage and insufficient production last 2020 of semiconductor companies particularly large multinational companies who did not invest from additional capex to increase in capacity because of global pandemic. The global semi-conductor sales are expected to have a significant growth and all the markets are increasing orders particularly telecommunications, industrial, automotive, medical, computing including IOT etc because of the shortage.

In line with the Company's social responsibility, it is stepping up beyond its call of duty to exert more effort in curbing down the global pandemic. The Cirtek Group has donated hundreds of thousands worth of Personal Protective Equipment (PPE) to various hospitals locally. The Cirtek Group remains operational with a work schedule of 24 hours a day, 6 days a week, to keep up with the pace in global demand.

2. Basis for the Preparation and Presentation of Consolidated Financial Statement

Basis of Preparation

The interim condensed consolidated financial statements have been prepared in the conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or amortized cost, inventories carried at lower of cost or net realizable value, and asset for sale, which are stated at lower of carrying amount and fair value less costs to sell.

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, 2020 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:

	Country of Incorporation	Percentage of Ownership			
		June 30, 2021		December 31, 2020	
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	–	100	–
CEIC	BVI	100	–	100	–
CATS (formerly known as RBWI)	BVI	–	100	–	100
CATS - Philippine Branch	Philippines	–	100	–	100
RBW Realty and Property, Inc. (RBWRP)	Philippines	–	100	–	100
Cirtek Corporation	United States of America	–	100	–	–
Quintel Cayman	Cayman Islands	–	100	–	–
Quintel Technology, Ltd.	United Kingdom	–	100	–	–
Quintel USA	United States of America	–	100	–	–
Telecom Quintel Mauritius, Ltd.	Republic of Mauritius	–	100	–	–

Telecom Quintel Mauritius, LTD. and Quintel Technology, LTD, was liquidated, as discussed in Note 31.

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (its subsidiaries) up to December 31 of each year. Control is achieved when the Parent Company has exposure or rights to variable returns from its involvement

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

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

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.
At acquisition, the assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit and loss in the period of acquisition. Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company. A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction.

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

Business Combinations and Goodwill

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

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

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

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

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

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

a) The aggregate of:
   i. The consideration transferred, which is generally measured at acquisition-date fair value;
   ii. The amount of any non-controlling interest in the acquiree; and
   iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

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

The Group applied pooling of interest method in accounting for common control business combinations. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

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

2.01 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 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.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

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

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

Amendments to PFRS 16, *COVID-19-Related Rent Concessions beyond June 30, 2021*

The following are the amendments to PFRS 16:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

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 PAS 8, *Definition of Accounting Estimates*

The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period., with earlier application permitted.

Amendments to *PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies*

The amendments to PAS 1 are the following:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

The amendments also clarify the following:

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, 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 fulfillment 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, 2025. 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 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 affective to annual reporting periods beginning on or after January 1, 2025.

2.02.02 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.

3. **Operating Segments**

Financial information on the Group's business segments as of June 30, 2021 and 2020 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the six months ended June 30, 2021:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$20,872,115	$13,554,676	$11,126,781	$-	$45,553,572
Total net sales	20,872,115	13,554,676	11,126,781	-	45,553,572
Segment depreciation and amortization	1,867,797	511,593	991,796	587,460	3,958,646
Segment interest income	9,383	5,948	1	-	15,332
Segment interest expense	2,363,306	-	16,192	-	2,379,498
Segment profit (loss) before income tax	6,279,963	4,574,720	2,898,185	(5,587,460)	8,165,408
Segment provision for income tax	189,711	68,524	37,319	(111,618)	183,936
Segment profit (loss) after income tax	$6,090,252	$4,506,196	$2,860,866	($5,475,842)	$7,981,472

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

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$18,125,243	$11,444,559	$12,719,169	$–	$42,288,971
Total net sales	18,125,243	11,444,559	12,719,169	–	42,288,971
Segment depreciation and amortization	1,553,439	435,421	737,974	587,460	3,644,294
Segment interest income	56,917	5,123	–	–	62,040
Segment interest expense	3,125,647	–	82,435	–	3,208,082
Segment profit (loss) before income tax	894,706	1,465,686	3,343,934	(587,460)	5,116,866
Segment provision for income tax	227,290	20,308	–	(111,617)	135,981
Segment profit (loss) after income tax	$667,416	$1,445,378	$3,343,934	($475,843)	$4,980,885

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.

4. Cash and Cash Equivalents

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Cash on hand	$ 252	$ 253
Cash in banks	10,213,690	31,836,937
	$ 10,213,942	$ 31,837,190

Cash in banks earn interest at prevailing bank deposit rates.

Interest income earned from cash in banks amounted to $15,332 and $62,040 for the six months ended June 30, 2021 and 2020, respectively.

5. Trade and Other Receivables - Net

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Trade receivables	$ 54,082,654	$ 45,638,986
Less: Allowance for expected credit losses	(741,012)	(741,012)
	53,351,642	44,897,974
Others	6,460,753	11,756,805
	$ 59,812,395	$ 56,654,779

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

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

6. Inventories

Details of the Group's inventories are as follows:

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Raw materials	$ 30,729,292	$ 28,184,131
Finished goods	20,392,871	19,758,706
Work-in-process	1,199,113	1,492,420
Spare parts and others	5,264,913	5,239,446
Supplies and others	3,165,245	2,426,334
	$ 60,751,434	$ 57,101,037

The cost of inventories charged to cost of sales amounted to $20,714,236 and $20,263,186, for the six months in 2021 and 2020 respectively, as disclosed in Note 20.

7. Other Current Assets

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Prepaid expenses	$ 120,994	$ 205,923
Advances to suppliers and others	4,156,112	2,749,666
Rental deposit	1,235,609	1,248,654
Loans to employees	792,654	547,935
Security deposits	180,507	180,507
Others	162,510	128,034
	$ 6,648,386	$ 5,060,619

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

Loans to employees include loans extended to key management personnel as disclosed in Note 18.

Others include investment classified as financial asset at FVTPL amounting to $568 and $574 as of June 30, 2021 and December 31, 2020, respectively.

8. Other Financial Asset at Amortized Cost:

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

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Beginning of year	$456,055	$458,873
Amortization of premium	(456,055)	(2,818)
End of year	$–	$456,055

In compliance with the Revised Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least 2,300 (P100,000) and additional securities with the market values equivalent to a certain percentage of the amount by which CATS – Philippine Branch's income exceeds 0.1 million (P5.0 million).

The Philippine SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

The Group's other financial asset at amortized cost pertains to government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation. The remaining bond will mature in 2021 and bears an effective interest rate of 1.948% per annum.

Interest income in the six months ended June 30, 2021 and year ended December 31 2020, amounting to $4,985 and $9,015 respectively, are presented as finance income in the consolidated statements of comprehensive income.

9. Assets Held for Sale

On December 9, 2014, the Group's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS – Philippine Branch's operations.

An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of $11,408,611 was classified as assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

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

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

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

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

Replacement Cost New is estimated as follows:

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

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

  For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history is also considered.

Costs to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive the amount of fair value less costs to sell.
As of December 31, 2017, the carrying value of assets held for sale amounting to $11,408,611 lower than fair value less costs to sell.

In 2018, land and building with a total carrying value of $8.6 million reclassified to investment properties, as disclosed in Note 14, and building plant and machineries with a total carrying value of $2.8 million were reclassified to property, plant and equipment. Management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, as disclosed in Notes 13 and 14. Depreciation recognized has the properties not been reclassified as non-current asset held for sale amounted to $0.5 million presented under "Operating expenses" in the consolidated statements of comprehensive income.

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

In 2019, Management has already located buyers who are willing to buy the assets at sales price reasonable in relation to the fair value. It is highly probable that sale will be completed in the subsequent year. Thus, the Group reclassified land and building with a total carrying value of $10,605,040 presented as investment properties as assets held for sale.

In 2020, the prospective buyer did not push through with the acquisition due to the COVID-19 pandemic. However, the Group was able to find another prospective buyer and has already drafted a memorandum of understanding. Management expects to complete the negotiation in the following year.

As of June 30, 2021 and December 31, 2020, the Group's assets held for sale amounted to $10,605,040.

10. Property, Plant and Equipment - Net

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Property, Plant and Equipment	**$107,612,681**	$99,818,459
Less: Accumulated Depreciation	**(67,377,152)**	(57,866,618)
Property, Plant and Equipment - Net	**$40,235,529**	$41,951,841
Movement during the period:		
Balance, January 1	**$41,951,841**	$36,739,251
Cost:		
Additions	**989,780**	10,442,513
Disposal	**-**	(38,325)
Accumulated Depreciation		
Depreciation – Note 20, 21	**(2,706,092)**	(5,229,922)
Disposal	**-**	38,324
	$40,235,529	$41,951,841

The Group acquired assets as of June 30, 2021 and December 31, 2020 with a cost of $989,780 and $10,442,513, respectively.

Depreciation expense amounted to $2,706,092 and 2,456,667 for the six-month period ended June 30, 2021 and June 30, 2020, respectively.

In both 6 month and 12 month periods, the Group determined that there is no indication that impairment occurred on its properties, plant and equipment.

11. **Intangible Assets - Net**

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Goodwill	**$55,541,157**	$55,541,157
Customer relationships	**23,736,500**	23,736,500
Trademark	**7,472,800**	7,472,800
Technology	**1,272,830**	1,860,290
Product development costs	**6,250,517**	5,461,374
	$94,273,804	$94,072,121

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 as of June 30, 2021 and December 30, 2020.

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

Movements of technology are as follows:

		June 30, 2021 (Reviewed)		December 31, 2020 (Audited)
Carrying amount				
Cost	$	6,068,336	$	6,068,336
Addition/Reclass		(193,736)		
Accumulated amortization		(4,014,310)		(2,839,390)
	$	1,860,290	$	3,228,946
Movements during the year				
Balance, January 1	$	1,860,290	$	3,228,946
Additions		-		
Reclassification to Product Development				(193,736)
Amortization		(587,460)		(1,174,920)
Balances	$	1,272,830	$	1,860,290

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

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 cost are as follows:

		June 30, 2021 (Reviewed)		December 31, 2020 (Audited)
Carrying amount				
Cost	$	7,391,309	$	5,482,284
Accumulated amortization		(1,929,935)		(1,141,967)
	$	5,461,374	$	4,340,317
Movements during the year				
Balance, January 1		5,461,374		4,340,317
Additions		1,327,622		1,715,290
Reclassification from Technology				193,736
Amortization		(538,479)		(787,968)
Balances	$	6,250,517	$	5,461,374

Product development cost pertains 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 June 30, 2021 and December 31, 2020, CEC has software with a total cost of $39,278 which are fully amortized but are still used for in operations.

12. **Right-of-use Asset– net**

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

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Balance, January 1	$ 443,009	$ 490,807
Additions	-	-
Amortization	(107,382)	(47,798)
	$ 335,627	$ 443,009
Cost, January 1	509,015	509,015
Accumulated amortization	(173,388)	(66,006)
Carrying Amounts	$ 335,627	$ 443,009

As of June 30, 2021 and December 31, 2020, lease liabilities related to right-of-use asset amounted to $357,502 and $464,884, respectively as disclosed in Note 17.

13. **Other Non-current Assets**

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Loans to employees	$ 300,000	$ 300,000
Miscellaneous deposits	177,909	177,909
Advances to suppliers	4,862,663	4,879,349
Others	921,275	5,022,551
	$ 6,261,847	$ 10,379,809

Loans to employees includes loans to key management personnel as disclosed in Note 18.

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

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

Others include proceeds from the disposal of CHPC's shares held by subsidiary which are not yet receive due to timing difference and deferred research and development with amortization cost amounted to $19,234 and $35,396 for the six-month period ended June 30, 2021 and June 30, 2020, respectively.

14. Trade and Other Payables

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

		June 30, 2021 (Reviewed)		December 31, 2020 (Audited)
Trade	$	12,257,328	$	10,058,852
Accruals		5,915,212		1,962,157
Contract liabilities		1,877,556		2,001,473
Provisions		471,545		469,297
Others		387,086		498,001
	$	20,908,727	$	14,989,780

Accruals comprise mainly of accruals for payroll, utilities, communication, security, shuttle services and professional services. Accruals include accrual of interest amounting to $71,366 and $447,778 in 2021, 2020 respectively, as disclosed in Notes 15 and 16.

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

Others pertain to statutory liabilities.

15. Short-term Loans

The Group has the following loan facilities:

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Rizal Commercial Banking Corporation (RCBC)	$25,716,463	$28,442,435
Security Bank Corporation (SBC)	6,125,000	7,350,000
United Coconut Planters Bank (UCPB)	5,000,000	5,000,000
Shinhan Bank	3,600,000	3,600,000
Commercial paper	20,643,414	41,646,711
	$61,084,877	$86,039,146

The Securities and Exchange Commission (the "Commission") has approved on February 12, 2020 the Company's Amended Registration of up to Two Billion Pesos (Php2, 000,000,000) worth of Commercial Paper (CPs), which will be listed on the Philippine Dealing and Exchange Corp. on February 20, 2020; further, the Commission has subsequently issued a Certificate of Permit to Offer Securities for Sale authorizing the sale and distribution of the aforesaid securities. The CPs may be issued in lump-sum or in tranches and shall have an interest rate fixed prior to the issuance. The succeeding tranches, if any, shall be issued within three (3) years from the date of effectivity of the subject Amended Registration Statement.

On February 14, 2020, the Company was authorized by the Commission to issue Php2,000,000,000 worth of commercial papers (the "CPs"). The initial issuance of Series A, B and C will carry Discount Rates of 5.332%, 5.582%, and 5.832%, respectively, calculated on a true-discount basis. The initial issuance will have the following tenors: 91 days, 182 days, and 364 days for Series A, B and C, respectively. Multinational Investment Bancorporation as a Sole Arranger and Lead Underwriter.

On May 29, 2020, Listing of Reissued Cirtek Holdings Philippines Corporation Php275,000,000 Commercial Paper Maturing February 18, 2021.

On July 15, 2020, Listing of Reissued Cirtek Holdings Philippines Corporation Php 494,000,000 Commercial Paper Maturing February 18, 2021.

On September 1, 2020, Listing of Reissued Cirtek Holdings Philippines Corporation Php545,200,000 Commercial Paper Maturing February 18, 2021.

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

• Revolving loan facilities with RCBC have payment terms ranging from 60 days to 360 days. The facilities charged interest of 2.25% to 5% per annum in 2021 and 2020.

• Revolving loan facilities with CBC, which have payment terms of 180 days, are unsecured and charged interest of 5 % per annum in both years.

• Revolving loan facilities with SBC have payment terms ranging from 177 days to 180 days. The facilities charged interest of 1.95% to 6 % per annum in 2021 and 2020.

• Revolving loan facilities with UCPB have payment terms of 180 days. The facilities charged interest of 4.75% and nil per annum in 2021 and 2020, respectively.

• Loan agreement with Shinhan-Manila Branch is unsecured, payable in one year and has a fixed rate of 4.8% per annum. In 2020, the term of loan was extended until August 30, 2021 with interest of 3.75% per annum.

In 2021 and 2020, finance costs incurred and paid on short-term loans amounted to 975,975 and 1,370,022 respectively.

The Group is in compliance with the debt covenants as of June 30, 2021 and December 31 2020.

16. **Long-term Debt**

Details of long-term debt are as follow:

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Principal	**$53,100,000**	$58,748,700
Less deferred financing costs	**(354,215)**	(318,214)
	$52,745,785	$58,430,486
Current – Note 16.01, 16.02	**$5,246,398**	$8,113,098
Non-current – Note 16.01, 16.02	**47,499,387**	50,317,388
	$52,745,785	$58,430,486

16.01 2016 Note Facility Agreement (NFA)

On September 20, 2016, the Parent Company entered into a 30.0 million NFA with BPI (Initial Note Holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 40% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used for capital expenditures, including production facilities and to refinance existing debt obligation and for working capital requirement.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in twelve (12) equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until the end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on se date in four (1) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the w e date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient fully pay the loan.

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

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

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

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

16.02. 2018 Note Facility Agreement (NFA)

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

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

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

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

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

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Group Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money. Debt service ratio is defined in the agreement as the result obtained by dividing (i) EBITDA and (ii) the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments for: (a) interest and principal payments due under the Agreement in the next twelve (12) months; (b) the principal and interest payments due in the next twelve (12) months of all interest bearing debt with tenor of more than twelve (12) months, and (c) netting obligations of the Issuer due in the next twelve (12) months under permitted hedging arrangements, if applicable.

The carrying amount of the loan from the 2018 NFA amounted to 36.6 million and 37.0 million as of June 30, 2021 and December 31, 2020, respectively.

The Parent Company is in compliance with the debt covenants as of June 30, 2021 and December 31, 2020.

16.03 CATS

In 2012, CATS obtain a secured interest-bearing loan from a local commercial bank amounting to 13.0 million. The principal is payable in twenty-eight (28) quarterly payments of 464,286 until 2018 and bears annual interest rate of 3.0% plus three (3) month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan as disclosed in Note 15. The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

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

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

CATS is in compliance with the debt covenants as of June 30,2021 and December 31, 2020.

Total finance costs accrued and paid (including amortization of deferred finance costs) for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to $2,379,498, $3,208,082 and $3,284,842, in 2021, 2020 and 2019 respectively.

17. Lease Liabilities

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Notes 18 and 22. The following are the amounts of lease liabilities:

Movement in the lease liabilities is as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Not later than one year	$ 25,427	$ 25,427	$ 16,168	$ 15,163
Later than one year but not later than five years	102,037	102,037	83,206	83,206
Later than five years	283,976	391,360	258,133	365,515
	411,442	518,824	357,502	464,884
Discount	(53,940)	(53,940)	-	-
Present value of minimum lease payments	357,502	464,884	357,502	464,884
Current lease liabilities	194,519	301,901	194,519	301,901
Non-current lease liabilities	$ 162,983	$ 162,983	$ 162,983	$ 162,983

	June 30, 2021	Dec 31, 2020
	Reviewed	Audited
Balance, January 1	$464,884	$493,078
Lease payment	107,382	-
Interest Expense	-	28,194
Balance, December 31	$357,502	$464,884

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 $1,235,609 and $1,248,654 as of June30, 2021 and December 31, 2020, respectively, as disclosed in Note 7.

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

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

18. Related Party Disclosures

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

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

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

a. Due to related parties

		Transactions		Balances as of			
		Six Months Ended June 30					
		2021 (Reviewed)	2020 (Unaudited)	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)	Terms	Conditions
Other related parties							
CLC	Rental	(₱705)	₱–	₱467,170	₱467,875	Due on demand; noninterest-bearing	Unsecured
Cayon	Rental	2,598	16,859	117,676	115,078	Due on demand; noninterest-bearing	Unsecured
Stockholders	Payment made on behalf of the Group	–	–	35,928	35,928	Due on demand; noninterest-bearing	Unsecured
		₱1,893	₱16,859	₱620,774	₱618,881		

b. Due from related parties

		Transactions		Balances as of			
		Six Months Ended June 30					
		2021 (Reviewed)	2020 (Unaudited)	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)	Terms	Conditions
Cayon	Reimbursement of expenses	₱2,023	₱141	₱191,569	₱193,592	Due on demand; non-interest bearing	Unsecured; no impairment

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 June 30, 2021 and December 31, 2020 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 ease 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 $.002 million and 0.01 million in 2021 and 2020, respectively. The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given

c) Transactions with CLC

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

On January 1, 2011, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of P0.64 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.

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

	Six Months Ended June 30	
	2021	2020
	(Reviewed)	(Unaudited)
Salaries and wages	$432,918	$967,936
Other employee benefits	8,975	52,380
	$441,893	$1,020,316

19. Revenue from Contracts with Customer

Below is the disaggregation of the Group's revenue from contracts with customers for the six months ended June 30, 2021 and 2020 respectively:

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
8 port antennas	$ 7,843,859	$ 7,177,273
6 port antennas	6,711,839	11,763,837
Integrated Circuits	5,200,538	2,471,164
Multichips	5,047,115	4,626,910
Dual and quad flat no leads	4,313,520	2,814,927
New product	3,841,114	3,682,642
Remec, manufacturing services	3,618,836	1,662,446
Discrete	3,363,823	3,843,616
Hermetics	2,947,120	862,174
12 port antennas	1,197,899	1,081,588
Others	918,553	955,853
Cougar	312,386	133,287
Brackets	130,613	313,127
Outdoor unit	82,978	57,360
Indoor radio frequency	10,203	801,695
10 port antennas	9,900	37,713
Bridgewave	3,276	3,359
	$ 45,553,572	$ 42,288,971

The Group has no contract assets as of June 30, 2021 and December 31, 2020.

The Group's contract liabilities pertain to advance payments from customers amounting to $1,877,556 and $2,001,473 as at June 30, 2021 and December 31, 2020, respectively, as disclosed in Note 14. Contract liabilities as at January 1, 2018 were recognized as revenue in 2018.

20. Cost of Sales

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Raw materials, spare parts, supplies and other inventories used	$ 20,714,236	$ 20,263,186
Salaries, wages and employees' benefits	4,988,799	4,117,385
Depreciation Amortization - Note 10, 11, 12, 13	3,487,729	3,122,427
Utilities	1,624,108	1,419,880
Inward freight and duties and others	865,750	1,269,550
Others	176,279	428,950
	$ 31,856,901	$ 30,621,378

21. Operating Expenses

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Salaries, wages and employees' benefits	$ 1,715,731	$ 1,726,111
Commissions	475,057	421,618
Utilities	220,356	442,159
Professional fees	422,065	494,409
Transportation and travels	42,051	94,598
Depreciation Amortization - Note 10, 11, 12, 13	470,918	521,867
Taxes and licenses	480,408	53,017
Entertainment, amusement and recreation	28,525	108,227
Insurance premiums	46,337	55,560
Office supplies	14,433	7,583
Others	359,412	720,890
	$ 4,275,283	$ 4,646,039

Utilities are consumptions of water, electricity and telephone service.

Taxes and licenses are business permits, registration renewals and other fees to government units.

22. Lease Agreements

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

22.01 The Group as a Lessee

22.01.01 Cirtek Land Corporation

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

22.01.02 Cayon Holdings, Inc.

The Group entered into a lease agreement with Cayon Holdings, Inc (Cayon), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,064 square meters, more or less. On January 1, 2019, the Group entered into an

agreement with CHI to lease the land where Building 2 is erected. The agreement calls for a fixed annual rate of 11,075 for a period of 5 years and renewable thereafter by mutual agreement of the parties subject to such now terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to 923. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract

Rental security deposits amounted to S1,235,609 and S1,248,654 as of June 30, 2021 and December 31, 2020, respectively, as disclosed in Note 7.

As of June 30, 2021 and December 31, 2020 , the Group's ROU asset amounted to 335,627 and 443,009 respectively, as disclosed in Note 12.

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

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Current - Note 17	$ 194,519	$ 301,901
Non-current - Note 17	162,983	162,983
Balances	$ 357,502	$ 464,884

23. Salaries and Wages and Employees' Benefits

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Salaries and Wages	$ 5,517,695	$ 4,811,295
Other Employees benefits	$ 928,811	841,462
Retirement costs	$ 258,024	190,738
	$ 6,704,530	$ 5,843,496

Other employees' benefits consist of allowances and mandatory contributions.

24. Retirement Benefit Obligation

24.01.01Defined 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. As of March 31, 2021 and December 31, 2020, the asset mix is a combination of 34% long-term investments, composed of government securities and corporate bonds, 62% investments in quoted equity securities and 4% short-term investments, composed of short-term placements and others.

Defined Contribution Plans

Quintel USA has a retirement savings plan under Section 401(k) of the United States Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. Quintel USA makes a matching contribution of 100% of each employee's contributions up to 4% of such employee's compensation.

Quintel Technology, Ltd. has a defined contribution plan covering substantially all UK employees.

24.01.02 Retirement benefit costs

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

	June 30, 2021		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	**$3,541,625**		**$3,541,625**
Fair value	**(783,535)**		**(783,535)**
	$2,758,090		**$2,758,090**

	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$3,528,100		$3,528,100
Fair value	(780,543)		(780,543)
	$2,747,557		$2,747,557

25. Other Income (Charges)- Net

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Foreign exchange gains (losses)- net	$ 334,257	$ (464,043)
Sale of scrap	29,655	36,983
Gain on sale or disposal of shares (Note 29.1)	-	1,343,058
Others - net	744,274	325,356
	$ 1,108,186	$ 1,241,354

26. 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 millimeter wave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ) and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

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

	For the six months ended June 30 (Reviewed) 2021	(Unaudited) 2020
Current	$ 295,554	$ 247,598
Deferred	(111,618)	(111,617)
	$ 183,936	$ 135,981

The provision for current income tax for the six months ended June 30, 2021 and 2020 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.

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

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

27. Earnings Per Share (EPS)

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

	For the six months ended June 30	
	(Reviewed)	(Unaudited)
	2021	2020
Net income attributable to common shareholders of Parent Company*	$ 5,231,780	$ 2,831,193
Weighted average number of common shares outstanding	419,063,353	419,063,353
Basic and diluted EPS	$ 0.0125	$ 0.0068

**Net of dividends declared on preferred A, preferred B-1, preferred B-2, preferred B-2B shares for the months ended June 30, 2021 totaling to $2,749,692 and on preferred A, preferred B-1 and preferred B-2 for the months ended June 30, 2020 totaling to $2,149,692.*

As of June 30, 2021 and December 31, 2020, 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.

28. Fair Value

As of June 30, 2021 and December 31, 2020, 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 are determined by a Philippine SEC-accredited independent appraiser using the market data approach, a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors.

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

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

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 4.19% to 6.37% and 4.19% to 4.29% in 2018 and 2017, respectively (Level 3).

Fair Value Hierarchy

	June 30, 2021 (Reviewed)			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVPL	₱568	–	₱ 568	-
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
HTM investments			–	–
Long-term debt	₱52,745,785	–	–	₱52,745,785

	December 31, 2020 (Audited)			
	Total	Level 1	Level 2	Level 3
Financial asset measured at fair value				
Financial asset at FVPL	S 574	–	574	–
Investment properties		–		–
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	456,055	456,055	–	–
Long-term debt	$58,430,485	–	–	$58,430,485

As at June 30, 2021 and December 31, 2020, there were no transfers between Level 1 and 2 fair value measurements.

29. Financial Risk Management Objectives and Policies

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

Risk Management Structure

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

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

Credit risk

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

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

For cash in bank and cash equivalents, other receivables, amounts owed by related parties, rental deposits, and 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.

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

	December 31, 2020 (Audited)						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30< 60 days	60-90 days	> 90 days		
Cash and cash equivalents*	**$31,836,938**	$-	$-	$-	$-	$-	**$ 31,836,938**
Trade and other receivables	**12,132,214**	**23,910,183**	**13,467,407**	**1,907,561**	**5,978,426**	**(741,012)**	**56,654,779**
Amounts owed by related parties	**193,592**	–	–	–	–	–	**193,592**
Other current assets:							
Financial assets at FVPL	**574**						**574**
Rental deposit	**1,248,654**	–	–	–	–	–	**1,248,654**
Loans to employees	**547,935**	–	–	–	–	–	**547,935**
Security deposit	**180,507**	–	–	–	–	–	**180,507**
Other financial asset at amortized cost	**456,055**	–	–	–	–	–	**456,055**
Other noncurrent assets:							
Loans to employees	**300,000**	–	–	–	–	–	**300,000**
Miscellaneous deposits	**177,909**	–	–	–	–	–	**177,909**
Others	**74,506**						**74,506**
	$ 47,148,884	**$ 23,910,183**	**$ 13,467,407**	**$ 1,907,561**	**$ 5,978,426**	**($741,012)**	**$91,671,449**

**Excluding cash on hand amounting to 253.*

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

June 30, 2021 (Reviewed)

	Neither Past due nor Impared			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash and cash equivalents	$ 10,213,690	$ -	$ -	$ 10,213,690
Trade and other receivables	16,746,334	-	-	16,746,334
Amounts owed by related parties		191,569	-	191,569
Other current assets:				
Rental deposits	1,235,609	-	-	1,235,609
Loans to employees	792,654	-	-	792,654
Security deposits	180,507	-	-	180,507
Other noncurrent assets:				
Loans to employees	300,000	-	-	300,000
Miscellaneous deposits	177,909	-	-	177,909
Others	37,124	-	-	37,124
	29,683,827	191,569	-	29,875,396

**Excluding cash on hand amounting to 252.*

December 31, 2020 (Audited)

	High Grade	Medium Grade	Total
Cash and cash equivalents*	**$ 31,836,937**	–	**$31,836,937**
Trade and other receivables	**12,132,214**	–	**12,132,214**
Amounts owed by related parties		**$193,592**	**193,592**
Other current assets:			-
Rental deposit	**1,248,654**	–	**1,248,654**
Loans to employees	**547,935**	–	**547,935**
Security deposit	**180,507**	–	**180,507**
Other financial assets at amortized cost	**456,055**	–	**456,055**
Other noncurrent assets:			
Loans to employees	**300,000**	–	**300,000**
Miscellaneous deposits	**177,909**		**177,909**
Others	**74,506**	–	**74,506**
	$ 46,954,717	**$ 193,592**	**$ 47,148,309**

**Excluding cash on hand amounting to 733.*

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

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

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

Liquidity risk

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

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

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

June 30, 2021
(Reviewed)

	On Demand	Less than 1 year	1-2 years	>2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$ 10,213,942	-	-	-	10,213,942
Trade and other receivables	16,748,334	43,066,061	-	-	59,812,395
Due from related parties	191,569	-	-	-	191,569
Other current assets:	27,151,845	43,066,061	-	-	70,217,906
Financial Liabilities					-
Trade payables	12,267,328	-	-	-	12,267,328
Accrued expenses	-	5,915,212	-	-	5,915,212
Short term loans	-	61,084,877	-	-	61,084,877
Due to related parties	620,774	-	-	-	620,774
Dividends payable	224,772	-	-	-	224,772
Long term debts	-	5,246,398	18,099,387	29,400,000	52,745,785
	$ 13,102,874	$ 72,246,487	$ 18,099,387	$ 29,400,000	$ 132,848,748

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

December 31, 2020
(Audited)

	On Demand	Less than 1 year	1-2 years	>2 to 5 years	Total
December 31, 2019					
Cash and cash equivalents	31,837,199				31,837,199
Trade and other receivables	12,132,214	44,522,565			56,654,779
Due from related parties	193,592				193,592
Other current assets:	44,162,996	44,522,565	-	-	88,685,561
Trade and other payables:					
Trade payables	10,058,852				10,058,852
Accued expenses		1,962,157			1,962,157
Short term loans		86,039,146			86,039,146
Due to related parties	618,881				618,881
Dividends payable	126,955				126,955
					-
Long term debts		8,113,098	26,017,387	25,300,000	59,430,485
	$ 10,804,688	$ 98,114,401	$ 25,017,387	$ 25,300,000	$ 167,238,476

**Includes future interest payments*

Foreign currency risk

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

Capital Management

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

The Group manages its capital structure, which pertains to its equity as shown in the balance sheet, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2021 and 2020.

The Company considers the following as capital:

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Common stock	$ 9,594,321	$ 9,594,321
Preferred stock	3,032,140	3,032,140
Additional paid-in-capital	120,053,514	120,053,514
Equity reserve	4,030,214	4,030,214
Other comprehensive income(loss)	1,365,298	1,365,298
Retained Earnings	33,376,251	28,144,471
Parent company shares held by a subsidiary	(24,777,434)	(24,786,492)
	$ 146,674,304	$ 141,433,466

As of June 30, 2021 and December 31, 2020, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of June 30, 2021 and December 31, 2020, the Group was able to meet its capital requirements and management objectives.

30. Equity

a. Common Shares

	June 30, 2021 (Reviewed)	December 31,2020 (Audited)
Number of shares		
Authorized - common shares (₱1.00 par value)	520,000,000	520,000,000
Issued		
Beginning and end of year	419,063,353	419,063,353
Amount		
Issued - 419,063,353 shares	$ 9,594,321	$ 9,594,321

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

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

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

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

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

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

On March 24, 2015, the Parent Company's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by

₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of ₱1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share.

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

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

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

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

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

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

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

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

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

The Board of Directors of TECH, in its special meeting held on September 28, 2020, approved the following:
1. The amendment of Article Fourth of the Articles of Incorporation on corporate terms from 50 years to perpetual term;
2. The amendment to the increase in the Authorized Capital Stock and the delegation to the Board of Directors of (i) the manner by which the proposed increase in the Authorized Capital Stock 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 or rights offering;
3. The approval to offer to all eligible stockholders of record of the Corporation, as of the date to be set by its management in accordance with existing law and regulations (the 'Record Date'), rights to subscribe (the "Rights Offer") to the common shares of the Corporation (the 'Rights Shares') with a bonus detachable warrant for each Rights Share (the 'Detachable Warrant'), subject to: (i) the approval of the increase in the Corporation's authorized capital stock; (ii) the registration or exemption requirements, whichever may be applicable, of the Securities and Exchange Commission ('SEC'); and (iii) the listing requirements of the Philippine Stock Exchange ('PSE').
4. The approval of the authority of any one (1) of the Chairman of the Board, the President, the Chief Financial Officer, and/or other senior officers of the Corporation to fix the terms and conditions of the Rights Offer, including, but not limited to, the final issue size which shall be up to 250,000,000 common shares, the entitlement ratio, the offer price, the payment terms, the terms of the Detachable Warrant including the exercise price, the procedure for lodging the application to subscribe, the details and procedures for the various rounds of offer including the treatment of rump shares, as applicable, the Record Date and other relevant dates, and other terms, without the necessity of obtaining further approval from the stockholders and Board of Directors.
5. The approval of the holding of the Special Stockholders' Meeting on November 27, 2020 with the Record Date on October 29, 2020 which will be conducted by videoconferencing.

As of June 30, 2021 and December 31, 2020, the Parent Company has a total number of 26 and 25 stockholders, respectively.

Parent Company Shares Held by a Subsidiary

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

In 2017, CEC sold 85,099,869 common shares for $42.4 million. The difference between the proceeds from the sale of shares held by CEC and the cost of these shares amounting to 0.1 million was offset against "Equity reserve" account.

The 2017 consolidated financial statements of the Group were restated to correct the transaction related to the disposals of Group shares held by a subsidiary, which were recognized under "due from 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 P1.2 billion ($19,795,320).

In 2019, CEC acquired parent company shares amounting to $940,448.

In 2020, CEC sold parent company shares amounting to $2,966,636.

As of June 30, 2021 and December 31, 2020, the carrying value of Group shares held by a subsidiary amounted to $24,777,434 and $24,786,492, respectively.

b. Preferred Shares

	June 30, 2021 (Reviewed)	December 31, 2020 (Audited)
Number of shares		
Authorized		
Preferred shares A (₱0.10 par value)	700,000,000	700,000,000
Preferred shares B-1 (₱1.00 par value)	70,000,000	70,000,000
Preferred shares B-2 (₱1.00 par value)	200,000,00	200,000,000
Issued and Subscribed		
Preferred A shares	700,000,000	700,000,000
Preferred B-1 shares	70,000,000	70,000,000
Preferred B-2 shares	67,000,000	67,000,000
Preferred B-2B shares	20,000,000	20,000,000
Amount		
Preferred A shares - (net of subscriptions receivable amounting to 525,062 as of March 31, 2018 and December 31, 2018)	$ 946,863	$ 946,863
Preferred B-1 shares - (net of subscriptions March 31, 2018)	$342,399	$342,399
Preferred B-2shares	$1,326,733	$1,326,733
Preferred B-2Bshares	$416,145	$416,145

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

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

a) from ₱560,000,000, consisting of:

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

b) to ₱860,000,000, consisting of:

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

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

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

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

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

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;

d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

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

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Parent Company is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Parent Company pursuant to the Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;
f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

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

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2shares with par value of ₱1.00 at issue price of 1.00 per share for a total amount of 67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to 1.3 million and 65.7 million, respectively. The Parent Company incurred transaction costs incidental to POO amounting to 1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated

balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to 324,866recorded under "Accrued expenses and other payables" account.

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

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

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

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

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

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

c. Retained Earnings

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

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

On January 23, 2017 the Parent Company's BOD approved the declaration of cash dividends of 0.00432 per share for each of 419,063,353 fully paid and issued common shares and

0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of 1,820,000, for payment and distribution on February 22, 2017 to shareholders of record of February 6, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

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

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries.
On February 2, 2018, the Parent Company's BOD approved the declaration of cash dividends of 0.004609 per share for each of 419,063,353 fully paid and issued common shares and 0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of 1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

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

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

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

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

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

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

Retained earnings include undistributed earnings amounting to 21.5 million, 24.3 million and 24.4 million as of December 31, 2018, 2017 and 2016, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the

form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2018 amounted to $3.6 million.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the parent company shares held by a subsidiary, unrealized foreign exchange gains except those attributable to cash and cash equivalents, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of June 30, 2021 and December 31, 2020.

On January 30, 2019, the Group's BOD approved the declaration of cash dividend to its equity holders for payment and distribution on the following dates:

Date of Declaration	Record Date	Payment Date	Dividend Per share	Shares Outstanding	Total Dividends
January 30,2019					
Preferred B-2	Mar 6, 2019	Mar 6, 2019	0.015313	67,000,000	$1,025,937.50
Preferred B-2	June 6, 2019	June 6, 2019	0.015313	67,000,000	1,025,937.50
Preferred B-2	Sept 5, 2019	Sept 5, 2019	0.015313	67,000,000	1,025,937.50
Preferred B-2	Dec 5, 2019	Dec 5, 2019	0.015313	67,000,000	1,025,937.50
					$ 4,103,750.00

On May 24, 2019 the Group's BOD approved the declaration of cash dividends to its equity holders, for payment and distribution on the following dates:

Date of Declaration	Record Date	Payment Date	Dividend Per share	Shares Outstanding	Total Dividends
May 24,2019					
Common	June 11, 2019	June 28, 2019	0.002366	419,063,353	$991,462.99
Common	Nov 11, 2019	Nov 29, 2019	0.002386	419,063,353	1,000,000.00
Preferred A	June 10, 2019	June 28, 2019	0.000012	700,000,000	8,537.01
					$ 2,000,000.00

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

In 2020, the Group's BOD approved the declaration of cash dividends to its equity holders:

Date of Declaration	Date of Record	Dividend Per share	Shares Outstanding	Total Dividends
2020				
February 17, 2020				
Preferred B-2	March 9, 2020	0.015313	67,000,000	$ 1,025,937.50
Preferred B-2	June 8, 2020	0.015313	67,000,000	1,025,937.50
Preferred B-2	September 8, 2020	0.015313	67,000,000	1,025,937.50
Preferred B-2	December 9, 2020	0.015313	67,000,000	1,025,937.50
				$4,103,750.00
March 06, 2020				
Preferred B-1	March 9, 2020	0.06125	70,000,000	$8,537
March 06, 2020				
Preferred - A	March 8, 2020	Php 0.000012196	700,000,000	Php 4,287,500 (or 89,280)

July 17, 2020 Common	August 11, 2020	0.001199	419,063,353	$ 500,000

The Board of Directors of TECH, in its regular meeting held on 05 February 2021, approved the following:

Declaration of cash dividends on the following shares:

a. Preferred B-2 Subseries A Shares ("Preferred B-2A Shares"):

Declaration of Cash dividend of US Dollars 0.015313 (US 0.015313) per share for each of the Sixty Seven Million (67,000,000) outstanding and issued Preferred B-2A shares amounting to an aggregate sum of US Dollars One Million Twenty Five Thousand Nine Hundred Thirty Seven and Fifty Cents (US 1,025,937.50), for each Dividend Period. The schedule of the payment and distribution of the cash dividends of Preferred B-2A shares shall be made to the entitled shareholders on the following dates:

(i) 8 March 2021 to shareholders of record as of 1 March 2021;
(ii) 8 June 2021 to shareholders of record as of 1 June 2021;
(iii) 8 September 2021 to shareholders of record as of 1 September 2021; and
(iv) 9 December 2021 to shareholders of record as of 1 December 2021.

b. Preferred B-2 Subseries B Shares ("Preferred B-2B Shares"):

Declaration of cash dividend of US Dollars 0.015 (US 0.015) per share for each of the Twenty Million (20,000,000) outstanding shares and issued Preferred B-2B Shares amounting to an aggregate sum of US Dollars Three Hundred Thousand (US 300,000.00), for each Dividend Period.

The schedule of the payment and distribution of the cash dividends of Preferred B-2B shares shall be made to the entitled shareholders on the following dates:

(i) 18 March 2021 to shareholders of record as of 5 March 2021;
(ii) 18 June 2021 to shareholders of record as of 4 June 2021;
(iii) 20 September 2021 to shareholders of record as of 6 September 2021; and
(iv) 20 December 2021 to shareholders of record as of 6 December 2021."

c. Preferred A Shares

Declaration of cash dividend of Php0.007 per share for each of the Seven Hundred Million (700,000,000) issued and outstanding Preferred A shares amounting to an aggregate sum of Seven Hundred Thousand Pesos (Php700,000.00), for payment and distribution on 8 March 2021 to shareholders of record as of 1 March 2021.

d. Preferred B-1 Shares

Declaration of cash dividend of Php0.06125 per share for each of the Seventy Million (70,000,000) issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of

Four Million Two Hundred Eight Seven Thousand Five Hundred Pesos (Php4,287,500.00) for payment and distribution on 8 March 2021 to shareholders of record as of 1 March 2021.

In June 30, 2021 and 2020, cash dividends paid amounted to $2,651,875 and $2,051,908, respectively. Accordingly, as of June 30, 2021 and December 31, 2020, dividends payable amounted to $224,772 and $126,955, respectively.

31. Dividends per share on common stock

	For the six months ended June 30	
	(Reviewed)	(Unaudited)
	2021	2020
Dividends declared on Common shares	$ -	$ -
Weighted average number of common shares outstanding	419,063,353	419,063,353
Basic and diluted EPS	$ -	$ -

32. Discontinued Operations

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

By end of January 2019, management thru its legal counsel in the UK filed for liquidation of Quintel Technology, Ltd. wherein the final settlement with the liquidators and third party creditors was reached in April 2020, in the amount of GPB1.9 million or an equivalent to 2.5 million.

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

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

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

The $10,907,492 million gain from the release of other comprehensive income pertains to cumulative foreign currency translation adjustment from translating the financial statements of

Quintel UK and Quintel Mauritius to the presentation currency of Quintel Cayman, Ltd., its parent company. The $11 million resulted from multiple years effects of foreign exchange gain prior to acquisition in 2017. Prior to this consolidation, there was no movement in the OCI since acquisition on July 28, 2017.

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

33. 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.

34. Events After the Reporting Period

01 July 2021 SEC issuance of Order of Registration and Certificate of Permit to Sell in relation to the Company's registration of Stock Rights Offering with underlying Bonus Detachable Warrant.

Results of Operations

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

	For the Six Months Ended June 30	
In US$ Thousand except EPS	**2021 (Reviewed)**	2020 (Unaudited)
NET SALES	**$45,554**	$42,289
COST OF SALES	**(31,857)**	(30,621)
GROSS PROFIT	**13,697**	11,668
NET INCOME	**7,981**	4,981
Basic/Diluted EPS	**$0.013**	$0.007
EBITDA	**$14,488**	$11,907

For the six-month period ending June 30, 2021 compared to the six-month period ending June 30, 2020

Revenue

The Company recorded consolidated revenue of US$45.6 million for the six months ending June 30, 2021, an increase of 8% from US$42.3 million for the same period in 2020. The increase accounted for was mainly due to 15% increase in revenue contribution from semiconductor business and 18% increase in revenue contribution from RF/MW/mmW and antenna manufacturing business.

Revenue contribution from Quintel for the six-month period ending June 30, 2021 amounted to US$11.13 million. In August 2017, the Company acquired 100% of Quintel, a US-based developer of leading-edge base station antennas used for cellular wireless networks.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the six months ending June 30, 2021 amounted to US$13.6 million, an 18% increase compared to the US$11.4 million for same period in 2020.

Revenues from the semiconductor business amounted to US$20.9 million compared to US$18.1 million for the same period in 2020, a 15% increase.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; 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 increased by 4% to US$31.9 million for the six months ending June 30, 2020 from US$30.62 million for the same period in 2020. The increase was mainly due to:

- Raw materials, spare parts, supplies and other inventories used increased by 2% to US$20.7 million for the six months ending June 30, 2021, from $20.3 million for the same period in 2020
- Salaries, wages and employees' benefits increased by 21% to US$5.0 million for the six months ending June 30, 2021, from US$4.1 million for the same period in 2020.
- Depreciation and amortization increased by 12% to US$3.5 million for the six months ending June 30, 2020 from US$3.1 million for the same period in 2020.
- Utility expenses amounted to US$1.6 million for the six months ending June 30, 2020, from US$1.4 million for the same period in 2020, an increase of 14%

The Company's gross margin was 30% for the six months ending June 30, 2021, 2% higher than the gross margin recorded for the same period in 2020.

Operating Expenses

The Company's operating expenses for the six months ending June 30, 2020 amounted to US$4.3 million, 8% lower compared to the US$4.6 million recorded during the same period in 2020. The significant decrease is due to:

- Salaries, wages and employees' benefits decreased by 1% to US$1.72 million for the six months ending June 30, 2021, from US$1.73 million for the same period in 2020.
- Utilities decreased by 50% to US$220 thousand for the six months ending June 30, 2021, from US$442 thousand for the same period in 2020.
- Professional fees decreased by 15% to US$422 thousand for the six months ending June 30, 2021, from US$494 thousand for the same period in 2020.
- Transportation and travels decreased by 56% to US$42 thousand for the six months ending June 30, 2021, from US$95 thousand for the same period in 2020.
- Entertainment, amusement and recreation decreased by 74% to US$ 29 thousand for the six months ending June 30, 2021, from US$108 thousand for the same period in 2020.
- Insurance premiums decreased by 17% to US$46 thousand for the six months ending June 30, 2021, from US$56 thousand for the same period in 2020.

Income Before Income Tax

For the six months ending June 30, 2021, the Company recorded a net income before income tax of US$8.2 million, an increase of 60% compared with US$5.1 million recorded for the same period in 2020.

Provision for / Benefit from Income Tax

Provision for income tax for the six months ending June 30, 2021 amounted to US$184 thousand compared with a provision for income tax of US$136 thousand for the same period in 2020.

Net Income After Tax

The Company's net income after tax for the six months ending June 30, 2021 amounted to US$8.0 million an increase of 60% compared with US$5.0 million for the same period in 2020.

Financial Condition

For the six-month period ending June 30, 2021 compared to the period ending December 31, 2020

Assets

The Company's cash and cash equivalent for the six months ending June 30, 2021 amounted to US$10.21 million, compared with US$31.84 million for the period ending December 31, 2020, a decreased of US$21.6 million or 68%.

Trade and other receivables for the six months ending June 30, 2021 amounted to US$59.8 million, compared with US$58.7 million for the period ending December 31, 2020, a 6% increased.

Inventory levels for the six months ending June 30, 2021 amounted to US$60.8 million, 6% higher compared with US$57.1 million for the period ending December 31, 2020.

Amounts owed by related parties for the six months ending June 30, 2021 amounted to US$0.19 million compared to US$0.19 million for the period ending December 31, 2020, a 1% 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 six months ending June 30, 2021 amounted to US$141 million compared with US$148 million for the period ending December 31, 2020, a decreased of 4%.

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 six months ending June 30, 2021, current liabilities were at US$ 88.72 million, compared with US$110.51 million the period ending December 31, 2020, a decrease of 20%.

For the six months ending June 30, 2021, 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$54.2 million compared with US$57.1 million for the period ending December 31, 2020, a 5% decreased.

Equity

The Company's shareholders' equity for the six months ending June 30, 2021 amounted to US$146.7 million compared with US$141.4 million for the period ending December 31, 2020, a 4% increased.

Liquidity and Capital Resources

For the six months ending June 30, 2021, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its corporate note's 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 six months ending June 30, 2021 and the same period in 2020.

In US$ Thousands	**For the six months ending June 30**	
	2021	**2020**
Net cash flows provided by/ (used for) operating activities	11,863	(147)
Net cash flows provided by/ (used for) investing activities	2,130	(6,358)
Net cash flows provided by/ (used for) financing activities	(35,657)	6,562
Net increase (decrease) in cash equivalents	(21,623)	(382)

Net Cash Flows from Operating Activities

Net cash outflow from operating activities was US$11.9 million for the six months ending June 30, 2021, compared with (US$147) thousand for the same period in 2020.

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

Investing Activities

Net cash outflow from investing activities amounted to US$2.1 million for the six months ending June 30, 2021. Investing activities mainly involved acquisition of PPE, and increase in non-current assets.

Financing Activities

Net cash flow from financing activities for the six months ending June 30, 2021 amounted to (US$35.7 million). Major financing activities involved proceeds from loans and CP reissuances and sale by a subsidiary of Parent Company's shares, less payment of cash dividends, payment 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 2020 net cash flow financing activities amounted to US$6.6million.

Material Changes to the Company's Reviewed Income Statement as of June 30, 2021 compared to the Unaudited Income Statement as of June 30, 2020 (increase/decrease of 5% or more)

- 8% increase in net sales
  Increase in revenue contribution of CEC and CATSI

- 4% increase in Cost of Sales
  Increase in Raw Materials, spare parts, supplies and other inventories used, salaries, wages and employees' benefits, depreciation and amortization and utilities

- 8% decrease in operating expenses
  Decrease in salaries, wages and employees' benefits, Transportation and travels, Professional fees, Taxes, Entertainment, amusement and recreation and Insurance Premiums

- 60% increase in Income Before income Tax
  Increase in Sales, and higher Gross Margin

- 60% increase in Net Income After Tax
  Increase in Sales, and higher Gross Margin

Material Changes to the Company's Reviewed Balance Sheet as of June 30, 2021 compared to the Audited Balance Sheet as of December 31, 2020 (increase/decrease of 5% or more)

- 6% increase Trade and Other Receivables – Net
  Longer collection period for certain major customers

- 6% increase in Inventories
  Longer lead times for certain raw materials and high level of FG inventory in Quintel

- 4% decrease in other noncurrent assets
  Lower advances to major suppliers due to negotiated terms and loans to employees

- 35% Decrease in Current Portion of Long-term Debt
  Additional payment for long-term credit facilities

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2020 Full Year**	**2020 Six Months**	**2021 Six Months**
EBITDA		19,658	11,907	14,488
EBITDA Margin		29%	28%	32%
Sales Growth/Decline		(14%)	-13%	8%
Current Ratio (x)		1.46x	1.28x	1.67x
Earnings per share (US$)		0.006	0.007	0.013

Note:
**Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2021 and 2020*
***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 Six Months Ended June 30
In US$ 000	**2019**	**2020**	**2021**
Net Income	8,422	6,597	7,981
Add back:			
Interest expense/income-net	4,851	5,303	2,364
Provision for / Benefit from income tax	391	447	184
Depreciation and amortization	5,997	7,311	3,959
EBITDA	**19,661**	**19,658**	**14,488**

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

	For the years ended December 31		For Six Months Ended June 30
In US$ 000	**2019**	**2020**	**2021**
EBITDA	19,661	19,658	14,488
Deduct:			
Interest expense/income-net	(4,851)	(5,303)	(2,364)
Provision for / Benefit from income tax	(391)	(447)	(184)
Depreciation and amortization	(5,997)	(7,311)	(3,959)
Net Income	**8,422**	**6,597**	**7,981**

- *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
JUNE 30, 2021 AND DECEMBER 31, 2020

Ratios	Formula	June 30, 2021	December 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	**1.67**	1.51
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.78**	1.02
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.71**	0.80
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**1.97**	2.19
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**6.09**	3.66
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.30**	0.29
Net Profit Margin	Net Income/Revenues	**0.18**	0.10
EBITDA Margin	EBITDA/Revenues	**0.32**	0.29
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.02
Return on Equity	Net Income/Total Equity[3]	**0.05**	0.05

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

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

[3] Based on balances as at June 30, 2021 and December 31, 2020

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

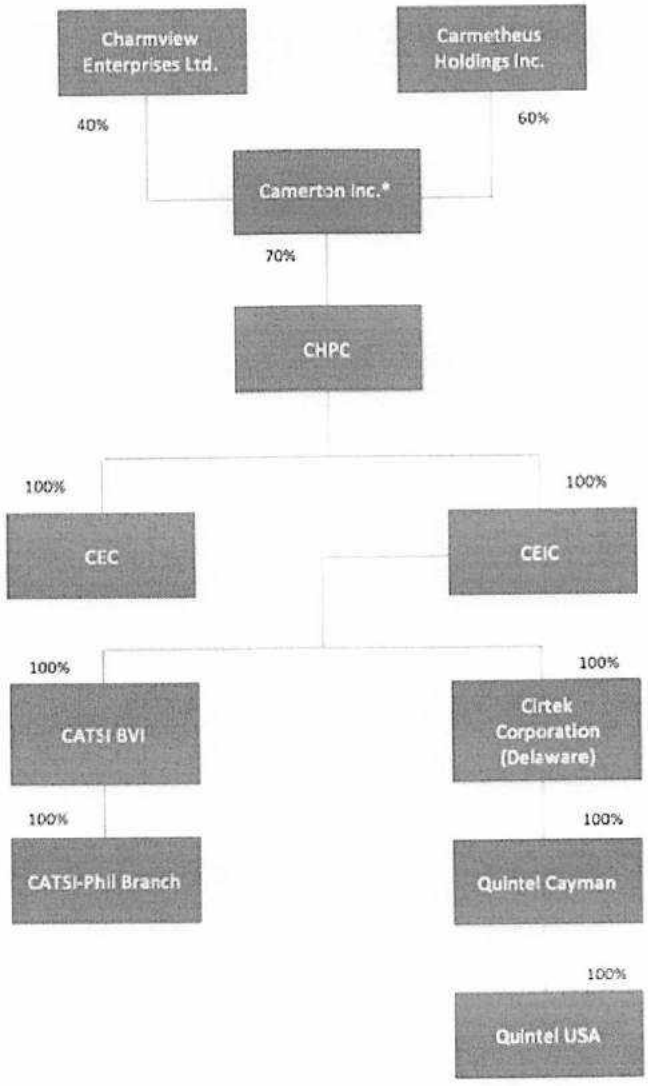
AS OF AND FOR THE FIRST QUARTER ENDED MARCH 31, 2021

Schedule	Contents
Index to the Interim Condensed Consolidated Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Gross and Net Proceeds by 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

JUNE 30, 2021



CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

JUNE 30, 2021

Unappropriated retained earnings, beginning	$7,462,368
Add/(Deduct) net income/(loss) actually earned during the period	2,788,914
Less cash dividends declared	(2,749,692)
Retained earnings available for dividend declaration	$7,501,590

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
JUNE 30, 2021 AND DECEMBER 31, 2020

Ratios	Formula	June 30, 2021	December 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	**1.67**	1.51
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.78**	1.02
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.71**	0.80
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.97	2.19
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**6.09**	3.66
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.30**	0.29
Net Profit Margin	Net Income/Revenues	**0.18**	0.10
EBITDA Margin	EBITDA/Revenues	**0.32**	0.29
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.02
Return on Equity	Net Income/Total Equity[3]	**0.05**	0.05

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

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

[3] Based on balances as at June 30, 2021 and December 31, 2020

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE FIRST QUARTER ENDED JUNE 30, 2021

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash in bank and cash equivalent	N/A	$ 10,213,942	$ 10,213,942	$ 15,332
Trade and other receivables	N/A	59,812,395	59,812,395	
Amounts owed by related parties	N/A	191,569	191,569	
Other current assets				
Financial asset at FVTPL	N/A	568	568	
Rental deposit	N/A	1,235,609	1,235,609	
Security deposit	N/A	180,507	180,507	
Loan to employees	N/A	792,654	792,654	
Equity investment at FVTOCI				
Other financial asset at amortized	N/A	-	-	
Other noncurrent assets:				
Loans to employees	N/A	300,000	300,000	
Miscellaneous deposits	N/A	177,909	177,909	
Others	N/A	37,124	37,124	
		$72,942,277	$ 72,942,277	$ 15,332

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 FIRST QUARTER ENDED JUNE 30, 2021

Amounts owed by Related Parties

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company						
Cameron	-	-	-	-	-	-
Related parties under common control						
Cirtek Holdings, Inc.	-			-	-	-
Cayen Holdings, Inc.	193,592		(2,023)	191,569	-	191,569
TOTAL	193,592	-	(2,023)	191,569	-	191,569

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 FIRST QUARTER ENDED JUNE 30, 2021

Receivables from related parties which are eliminated during the consolidation (under Trade and Other Receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel USA	$7,219,555	($1,047,311)	-	-	$6,172,244	-	$6,172,244

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$48,795,261	-	($3,000,000)	-	$45,795,261	$ -	$45,795,261
CEIC	33,825,739		(300,000)		33,525,739		33,525,739
CATS	44,535,403		(2,658,865)		41,876,537		41,876,537
Quintel	19,885,906	-	-	-	19,885,906	-	19,885,906
Total	147,042,309	-	(5,958,865)	-	141,083,443	-	141,083,443
Cirtek Electronics Corporation from:							
CHPC	22,021,052		(7,727,834)	-	14,293,218	-	14,293,218
CATS	5,040,092	845,654		-	5,885,746	-	5,885,746
Total	27,061,144	845,654	(7,727,834)	-	20,178,964	-	20,178,964
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	-	-	-	2,339,865	-	2,339,865
CEC	21,269,640		(1,326,038)		19,943602		19,943602
CATS	746,612	241,251			987,864		987,864
Quintel	82,478,692		-	-	82,478,692	-	82,478,692
Total	106,834,810	241,251	(1,326,038)	-	105,750,023	-	105,750,023
Cirtek Advanced Technologies and Solutions, Inc from:.							
RBWRP	39,794	2,510	-	-	42,303	-	42,303
Total	39,794	2,510	-	-	42,303	-	42,303
RBW Realty and Property, Inc from:							
CATS	18,389	-	-	-	18,389	-	18,389
Total	18,389	-	-	-	18,389	-	18,389
TOTAL	$280,996,446	$1,089,415	($15,012,738)	-	$267,073,123	$ -	$267,073,123

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS OF JUNE 30, 2021

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$55,541,157	$ –	$ –	$ –	$ –	$ 55,541,157
Product development costs	5,461,374	1,327,622	(538,479)	–	–	6,250,517
Customer relationships	23,736,500	–		–	–	23,736,500
Technology	1,860,290		(587,460)	–	–	1,272,830
Trademark	7,472,800	–	–	–	–	7,472,800
Total	$94,072,121	$1,327,622	($1,125,939)	$ –	$ –	$94,273,804

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF JUNE 30, 2021

	Long-term Debt		
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	$52,745,785	$ 5,246,398	$ 47,499,387

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS OF JUNE 30, 2021

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

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
AS OF JUNE 30, 2021

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

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GROSS AND NET PROCEEDS BY A LISTED COMPANY WITH RECENT OFFERING OF SECURITIES (COMMERCIAL PAPER) TO THE PUBLIC

AS OF AND FOR THE SECOND QUARTER ENDED JUNE 30, 2021

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

Gross	₱2,000,000,000
Net	1,878,034,751

2. Actual gross and net proceeds –

Gross	₱1,000,000,000
Net	971,739,505

3. Each expenditure item where the proceeds were used –

Working capital	₱152,650,000
Loans	655,589,505
Dividend Payment on Preferred Shares	63,500,000
Investment	100,000,000

4. Balance of the proceeds as of June 30, 2021 ₱ -

SCHEDULE I

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS OF JUNE 30, 2021

	Capital Stock					
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common Stock	520,000,000	419,063,353	–	238,793,796	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	–	–	–	–
Preferred B-2B Shares		20,000,000	–	–	–	–

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7

Company Name

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
26	29-May	31-Dec

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

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

Contact Person's Address

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

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

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

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

R.S. Bernaldo & Associates, the independent auditors appointed by the stockholders has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JERRY LIU
Chairman of the Board

JORGE AGUILAR
Vice-Chairman and President

BRIAN GREGORY LIU
EVP & Chief Financial Officer

Signed this 28th day of April 2021.

SUBSCRIBED AND SWORN to before me this APR 30 2021 day of _____ 2021 affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

Name	CTC No.	Date of Issue	Place of Issue
JERRY LIU	CCI2021 08517376	January 04,2021	City of Manila
JORGE AGUILAR	CCI2021 08517382	January 04,2021	City of Manila
BRIAN GREGORY LIU	CCI2021 08517377	January 04,2021	City of Manila

Doc. No. 83;
Page No. 18;
Book No. 16;
Series of 2021

NOTARY PUBLIC
ROLL NO. 70942
MAKATI CITY PHILIPPINES

ATTY. SHERLOCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-585 until June 30, 2021
per B.M. No. 3795
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942
IBP No. 097148/12-11-2019/Pasig City
PTR No. 8533523/01-04-2021/Makati City
MCLE Compliance No. VI-0028223/August 13, 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and 2019, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

L: 18/F Cityland Condominium 10 Tower 1
156 H.V. dela Costa Street, Ayala North,
Makati City, Philippines 1226

T: +632 8812-1718 to 24
F: +632 8813-6539
E: rsbassoc@rsbernaldo.com
W: www.rsbernaldo.com

BOA/PRC No. 0300
SEC Group A Accredited
BSP Group B Accredited
CDA CPA Accredited
IC Accredited

Key Audit Matters

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

Key Audit Matter

The risk

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

Our response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is ROMEO A. DE JESUS, JR.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
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

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8539809
Issued on January 7, 2021 at Makati City

April 28, 2021

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

(In US Dollars)

	NOTES	2020	2019 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	7	38,837,180	15,364,711
Trade and other receivables – net	8	58,854,775	43,748,778
Due from related parties	22	193,882	22,073,870
Inventories – net	9	57,101,807	36,841,088
Other current assets	10	5,080,819	4,738,468
		159,867,217	123,098,878
Assets held for sale	13	10,505,040	10,005,040
		169,452,257	133,863,858
Non-current Assets			
Other financial asset at amortized cost	12	406,065	458,828
Property, plant and equipment – net	15	40,881,841	38,730,281
Intangible assets – net	16	84,092,121	84,718,718
Right-of-use asset – net	17	443,808	480,807
Deferred income tax assets – net	29	828,361	288,308
Other non-current assets	18	10,878,809	903,848
		147,532,406	132,167,058
TOTAL ASSETS		309,084,453	265,830,812
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	19	14,888,760	17,520,029
Short-term loan	20	88,858,140	64,000,580
Long-term debt – current portion	20	5,113,086	9,881,136
Due to related parties	22	816,881	565,887
Dividend payable	34	130,886	39,138
Lease liabilities – current portion	21	381,901	330,055
Deposit for future stock subscription	34	189,107	189,107
Income tax payable		130,816	788,125
		110,666,484	93,360,050
Non-current Liabilities			
Long-term debt – net of current portion	20	50,317,388	52,820,784
Lease liabilities – net of current portion	21	162,882	182,083
Retirement benefit obligation	23	3,747,087	3,054,789
Deferred income tax liabilities – net	29	3,812,878	3,141,118
		67,141,802	69,198,084
TOTAL LIABILITIES		167,658,987	162,571,744
STOCKHOLDERS' EQUITY			
Common Stock	34	9,584,321	9,584,321
Preferred Stock	34	3,802,140	3,615,805
Additional Paid-in Capital	34	120,883,614	110,468,680
Equity Reserve	34	4,030,214	4,030,214
Other Comprehensive Income (Loss)	27,34	1,265,280	(808,879)
Retained Earnings	34	26,144,471	16,208,080
Parent Company shares held by a subsidiary	34	(24,786,480)	(27,753,180)
TOTAL STOCKHOLDERS' EQUITY		141,425,466	114,258,168
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		309,084,453	265,830,812

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(With Comparative Figures for the Year Ended December 31, 2018)
(In US Dollars)

	NOTES	2020	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS	23	68,807,190	80,118,718	105,474,833
COST OF SALES	24	48,202,488	57,091,870	84,624,337
		15,704,788	23,027,848	21,850,496
OPERATING EXPENSES	25	7,808,003	9,844,960	15,567,401
FINANCIAL EXPENSE (INCOME)				
Finance costs	20	5,278,227	4,907,331	4,847,519
Finance income	7,12	(72,412)	(86,629)	(42,204)
OTHER EXPENSE (INCOME) – net	28	319,894	(491,065)	(9,328,056)
PROFIT BEFORE TAX		7,044,117	8,812,049	9,785,836
INCOME TAX	29	446,905	390,468	1,451,591
PROFIT		6,597,212	8,421,581	8,334,245
DISCONTINUED OPERATION	35	-	13,739,086	-
OTHER COMPREHENSIVE INCOME				
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:				
Remeasurement – net	27	2,272,271	348,857	214,878
TOTAL COMPREHENSIVE INCOME		8,869,483	22,509,524	8,549,123
Basic Earnings per Share		0.00870	0.0015	0.0110

(See Notes to Consolidated Financial Statements)

OSTER HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
[illegible]
[illegible]

	Note	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income (Loss)		Retained Earnings	Parent Company Shares Held by a Subsidiary	Total
						Presentation Gain	Net Changes in Fair Value of Equity Investment at FVOCI			
Balance, January 1, 2019		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]
Profit								[illegible]		[illegible]
Other comprehensive income						[illegible]				[illegible]
Cash dividends declared	30							[illegible]		[illegible]
Issuance of preferred stock	30		[illegible]							[illegible]
Effect of PFRS 3							[illegible]			[illegible]
Acquisition of an additional Parent Company's shares	30								[illegible]	[illegible]
Balance, December 31, 2019, as previously reported		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Acquisition of a subsidiary	27							[illegible]		[illegible]
Balance, December 31, 2019, as restated		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit								[illegible]		[illegible]
Other comprehensive income						[illegible]				[illegible]
Cash dividends declared	30							[illegible]		[illegible]
Acquisition of an additional Parent Company's shares	30								[illegible]	[illegible]
Balance, December 31, 2020		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit								[illegible]		[illegible]
Other comprehensive income	27					[illegible]				[illegible]
Cash dividends declared	30							[illegible]		[illegible]
Issuance of preferred stock	30		[illegible]	[illegible]						[illegible]
Sale for subsidiary of Parent Company's shares	30								[illegible]	[illegible]
Balance, December 31, 2020		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(With Comparative Figures for the Year Ended December 31, 2018)
(In U.S. Dollars)

	NOTES	2020	2019 (As Restated)	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		7,944,117	8,912,048	9,700,836
Adjustments for:				
Depreciation and amortization	24,35	7,311,389	5,998,944	5,990,824
Finance costs	20	5,378,227	4,807,381	4,947,519
Net unrealized foreign exchange losses (gains)	28	1,217,304	292,293	(31,788)
Retirement benefit costs	27	221,834	317,749	(98,381)
Finance income	7,12	(72,412)	(56,539)	(42,304)
Effect of prior period error	37	-	(1,484,880)	-
Gain from discontinued operations	35	-	(12,730,088)	-
Loss on disposal of property, plant and equipment	15	-	-	10,389
Net gain on changes in FV of investment properties	14	-	-	(2,042,888)
Operating cash flows before changes in working capital		21,899,849	5,809,951	18,371,249
Decrease (Increase) in operating assets:				
Trade and other receivables		(12,808,094)	(33,093,897)	10,480,587
Inventories		(20,299,842)	(8,838,090)	(1,488,838)
Other current assets		(883,834)	(1,890,885)	(158,058)
Increase (Decrease) in trade and other payables		(798,183)	890,484	(23,614,089)
Cash generated from (used in) operations		(13,517,356)	(33,267,887)	3,501,756
Interest received		75,230	54,238	48,800
Income taxes paid		(888,338)	(881,300)	(604,080)
Net cash from (used in) operating activities		(14,331,464)	(34,094,583)	2,991,335
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	15	(18,442,813)	(3,169,982)	(8,501,835)
Product development costs	16	(1,718,380)	(1,879,847)	(1,617,381)
Proceeds from disposal of:				
Property, plant and equipment	15	-	-	280
Decrease (Increase) in other noncurrent assets		(1,278,270)	1,040,823	44,804
Net cash from (used in) investing activities		(21,429,083)	(3,909,277)	(10,074,028)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of short-term loan	30	110,082,781	88,446,583	39,770,000
Availment of long-term loan	30	248,700		
Issuance of preferred stock	34	30,000,000	-	-
Common		-	-	-
Sale by a subsidiary of Parent Company's shares	34	2,888,838	-	-
Payments of:				
Short-term loan	30	(83,344,288)	(58,488,800)	(10,108,088)
Cash dividends	34	(4,884,880)	(6,043,074)	(7,841,401)
Finance costs	29	(5,375,227)	(2,108,477)	(4,220,235)
Long-term loan	30	(4,381,808)	-	(4,380,000)
Debt issuance cost		-	-	(330,274)
Acquisition by subsidiary of the Parent Company's shares	34	-	(948,440)	(18,785,820)
Collection of subscription receivable	34	-	-	878,382
Cash received as deposit for future stock subscription	34	-	-	889,107
Net movements in amounts owed by and owed to related parties		31,773,883	33,595,610	(5,888,048)
Net cash from (used in) financing activities		52,048,801	30,062,304	(12,842,814)
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH		192,424	(388,788)	(94,228)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		16,484,478	(8,098,260)	(19,779,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,384,711	17,443,001	30,222,739
CASH AND CASH EQUIVALENTS AT END OF YEAR		31,832,189	15,384,711	17,443,001

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. CORPORATE INFORMATION AND STATUS OF OPERATION

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

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

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

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

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

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

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

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

Acquisition of Quintel

On July 28, 2017, the Parent Company's Board of Directors (BOD), approved the acquisition of Quintel and its subsidiaries for $83.2 million (see Note 5). Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

In accordance with the Agreement, CCL was merged with and into Quintel, with the latter surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from CHPC and Cirtek Corporation. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished, and be converted automatically into the right to receive a portion of the purchase price.

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

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

Commercial Papers

On February 19, 2020, the Securities and Exchange Commission (SEC) approved the 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 may be issued in lump-sum or in tranches as follows:

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

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

Effect of COVID-19

In order to hasten the achievement of herd immunity against COVID-19 within the company and ensure the good health of its employees, this year the Cirtek's Top Management has facilitated the reservation of vaccines by tying up with a leading pharmaceutical company that cooperates with the appropriate government agencies and ordering of adequate number of vaccines. This move is welcomed by the Cirtek's employees who desire to be vaccinated at the soonest possible time. The Company continues to implement/enforce its Workplace Policy and Program on COVID-19 Prevention and Control in compliance with DOLE and DOH regulations. Moreover, a work-from-home policy specially for office staff and staggered attendance scheme are currently in place.

Amidst the global pandemic, the Company is experiencing a good booking in product orders for medical chips supplied to medical equipment end customers globally. In view of the manifestation of COVID-19 around the world, it is critical for hospitals to have enough medical equipment to save lives, flatten the curve, prevent further spread of the virus and control the pandemic. The Cirtek Group has been tapped by several of its customers for chips used in medical equipment desperately needed all over the world. Cirtek Group is able to produce 1 million chips per week for these devices that are in urgent demand which medical practitioners rely on. This year 2021, there is a strong demand of semi-conductor devices due to shortage and insufficient production last 2020 of semiconductor companies particularly large multinational companies who did not invest from additional capex to increase in capacity because of global pandemic. The global semi-conductor sales are expected to have a significant growth and all the markets are increasing orders particularly telecommunications, industrial, automotive, medical, computing including IOT etc because of the shortage.

In line with the Company's social responsibility, it is stepping up beyond its call of duty to exert more effort in curbing down the global pandemic. The Cirtek Group has donated hundreds of thousands worth of Personal Protective Equipment (PPE) to various hospitals locally. The Cirtek Group remains operational with a work schedule of 24 hours a day, 6 days a week, to keep up with the pace in global demand.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

2.01 New and Revised PFRSs 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.

2.02 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.

2.02.01 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, 2025. 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, 2025.

2.02.02 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.

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

3.01 Statement of Compliance

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

3.02 Functional and Presentation Currency

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

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

3.03 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its subsidiaries as of December 31, 2020 and 2019:

		Percentage of Ownership			
		2020		2019	
	Country of Incorporation	Direct	Indirect	Direct	Indirect
CEC	Philippines	100		100	
CEC	BVI	100		100	
CATS	BVI		100		100
CATS – Philippine Branch	Philippines		100		100
BBV Realty and Property, Inc. (BBVRP)	Philippines		100		100
Chek Corporation	United States of America		100		100
Quintel	Cayman Islands		100		100
Quintel Technology, Ltd.	United Kingdom		100		100
Quintel USA	United States of America		100		100
Telecom Quintel Mauritius, Ltd.	Republic of Mauritius		100		100

Telecom Quintel Mauritius, Ltd. and Quintel Technology, Ltd. were liquidated, as disclosed in Note 35.

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

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

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

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

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

3.04 Current and Non-Current Presentation

The Group classifies an asset as current when:

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

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

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

The Group classifies all other liabilities as non-current.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Business Combination

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

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

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

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

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

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

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

a) The aggregate of:
    i. The consideration transferred, which is generally measured at acquisition-date fair value;
    ii. The amount of any non-controlling interest in the acquiree; and
    iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

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

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

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

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

The Group applied pooling of interest method in accounting for common control business combinations. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

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

4.02 Fair Value Measurement

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

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

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

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

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

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

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

4.03 Financial Assets

4.03.01 Initial Recognition and Measurement

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

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

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

4.03.02 Classification

> Financial Asset at Amortized Cost

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

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

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

a) Cash and Cash Equivalents

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

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

b) Receivables

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

- Financial Asset at Fair Value through Other Comprehensive Income

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

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

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

4.03.03 Reclassification

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

4.03.04 Effective Interest Method

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

4.03.05 Impairment

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

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

The Group adopted general approach in accounting for Impairment.

- General Approach

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

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

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

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

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

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

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

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

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

- Simplified Approach

  The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

4.03.06 Derecognition

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

4.03.07 Write-off

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

4.04 Inventories

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

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

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

4.05 Other Current Assets

4.05.01 Prepayment

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

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

4.05.02 Advances to Suppliers

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

4.06 Assets Held for Sale

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

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

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

4.07 Investment Properties

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

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

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

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

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

4.06 Property, Plant and Equipment

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

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

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

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

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

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

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

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

4.09 Intangible Assets

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

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

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

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

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

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

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

4.09.01 Research and Development Costs

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

- the technical feasibility of completing the intangible asset so that the asset will be available for use sale;
- its intention to complete and its ability to use or sell the asset;

- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

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

4.10 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any of its assets other than financial assets that are within the scope of PFRS 9, *Financial Instruments*, inventories, and assets held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

4.11 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.12 Financial Liabilities and Equity Instruments

4.12.01 Financial Liabilities

4.12.01.01 Initial Recognition and Measurement

The Group recognizes a financial liability in its consolidated statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.12.01.02 Classification

The Group classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liabilities at amortized cost pertain to trade and other payables (except others), short-term loans, long-term debts, dividends payable, due to related parties, and deposit for future stock subscription.

The Group does not have financial liabilities at fair value through profit or loss in both years.

4.12.01.03 Deposit for Future Stock Subscription

Deposit for future stock subscription is defined as a subscription agreement which, among other things, states that the Group is not contractually obliged to return the consideration received and that the Group is obliged to deliver fixed number of own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Deposit for future stock subscription is classified as equity if all the conditions required for such recognition have been met as of the end of the reporting period otherwise, if not, classified as liability.

Deposit for future stock subscription is classified as equity when all of the following conditions are met as of the end of the reporting date:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; and
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and

- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

4.12.01.04 Derecognition

The Group removes a financial liability (or part of a financial liability) from its consolidated statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.12.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct costs.

Ordinary shares are classified as equity.

4.13 Employee Benefits

4.13.01 Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages and other employee benefits.

4.13.02 Defined Benefit Plans

CEC and CATS are covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when reimbursement is virtually certain.

4.13.03 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group has a defined contribution plan covering substantially all employees of Quintel USA and Quintel Technology, Inc.

4.14 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Revenue Recognition

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.15.01 Performance Obligations Satisfied at a Point in Time

Revenue from sale of goods is recognized at a point in time when the goods have been transferred to the customer (i.e. upon delivery). The Group's normal credit term is 30 to 120 days upon delivery. Discounts, returns and other allowances are not significant to the Group.

The Group's revenue encompasses sale of semiconductor packages and solid-state devices.

4.15.02 Dividend and Finance Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.16 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the consolidated statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.17 Leases

The Group has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under PAS 17.

4.17.01 The Group as Lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Group assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.

- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Group measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Group depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

The Group has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

ROU asset is presented as a separate line item on the consolidated statements of financial position.

Lease Liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Group recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

Lease liabilities is presented as a separate line item on the consolidated statement of financial position.

4.18 Foreign Currency Transactions

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.19 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Group that is preparing its consolidated financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.

- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.20 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.20.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.20.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.20.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.20.04 Final Tax on Dividend

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. In many jurisdictions, this amount is referred to as a withholding tax. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.

4.21 Earnings per Share

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.22 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the consolidated financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to consolidated financial statements when material

4.23 Prior Period Errors

The Group corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for the prior period presented in which the error occurred; or (b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

4.24 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Notes 2.01 and 2.02, was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

5.01.01 Functional Currency

The Group determines its functional currency based on the economic substance of the underlying circumstances relevant to them. The US Dollar ($) is the currency that most faithfully represent the primary economic environment in which the Group operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Group. Hence, Management believes that US Dollar ($) is the Group's functional currency since it represents the economic substance relevant to the Group.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2020 and 2019, the aggregate amounts of the aforementioned assets amounted to $91,809,776 and $84,569,470, respectively, as disclosed in Note 32.

5.01.03 Assessment on the Bifurcation of Embedded Derivative

The Group determines whether the embedded derivative component of the Group's Note Facility Agreement (NFA) should be modified in relation to changes in a variable, such as an interest rate, commodity price, credit rating, or foreign exchange rate.

The Group assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9. As of December 31, 2020 and 2019, carrying amounts of long-term loans amounted to $58,430,465, and $62,480,920, respectively, as disclosed in Note 20.

5.01.04 Assessment of 30 days Rebuttable Presumption

The Group determines when a past due occurs on its financial assets based on the credit management practice of the Group.

Management believes that the 30 days rebuttable presumption on determining whether credit risk has increased significantly or not is not applicable since based on the Group's historical experience credit risk has not increased significantly even if collections are more than 30 days past due.

5.01.05 Assessment of 90 days Rebuttable Presumption

The Group determines when a default occurs on its financial assets based on the credit management practice of the Group.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired or not is not applicable because based on the Group's historical experience past due amounts even over 90 days are still collectible.

5.01.06 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that the performance obligation is satisfied at point in time from the sale of its semiconductor and solid-state devices.

In 2020, 2019 and 2018, revenue recognized from such sale amounted to $68,907,198, $80,118,718 and $106,474,833, respectively, as disclosed in Note 23.

5.01.06 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price is not applicable since the only obligation identified is the sale of semiconductor and solid-state devices.

5.01.07 Determining Whether or not a Contract Contains a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Management assessed that its lease agreements as disclosed in Note 26 qualified as a lease since the contract contains an identified asset, the Group has the right to obtain substantially all of the economic benefits, and the Group has the right to direct the use of the identified asset throughout the period of use.

5.01.08 Estimating the Lease Term

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

In both years, Management assessed that the lease term should only include the non-cancellable period since the option to extend is not enforceable under the Philippine laws.

5.01.09 Reclassification from Investment Properties to Assets Held for Sale

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires entities to classify a noncurrent asset held for sale if its carrying amount will be recovered mainly through selling rather than through continuing use.

When Cirtek Electronics International Corporation (CEIC) acquired RBW Realty and Property, Inc. (RBWRP) and Cirtek Advanced Technologies and Solution, Inc – Philippine Brach (CATS), the manufacturing activities of CATS had been transferred to Cirtek Electronics Corporation (CEC) facility for operational efficiency measures. As a result, the investment properties and building improvements owned by the Company and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose these assets to interested buyers.

In 2018, the Management became less committed in its plan to sell the assets since offers received from prospective buyers are below the carrying amount of the assets and the Group is not willing to accept lower asking prices. As a result, the assets are reclassified as 'Investment Properties' as of December 31, 2018.

During the year, Management has already located buyers who are willing to buy the assets at sales price reasonable in relation to the fair value. It is highly probable that sale will be completed in the subsequent year.

As of December 31, 2020 and 2019, the assets held for sale amounted to $10,605,040.

5.01.10 Assessment of Classification of Spare Parts, Stand-by Equipment and Servicing Equipment as Property, Plant and Equipment or Inventory

The Group determines whether spare parts, stand-by equipment and servicing equipment qualifies as property, plant and equipment or inventory. In making its judgments, the Group considers whether spare parts, stand-by equipment and servicing equipment are held for use in the production or supply of good and services, for rental to others or for administrative purposes and are expected to be used during more than one period or assets which are held for sale in the ordinary course of business, in the process of production of such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment if they are held for use in the production or supply of good and services, for rental to others or for administrative purposes and are expected to be used during more than one period. Spare parts, stand-by equipment and servicing equipment are classified as inventory if they are held for sale in the ordinary course of business, in the process of production of such sale or in the form of materials or

supplies to be consumed in the production process or in the rendering of services. Whether spare parts, stand-by equipment and servicing equipment are property, plant and equipment or inventory depend on the substance of the transaction rather than the form of the contract.

As of December 31, 2020 and 2019, Management assessed that the spare parts and others amounting to $5,239,446 and $1,223,379, respectively, qualify as inventories, as disclosed in Note 9.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Expected Credit Losses of Financial Assets

The Group evaluates the expected credit losses related to its financial assets based on an individual assessment and available facts and circumstances, including, but not limited to historical loss experience and current and forecast macro-economic information.

The Group uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its bank deposits. In view of the foregoing factors, Management believes that the expected credit loss is nil.

The Group uses historical experience and current and forecast macro-economic information to assess the expected credit losses on its trade and other receivables and due from related parties. In view of the foregoing factors, Management believes that the expected credit loss on trade and other receivables and due from related parties is nil.

As of December 31, 2020 and 2019, the Group's financial assets measured at amortized cost amounted to $91,808,778 and $84,669,470, respectively, as disclosed in Note 32.

5.02.02 Estimating Inventories at Net Realizable Values

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

In 2020 and 2019, Management believes that the net realizable values of the inventories approximate their costs. Thus, no additional provision for obsolescence was recognized. In 2020 and 2019, the Group's obsolete inventories written off amounted to nil and $924,262, respectively, as disclosed in Note 9. As of December 31, 2020 and 2019, carrying amount of the Group's inventories amounted to $57,101,037 and $36,841,096, respectively, as disclosed in Note 9.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property, Plant, Equipment

The residual values, useful lives and depreciation method of the Group's property, plant and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recognized operating expenses and decrease non-current assets.

The Group uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which a Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, it shall change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in the pattern used by the Group to consume assets' future economic benefits. As of December 31, 2020 and 2019, the carrying amount of property, plant and equipment amounted to $41,951,641 and $36,738,251, respectively, as disclosed in Note 15.

5.02.04 Reviewing Residual Values, Useful Lives and Amortization Method of Product Development Costs

The residual values, useful lives and amortization method of the Group's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible assets are available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

In both years, Management assessed that there were no significant changes on the estimates since the most recent annual reporting period. As of December 31, 2020 and 2019, the carrying value of product development cost amounted to $5,461,374 and $4,340,317, respectively, as disclosed in Note 16.

5.02.08 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), property, plant and equipment, right-of-use asset, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees), which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. In assessing value in use, the estimated future cash flows shall be discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), property, plant and equipment, right-of-use asset, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees). As of December 31, 2020 and 2019, the aggregate carrying amounts of the foregoing assets amounted to $148,091,078 and $133,727,058 respectively, as disclosed in Notes 10,15, 16, 17 and 18.

5.02.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

For the years ended December 31, 2020, 2019 and 2018, retirement benefits expense amounted to $221,824, $317,749 and $329,485, respectively, as disclosed in Note 27. Retirement benefit obligation amounted to $2,747,557 and $2,054,769 as of December 31, 2020 and 2019, respectively, as disclosed in Note 27. Remeasurement gain amounted to $2,272,271, $348,857, and 214,878 in 2020, 2019, and 2018, respectively, as disclosed in Note 27.

5.02.07 Deferred Tax Assets

The Group reviews the carrying amount at reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to its expiration. The Group has recognized net deferred income tax assets amounting to $329,361 and $256,958 as of December 31, 2020 and 2019, respectively, as disclosed in Note 29.

Moreover, the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized, as disclosed in Note 29, are as follows:

	2020	2019
NOLCO	$ 1,322,466	$ 2,564,703
Unrealized gross profit	-	1,918,247
MCIT	8,438	261,642
Unrealized foreign exchange losses	1,319,000	245,193

Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized.

5.02.08 Estimating the Appropriate Discount Rate to Use

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

Management used its incremental borrowing rate of 5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

8. SEGMENT INFORMATION

Financial information on the Group's business segments as of and for the years ended December 31, are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the year ended December 31, 2020:

		CBC		CATS - Philippine Branch		Detailed		Eliminations and Consolidation Adjustments		Consolidated
Revenue from contracts with customers External customers	₱	21,524,855	₱	20,522,764	₱	18,850,437	₱	-	₱	[illegible]
Segment depreciation and amortization	₱	3,772,549	₱	1,010,000	₱	1,345,852	₱	1,774,580	₱	7,311,280
Segment interest income		62,440		9,972		-		-		72,412
Segment interest expense		6,326,[illegible]		-		-		-		6,375,227
Segment profit (loss) before income tax		39,2[illegible],865		6,338,062	₱	203,125		([illegible])		7,944,177
Segment provision for (benefit from) income tax		3[illegible],477		307,[illegible]		37,896		(222,228)		[illegible]
Segment profit (loss) after income tax	₱	[illegible],107	₱	6,030,437	₱	178,[illegible]	₱	([illegible])	₱	6,537,212

Other financial information of the operating segments as of December 31, 2020 is as follows:

		CEC		GATE Philippine Branch		[illegible]		Eliminations and Consolidation Adjustments		Consolidated
Assets										
Current assets	$	94,068,170	$	[illegible]	$	11,[illegible]	$	(34,[illegible])	$	101,459,257
Non-current assets		134,[illegible]		[illegible]		[illegible]		[illegible]		[illegible]
	$	[illegible]	$	109,[illegible]	$	20,[illegible]	$	(43,[illegible])	$	[illegible]
Liabilities										
Current liabilities	$	[illegible]	$	7,977,[illegible]	$	[illegible]	$	(1,[illegible])	$	[illegible]
Non-current liabilities		[illegible]		661,[illegible]		-		[illegible]		[illegible]
	$	152,[illegible]	$	8,[illegible],137	$	[illegible]	$	[illegible]	$	[illegible]

For the year ended December 31, 2019:

		CEC		[illegible]		[illegible]		Eliminations and Consolidation Adjustments		Consolidated
Revenue from contracts with customers										
External customers	$	31,140,[illegible]	$	23,745,[illegible]	$	25,232,[illegible]	$	-	$	[illegible]
Total	$	31,140,559	$	[illegible]	$	[illegible]	$	-	$	80,118,718
Segment depreciation and amortization		3,718,320		734,037		185,817		1,174,[illegible]		5,[illegible]
Segment interest income		[illegible]		[illegible]		27,404		-		[illegible]
Segment interest expense		4,[illegible]		-		[illegible]		-		[illegible]
Segment profit (loss) before income tax		10,[illegible]		7,003,[illegible]		13,[illegible]		(7,[illegible])		[illegible]
Segment provision for (benefit from) income tax		[illegible]		[illegible]		36,[illegible]		(123,[illegible])		[illegible]
Segment profit (loss) after income tax	$	[illegible]	$	6,[illegible]	$	13,[illegible]	$	(7,[illegible])	$	22,[illegible]

Other financial information of the operating segments as of December 31, 2019 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 76,048,497	$ 67,786,574	$ 11,841,671	$ (21,767,762)	$ 133,908,880
Non-current assets	29,969,954	7,845,290	4,433,883	89,785,667	132,034,896
	$ 106,018,451	$ 75,631,864	$ 16,275,554	$ 68,017,895	$ 265,943,765
Liabilities					
Current liabilities	$ 79,593,868	$ 17,091,057	$ 16,587,589	$ (19,912,551)	$ 93,359,961
Non-current liabilities	54,559,174	596,008	360,000	3,673,470	59,188,652
	$ 134,153,040	$ 17,687,065	$ 16,947,589	$ (16,239,081)	$ 152,548,613

For the year ended December 31, 2018:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	$ 44,240,950	$ 7,599,796	$ 54,634,087	$ -	$ 106,474,833
Inter-segment	-	35,366,017	-	(35,366,017)	-
Total	$ 44,240,950	$ 42,965,813	$ 54,634,087	$ (35,366,017)	$ 106,474,833
Segment depreciation and amortization	3,206,711	1,165,893	1,488120	-	5,860,524
Segment interest income	29,064	13,140	-	-	42,204
Segment interest expense	4,786,379	-	61,140	-	4,847,519
Segment profit (loss) before income tax	11,096,097	8,188,893	(684,778)	(8,815,376)	9,785,836
Segment provision for (benefit from) income tax	703,210	680,066	37,821	30,494	1,451,591
Segment profit (loss) after income tax	$ 10,392,887	$ 7,509,267	$ (722,599)	$ (8,845,870)	$ 8,334,245

Other financial information of the operating segments as of December 31, 2018 is as follows:

	CEG	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 124,850,808	$ 46,770,966	$ 17,004,639	$ (68,631,914)	$ 120,094,289
Non-current assets	39,417,569	18,590,653	2,871,351	83,495,482	144,475,055
	$ 164,268,177	$ 65,361,618	$ 19,875,990	$ 14,863,568	$ 264,569,354
Liabilities					
Current liabilities	$ 73,985,588	$ 44,637,894	$ 29,539,870	$ (65,307,341)	$ 82,856,012
Non-current liabilities	63,352,537	693,806	360,000	3,540,630	67,946,973
	$ 137,318,126	$ 45,331,700	$ 29,899,870	$ (61,766,711)	$ 150,782,985

Inter-segment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The operating income and profit before and after income tax for each operating segment includes net profit from inter-segment revenues aggregating to nil, nil and $19 million in 2020, 2019 and 2018, respectively, inter-segment cost of sales of nil, nil and $33.4 million in 2020, 2019 and 2018, respectively, and inter-segment operating expenses aggregating to nil, $0.6 million and $0.5 million in 2020, 2019 and 2018, respectively.

The Group's external customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the USA. Following shows the distribution of external customers by revenue contribution (amounts in thousands):

	2020	2019	2018
USA	$ 27,603	$ 40,519	$ 51,728
Europe	12,357	15,268	35,336
Asia	29,547	24,334	19,411
	$ 69,507	$ 80,119	$ 106,475

7. CASH

For the purpose of the consolidated statements of cash flows, cash include cash on hand and in banks.

Cash at the end of the reporting periods as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2020	2019
Cash on hand	$ 253	$ 248
Cash in banks	31,836,937	15,354,463
	$ 31,837,190	$ 15,354,711

Cash in banks earn interest at prevailing deposit rates. Cash equivalents are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Group, and earns interest at the respective short-term deposit rates.

Finance income amounted to $63,397, $55,629, and $51,434 in 2020, 2019 and 2018, respectively.

8. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables are as follows:

		2020		2019
Trade receivables	$	45,638,986	$	29,294,780
Less: Allowance for expected credit losses		(741,012)		(741,012)
		44,897,974		28,553,768
Others		11,766,805		15,196,007
	$	56,664,779	$	43,749,775

Trade receivables are non-interest and are generally on thirty (30) to one hundred twenty (120) days' terms.

The movements in the allowance for expected credit losses are as follows:

		2020		2019
Balance at January 1	$	741,012	$	491,012
Provision for expected credit loss (Note 25)		-		250,000
Balance at December 31	$	741,012	$	741,012

In 2020 and 2019, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer financial institution. In 2020 and 2019, sold its receivables amounting to $12.18 million and $9.75 million, respectively. Sale of receivables under this arrangement convey all rights to the financial institution without recourse at a discount of LIBOR plus 1.05%. Quintel USA incurred discounting fees and charges amounting to $57,207 and $67,740 pertaining to this arrangement in 2020 and 2019, respectively.

Others include accrued interest receivable from short-term deposits and nontrade receivable from suppliers which are expected to be collected within one year.

9. INVENTORIES – net

Details of the Group's inventories are as follows:

		2020		2019
Raw materials	$	26,184,131	$	13,289,410
Finished goods		19,758,766		11,217,639
Work-in-process		1,492,420		9,454,196
Spare parts and others		5,239,448		1,223,379
Supplies and others		2,426,334		1,646,272
		57,101,037		36,841,096
Less: Allowance for obsolescence		-		-
	$	57,101,037	$	36,841,096

The movements in the allowance for obsolescence are as follows:

		2020		2019
Balance at January 1	$	-	$	924,262
Write-off		-		(924,262)
Balance at December 31	$	-	$	-

The cost of inventories charged to expenses amounted to $25,926,858, $34,159,692 and, $53,990,162, in 2020, 2019 and 2018, respectively, as disclosed in Note 25.

10. OTHER CURRENT ASSETS

The details of the Group's other current assets are shown below:

		2020		2019
Prepaid expenses	$	205,923	$	271,018
Advances to suppliers		2,749,566		1,280,903
Rental deposit (Note 26)		1,248,854		1,157,496
Loans to employees		547,935		621,206
Security deposits		188,507		182,482
Others		128,034		25,360
	$	5,068,819	$	4,138,465

Advances to suppliers pertain mainly to down payments for production materials and services that are still to be delivered.

Loans to employees include loans extended to key management personnel as disclosed in Note 22.

Others include investment classified as financial asset at FVTPL amounted to $3,378 and $494, as of December 31, 2020 and 2019, respectively.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OCI

The Groups' financial asset at FVOCI pertains to investment in an unquoted equity shares acquired at a cost of $1,867,000 in 2015. The financial asset is carried at cost amounting to $1,867,000 as of December 31, 2017 but has been revalued as of January 1, 2018 amounting to nil. The fair value of the financial asset is obtained through market comperable approach (Level 3).

There were no additions and disposals made in 2020 and 2019.

12. OTHER FINANCIAL ASSET AT AMORTIZED COST

Movement of the Groups' financial asset at amortized cost is as follows:

		2020		2019
Balance at January 1	$	468,873	$	469,588
Amortization of premium		(2,818)		(10,715)
Balance at December 31	$	466,055	$	468,873

In compliance with the Revised Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with the market values equivalent to a certain percentage of the amount by which CATS – Philippine Branch's income exceeds $0.1 million (₱5.0 million).

The Philippine SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

The Group's other financial asset at amortized cost pertains to government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation. The remaining bond will mature in 2021 and bears an effective interest rate of 1.948% per annum.

Interest income in 2020, 2019 and 2018 amounting to $8,015, $4,195 and $11,625, respectively, are presented as finance income in the consolidated statements of comprehensive income.

13. ASSETS HELD FOR SALE

On December 9, 2014, the Group's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS – Philippine Branch's operations.

An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of $11,408,611 was classified as assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

The fair value of the assets held for sale was determined as the sum of:

1. Fair value of land computed using the Market Approach (Level 3); and
2. Fair value of building and building improvements, and machinery and equipment computed as Replacement Cost New less estimated accrued depreciation (Level 3).

The valuations were performed by the Philippine SEC-accredited independent appraiser as of December 31, 2017.

Market Approach is a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparable range from $125 to $150. Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

Replacement Cost New is estimated as follows:

- For building and improvements, the appraiser used the Comparative Unit Method. This method is derived by dividing the total known cost of similar buildings or structures by the total construction floor area of those structures, combining all the costs of a particular type and quality of structure into one value as a cost per square meter. The resulting benchmark costs are then adjusted to reflect the difference

between the benchmark building and structures to the subject property in term of market conditions, locations and/or physical characteristics.

Construction cost per square meter range from $308 to $411. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence.

For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history is also considered.

Costs to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive the amount of fair value less costs to sell.

As of December 31, 2017, the carrying value of assets held for sale amounting to $11,408,611 lower than fair value less costs to sell.

In 2018, land and building with a total carrying value of $8.8 million reclassified to investment properties, as disclosed in Note 14, and building plant and machineries with a total carrying value of $2.8 million were reclassified to property, plant and equipment. Management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, as disclosed in Notes 13 and 14. Depreciation recognized has the properties not been reclassified as non-current asset held for sale amounted to $0.5 million presented under "Operating expenses" in the consolidated statements of comprehensive income.

The most recent valuation of the Company's investment properties was performed on April 22, 2018 by Philippine SEC accredited independent appraiser. The valuation was arrived by reference to Market Approach method which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets.

In 2019, Management has already located buyers who are willing to buy the assets at sales price reasonable in relation to the fair value. It is highly probable that sale will be completed in the subsequent year. Thus, the Group reclassified land and building with a total carrying value of $10,605,040 presented as investment properties as assets held for sale.

In 2020, the prospective buyer did not push through with the acquisition due to the COVID-19 pandemic. However, the Group was able to find another prospective buyer and has already drafted a memorandum of understanding. Management expects to complete the negotiation in the following year.

As of December 31, 2020, and 2019, the Group's assets held for sale amounted to $10,605,040.

14. INVESTMENT PROPERTIES

As of December 31, 2020, and 2019, the Groups' investment properties amounted to nil and nil, respectively, as disclosed in Note 13. In 2020, 2019 and 2018, net gain on fair value measurement amounted to nil, nil and $2,042,658, respectively, as disclosed in Note 28.

The fair value of land and building are based on valuations performed by Philippine SEC-accredited independent appraiser. The valuation model in accordance with that recommended by the IVSC has been applied.

Market Approach is method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevent factors. Price per square meter of market comparable range from $130 to $240. Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis (Level 2).

Continuation:

Movements during 2019								
Balance, January 1, 2019	$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cost:								
Additions		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Disposal						[illegible]		[illegible]
Accumulated Depreciation:								
Depreciation expense		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Disposal						[illegible]		[illegible]
	$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December 31, 2019								
Cost		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accumulated depreciation		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]
Carrying amount	$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

In both years, additions were all paid in cash.

Construction in progress pertains to the construction of Building 3 – Phase 2 which will cater additional capacity for the Group.

In both years, total balance of property, plant and equipment includes fully depreciated equipment that are still in use.

In both years, the Group determined that there is no indication that impairment occurred on its of property, plant and equipment.

16. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets are as follows:

	2020	2019
Goodwill	$ 55,541,157	$ 55,541,157
Customer relationships	23,736,500	23,736,500
Trademark	7,472,800	7,472,800
Technology	1,850,290	3,228,946
Product development costs	5,461,374	4,340,316
	$ 94,072,121	$ 94,319,719

Goodwill

The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition, the Group recognized goodwill amounting to $55,541,157 for both years.

Customer relationships

Customer relationship represent Quintel's established relationships with two of the largest telecon companies in the United States. Such relationships are deemed valuable given the length of their relationships (from as far back as 2008) and the difficulty in establishing connections. Management strongly believes that the relationships with their current customers will drive Quintel's business in the long run.

The fair value of customer relationships is determined based on the discounted excess earnings, which is the difference between the post-tax cash flows attributable to the sales made to Quintel's current customers and the contributory asset charges used to generate the cash flows (i.e., multi-period excess earnings method). Customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Technology

Movements of technology are as follows:

		2020		2019
Carrying amount				
Cost	$	8,088,336	$	5,874,600
Accumulated amortization		(2,859,390)		(1,664,470)
		5,228,946		4,210,130
Movements during the year				
Balance, January 1		3,228,946		4,210,130
Additions		-		193,736
Reclassification to Product Development		(193,736)		-
Amortization (Notes 24 and 25)		(1,174,920)		(1,174,920)
Balance, December 31	$	1,860,290	$	3,228,946

The fair values of the Quintel's technology and trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the required assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of five (5) years.

Trademark is estimated to have an indefinite useful life.

The Group has determined that there is no indication that an impairment loss has occurred on its technology and trademark.

Product development cost

Movements of product development cost are as follows:

		2020		2019
Carrying amount				
Cost	$	5,482,284	$	2,944,300
Accumulated amortization		(1,141,967)		(821,243)
		4,340,317		2,123,057
Movements during the year				
Balance, January 1		4,340,317		2,123,057
Additions		1,715,290		2,537,984
Reclassification from Technology		193,736		
Amortization (Notes 24 and 25)		(787,969)		(320,724)
Balance, December 31	$	5,461,374	$	4,340,317

Product development cost pertain to the capitalized cost of developing certain packages or products for the specific customers. The development cost met the requirements of PAS 38 for capitalization.

Of the total additions in 2019, only $1,382,211 has been paid in cash. The remaining balance amounting to $1,155,733 pertains to non-cash adjustment related to Quintel's product development cost capitalized in the books of the Group.

Software

As of December 31, 2020 and 2019, CEC has software with a total cost of $39,276 which are fully amortized but are still used for in operations.

Impairment testing of goodwill, customer relationship and trademark

Goodwill acquired through business combinations have been allocated to only one (1) CGU, which is the Group's Quintel business. The recoverable amount of CGU has been determined based on value-in-use calculations using cash flows projections from financial budgets covering a five-year period.

Key assumptions with respect to the calculation of value-in-use of the CGU as of December 31, 2018 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2018
Discount rate	10.7%
Terminal growth rate	1.5%
Revenue growth rates	30.0% to 36.0%

- Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group's Quintel business, derived from weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).
- Terminal growth rate is the sustainable growth rate computed based on Quintal's comparable
- Revenue growth rates are based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment losses were recognized for goodwill, customer relationships and trademark for the years ended December 31, 2020 and 2019.

17. RIGHT-OF-USE ASSET – net

The details of the Group's right-of-use asset are as follows:

January 1, 2019		-
Additions	$	509,015
Depreciation (Notes 24 and 25)		(18,208)
Balance, December 31, 2019		**490,807**
December 31, 2019		
Cost		509,015
Accumulated depreciation		(18,208)
Carrying amount	**$**	**490,807**
Movements during 2020		
Balance, January 1, 2020	$	490,807
Additions		-
Depreciation (Notes 24 and 25)		(47,798)
Balance, December 31, 2020		**443,009**
Cost		509,015
Accumulated depreciation		(66,006)
Carrying amount	**$**	**443,009**

As of December 31, 2020 and 2019, lease liabilities related to right-of-use asset amounted to $464,884 and $493,078, respectively, as disclosed in Note 21.

18. OTHER NON-CURRENT ASSETS

Below is the composition of the Groups' other non-current assets:

		2020		2019
Loans to employees (Note 22)	$	300,000	$	731,043
Miscellaneous deposits		177,908		171,205
Advances to suppliers		4,879,349		-
Others		5,022,551		-
	$	10,379,808	$	902,248

Loans to employees includes loans to key management personnel, as disclosed in Note 22.

Miscellaneous deposits pertain to refundable deposits with MERALCO for the installation of CEC's electrical meters and bill deposit equivalent to one (1) month energy consumption.

Advances to suppliers pertain to down payments for the acquisition of software and building expansion.

19. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2020		2019
Trade	$	10,058,852	$	8,373,400
Accruals		1,862,157		6,368,987
Contract liabilities (Note 23)		2,001,478		1,807,952
Provisions		469,297		841,949
Others		498,001		429,761
	$	14,989,785	$	17,820,029

Trade payables are noninterest-bearing and are generally on 60-90 day's terms.

Accruals comprise mainly of accruals for payroll, utilities, communication, security, shuttle services and professional services. Accruals include accrual of interest amounting to $497,778, $834,138 and $755,977 in 2020, 2019 and 2018, respectively, as disclosed in Note 20.

Provisions pertain to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications and potential liability for legal and other claims.

Others pertain to statutory liabilities.

The movements in the provisions are as follows:

		2020		2019
Balance at January 1	$	841,948	$	1,272,860
Reversal of warranty claims (Note 29)		(397,651)		(430,911)
	$	244,296	$	841,949

20. LOANS PAYABLE

The Group's borrowings pertain to bank short-term and long-term loans.

		Current		Non-current		Total
December 31, 2020						
Short-term loans (Note 20.01)	$	86,039,146	$	-	$	86,039,146
Long-term loans (Note 20.02)		8,113,098		58,317,387		66,430,485
	$	94,152,244	$	58,317,387	$	144,469,631
December 31, 2019						
Short-term loans (Note 20.01)	$	64,699,593	$	-	$	64,699,593
Long-term loans (Note 20.02)		9,651,136		52,829,784		62,480,920
	$	74,350,729	$	52,829,784	$	127,180,513

21.01 Short-term Loans

Details of short-term loans are as follows:

		2020		2019
Rizal Commercial Banking Corporation (RCBC)	$	28,442,435	$	40,399,593
China Banking Corporation (CBC)		-		10,500,000
Security Bank Corporation (SBC)		7,350,000		9,800,000
United Coconut Planters Bank (UCPB)		5,000,000		-
Shinhan Bank		3,600,000		4,000,000
	$	44,392,435	$	64,699,593
Commercial paper		41,646,711		-
	$	86,039,146	$	64,699,593

The Securities and Exchange Commission (the "Commission") has approved on February 12, 2020 the Company's Amended Registration of up to Two Billion Pesos (Php2,000,000,000) worth of Commercial Paper (CPs), which will be listed on the Philippine Dealing and Exchange Corp. on February 20, 2020; further, the Commission has subsequently issued a Certificate of Permit to Offer Securities for Sale authorizing the sale and distribution of the aforesaid securities. The CPs may be issued in lump-sum or in tranches and shall have an interest rate fixed prior to the issuance. The succeeding tranches, if any, shall be issued within three (3) years from the date of effectivity of the subject Amended Registration Statement.

On February 14, 2020, the Company was authorized by the Commission to issue Php2,000,000,000 worth of commercial papers (the "CPs"). The initial issuance of Series A, B and C will carry Discount Rates of 5.232%, 5.562%, and 5.832%, respectively, calculated on a true-discount basis. The initial issuance will have the following tenors: 91 days, 182 days, and 364 days for Series A, B and C, respectively. Multinational Investment Bancorporation as a Sole Arranger and Lead Underwriter.

On May 29, 2020, Listing of Reissued Cintek Holdings Philippines Corporation Php275,000,000.00 Commercial Paper Maturing February 18, 2021.

On July 15, 2020, Listing of Reissued Cintek Holdings Philippines Corporation Php 494,000,000.00 Commercial Paper Maturing February 18, 2021.

On September 1, 2020, Listing of Reissued Cintek Holdings Philippines Corporation Php545,200,000 Commercial Paper Maturing February 18, 2021.

Terms and conditions of short-term loans are as follows:

- Revolving loan facilities with RCBC have payment terms ranging from 60 days to 360 days. The facilities charged interest of 2.25% to 5.00% per annum in 2020 and 2019.
- Revolving loan facilities with CBC, which have payment terms of 180 days, are unsecured and charged interest of 5.00% per annum in both years.
- Revolving loan facilities with SBC have payment terms ranging from 177 days to 180 days. The facilities charged interest of 1.95% to 6.00% per annum in 2020 and 2019.

- Revolving loan facilities with UCPB have payment terms of 180 days. The facilities charged interest of 4.75% and nil per annum in 2020 and 2019, respectively.
- Loan agreement with Shinhan-Manila Branch is unsecured, payable in one year and has a fixed rate of 4.8% per annum. In 2020, the term of loan was extended until August 30, 2021 with interest of 3.75% per annum.

Movements of the short-term loans are as follows:

	2020	2019
Balance at January 1	$ 64,899,893	$ 53,710,000
Proceeds from availment of loan	111,083,761	69,449,693
Loan repayments	(89,744,209)	(58,460,000)
Balance at December 31	$ 86,039,145	$ 64,699,693

In 2020, 2019 and 2018, finance costs incurred and paid on short-term loans amounted to $2,494,715, $2,118,477 and $2,065,766, respectively.

The Group is in compliance with the debt covenants as of December 31, 2020 and 2019.

21.02 Long-term Loans

Details of long-term loans are as follows:

	Current	Non-current	Total
December 31, 2020			
Principal	$ 8,248,700	$ 50,500,000	$ 58,748,700
Deferred finance cost	(135,602)	(182,802)	(318,214)
	$ 8,113,098	$ 50,317,398	$ 58,430,486
December 31, 2019			
Principal	$ 9,690,000	$ 53,110,000	$ 62,790,000
Deferred finance cost	(28,864)	(280,216)	(309,080)
	$ 9,661,136	$ 52,829,784	$ 62,490,920

Movements of deferred finance costs are as follows:

	2020	2019	2018
Balance at January 1	$ 309,080	$ 443,329	$ 272,155
Transaction costs		-	300,274
Amortization/ Adjustment	9,134	(134,249)	(129,100)
Balance at December 31	$ 318,214	$ 309,080	$ 443,329

21.02.01 2016 Note Facility Agreement (NFA)

On September 20, 2016, the Parent Company entered into a $30.0 million NFA with BPI (Initial Note Holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 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 twelve (12) equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until the end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on se date in four (1) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the w e date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000, the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not as of relevant testing date, be less than 1.5; and
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Group to pay or repay including without limitation: (i) all obligations of the Group for borrowed money evidenced by promissory notes or other instruments, (ii) all financial obligations of any other person guaranteed by the Group, (iii) all financial obligations of any other person secured by a security upon or in property owned by the Group, whether or not the Group have assumed or become

liable for the payment of such financial obligations, and (iv) capitalized lease obligations of the Group which are capitalized in accordance with PFRS.

The carrying amount of the loan from the 2016 NFA as of December 31, 2020 and 2019 amounted to $21.0 million and $23.2 million, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2020 and 2019.

21.02.04 2018 Note Facility Agreement (NFA)

On April 12, 2018, the Parent Company entered into a $40.0 million NFA with BPI and RCBC (each a "Noteholder" and collectively, the "Noteholders"), RCBC Trust and Investments Group (Facility and Paying Agent) and RCBC Capital Corporation (Issue Manager). The NFA provided for the conversion of the outstanding balance of the Parent Company's short-term bridge loan facilities with the Noteholders amounting to $20.0 million each Noteholder into long term credit facilities. The NFA provided for the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used to refinance the bridge loan facilities used to acquire the 100% ownership of Quintel.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in twenty-four (24) equal consecutive quarterly commencing at the end of the 1st year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding on issue date shall be paid in a single balloon payment at maturity date.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem, in whole or in part, equivalent to an amount not less than and in multiples of $ 5,000,000 on any interest payment date beginning on the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption is due to: (i) interest costs or (ii) illegality. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not at any time, exceed 70:30;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.15; and
- current ratio shall not at any time, be less than 1.10.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Group Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the result obtained by dividing (i) EBITDA and (ii) the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments for: (a) interest and principal payments due under the Agreement in the next twelve (12) months; (b) the principal and interest payments due in the next twelve (12) months of all interest

bearing debt with tenor of more than twelve (12) months, and (c) netting obligations of the issuer due in the next twelve (12) months under permitted hedging arrangements, if applicable.

The carrying amount of the loan from the 2018 NFA amounted to $37.0 million and $38.4 million as of December 31, 2020 and 2019, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2020 and 2019.

21.02.05 CATS

In 2012, CATS obtain a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in twenty-eight (28) quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three (3) month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan as disclosed in Note 15. The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

The loan contract gives the Group an option to prepay the loan in part or in full, subject to the Group giving the creditor at least thirty (30) days advance notice of its intention to make such prepayment counted from the date of receipt by the creditor of such written notice.

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4.7 million.

CATS is in compliance with the debt covenants as of December 31, 2020 and 2019.

21.02.06 Quintel USA

Long-term debt amounting to $540,000 and $540,000 as of December 31, 2019 and 2018 pertains to a term note payable to a state development corporation accruing interest monthly through July 2021. The agreement includes a Convertible Loan Principal Reduction feature providing that if Quintel achieves annual minimum full-time permanent employment targets through 2021, as defined in the loan agreement, the principal is reduced by 20% at each annual measurement date. The first measurement date was amended to June 30, 2015. The note bears interest at 3.0% per annum.

The loan agreement does not require Quintel USA to maintain any financial ratio, but instead comply with certain financial reporting requirements.

Quintel USA is in compliance with the financial reporting requirements as of December 31, 2020 and 2019.

In 2020, total availed long-term loan amounted to $748,700, while total payment amounted to $4,790,000.

Total finance costs (including amortization of deferred financing costs) amounted to $5,375,227, $2,779,588 and $2,781,763 in 2020, 2019 and 2018, respectively. In 2020, 2019 and 2018, finance cost paid amounted to $2,880,512, nil and $2,154,468, respectively.

Total finance costs accrued and paid for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to $5,375,227, $4,907,331, and $4,847,519 in 2020, 2019, and 2018, respectively.

The Group is in compliance with the debt covenants as of December 31, 2020 and 2019.

21. LEASE LIABILITIES

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Notes 22 and 26. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2020	2019	2020	2019
Not later than one year	$ 25,427	$ 23,265	$ 16,163	$ 14,767
Later than one year but not later than five years	102,037	407,465	83,206	315,328
Later than five years	391,360	120,874	365,515	162,983
	518,824	551,604	464,884	493,078
Discount	(53,940)	(58,526)	-	-
Present value of minimum lease payments	464,884	493,078	464,884	493,078
Current lease liabilities	301,901	330,095	301,901	330,095
Non-current lease liabilities	$ 162,983	$ 162,983	$ 162,983	$ 162,983

Movement in the lease liabilities is as follows:

	2020	2019
Balance, January 1	$ 493,078	$ 502,344
Lease payment	28,194	9,266
Balance, December 31	$ 464,884	$ 493,078

The Group is required to pay security deposit and advanced rental equivalent to one (1) month rent amounting to $1,939. These shall be applied to the last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract. Rental security deposits amounted to $1,402,342 and $1,157,496 as of December 31, 2020 and 2019, respectively, as disclosed in Note 10.

The Group used its incremental borrowing rate of 5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

The Group is compliant with the terms and conditions of the lease contracts.

22. RELATED PARTY TRANSACTIONS

Nature of relationship of the Parent Company and its related parties are disclosed below:

Related Party	Nature of Relationship
Cermerheus Holdings, Inc.	Ultimate Parent
Cemerton Inc. (CI)	Immediate Parent
Ceyon Holdings, Inc.	Under common key management
Cintek Holdings, Inc. (CHI)	Under common key management
Chemview Enterprises Ltd (CEL)	Under common key management
Stockholders	Key Management Personnel

22.01 Due from Related Parties

Details of due from related parties are as follows:

		2020		2019
Immediate parent	$	-	$	20,991,130
Under common key management		193,592		1,982,840
Balance at December 31	$	193,592	$	22,973,970

Balances of due from related parties as shown in the consolidated statement of financial position are summarized per category as follows:

22.01.01 Immediate Parent

Transactions with immediate parent are detailed as follows:

	December 31, 2020		December 31, 2019	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CI				
Assignment of liabilities	$ -	$ -	$ -	$ 20,982,321
Reimbursements	-	-	-	18,809
	$ -	$ -	$ -	$ 20,991,130

The following are the nature, terms and conditions:

a) Transactions with CI

On December 27, 2018, the Group and Cemerton, Inc. executed a Sworn Corporate Undertaking, whereby CI undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. CI undertakes to repay portion of the outstanding advances amounting to $5.0 million on or before May 31, 2019 and the remaining balance in 2019.

The amounts outstanding are non-interest bearing, unsecured and will be settled in cash. No guarantees have been received. No provisions have been made for credit losses in respect of the amounts owed by related party.

22.01.02 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows:

	December 31, 2020		December 31, 2019	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CHI				
Advances	$ -	$ -	$ -	$ 1,909,256
Ceyon				
Reimbursements	10,008	199,592	2,548	193,594
	$ 10,008	$ 199,592	$ 2,548	$ 1,992,840

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 $3.5 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 $8.8 million. The amount represents the abovementioned total liability of $3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to $3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of December 31, 2020 and 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 Ceyon

The Group also entered into an agreement with Ceyon starting January 1, 2011 to lease the land where Group's Building 2 is located. The agreement calls for an annual rental of P262,144 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 $0.01 million, $10,503 and $11,561 in 2020, 2019 and 2018, respectively.

22.02 Due to Related Parties

Balances of due to related parties as shown in the consolidated statement of financial position are summarized per category as follows:

22.02.01 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows:

	December 31, 2020		December 31, 2019	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CLC				
Rental	$ 39,155	$ 467,875	$ 11,858	$ 431,720
Canyon				
Rental	13,859	115,078	3,561	98,219
	$ 53,014	$ 582,953	$ 3,561	$ 529,939

The following are the nature, terms and conditions:

a) Transactions with CLC

The Group had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another twenty-five (25) years at the option of the Group. The lease agreement provided for an annual rental of $.15 Million subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2011, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of P0.84 Million ($0.01 Million) for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. The total rent expense charged to operations amounted to $0.01 million in both years.

d) Transactions with Cayon

The Group entered into an agreement with Cayon starting January 1, 2011 to lease the land where the Group's Building 2 is located. The agreement calls for a fixed annual rate of P.58 Million or $0.01 Million for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to $0.01 Million in both years. The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given.

22.02.02 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2020		December 31, 2019	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Stockholders Advances	$ -	$ 35,928	$ 35,928	$ 35,928

22.03 Remuneration of Key Management Personnel

Remunerations of key management personnel of the Group are detailed as follows:

	2020	2019	2018
Short-term	$ 1,788,483	$ 1,788,483	$ 2,017,640
Long-term	6,160	6,160	6,850
Balance at December 31	$ 1,794,643	$ 1,794,643	$ 2,024,490

On May 17, 2018, the Group extended loans to two key management personnel totaling to $1.5 million. Provided the executive is employed on August 4th of each year during the term of the note, 1/5th of the note is forgiven. If the executive is terminated for anything other than cause, as defined in the agreement, the remaining balance is forgiven.

The remunerations above include the carrying amount of the loan as of December 31, 2020 and 2019, amounting to $847,935 and $1,352,248, respectively, as disclosed in Notes 10 and 18.

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below is the disaggregation of the Group's revenue from contracts with customers in 2020, 2019 and 2018, respectively:

	2020	2019	2018
6 port antennas	$ 13,894,910	$ 13,774,254	$ 5,358,743
8 port antennas	10,995,245	19,242,837	26,874,102
New product	10,249,616	8,195,194	6,808,873
Multichips	7,516,411	8,110,854	11,043,990
Discrete	5,947,719	8,426,872	10,667,990
Dual and quad flat no-leads	4,535,365	5,001,100	6,386,814
Remec manufacturing services	4,326,585	5,729,194	4,122,599
Integrated circuits	3,259,032	6,078,549	7,568,714
Hermetics	2,145,934	1,328,190	1,764,468
12 port antennas	1,894,914	6,428,062	19,124,028
Indoor radio frequency unit	1,557,150	961,759	1,781,608
Brackets	429,204	486,838	1,034,534
Cougar	357,147	211,164	142,754
Outdoor unit	125,347	120,114	1,667,913
10 port antennas	73,752	171,075	244,681
Bridgewave	9,273	11,794	345,598
Others	1,780,485	1,841,069	129,324
	$ 68,907,159	$ 80,118,715	$ 106,474,893

The Group has no contract assets as of December 31, 2020 and 2019.

The Group's contract liabilities pertain to advance payments from customers amounting to $37,962 and $1,807,952 as at December 31, 2020 and 2019, respectively, as disclosed in Note 19. Contract liabilities as at January 1, 2018 were recognized as revenue in 2018.

24. COST OF SALES

Components of cost of sales account are as follows:

	2020	2019	2018
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 9)	$ 25,926,859	$ 34,159,682	$ 53,980,162
Salaries, wages and employees' benefits (Note 27)	9,420,010	8,460,859	12,691,030
Depreciation and amortization (Notes 15, 16 and 17)	6,647,115	5,275,072	5,208,430
Inward freight and duties and others	3,965,014	4,234,641	6,148,510
Utilities	3,243,462	3,970,816	4,466,332
	$ 49,202,459	$ 57,091,070	$ 84,624,337

25. OPERATING EXPENSES

The account is composed of the following expenses:

	2020	2019	2018
Salaries, wages and employees' benefits (Note 27)	$ 3,752,752	$ 3,782,002	$ 7,579,136
Commissions	896,204	1,022,826	1,324,413
Utilities	495,906	993,787	486,766
Professional fees	953,427	965,897	2,308,451
Transportation and travel	107,882	595,526	752,810
Depreciation and amortization (Notes 15, 16 and 17)	884,284	436,614	651,094
Taxes and licenses	411,891	362,061	417,296
Provision for estimated credit losses (Note 8)	-	250,000	250,000
Entertainment, amusements and recreation	178,339	189,833	198,932
Insurance	100,761	142,563	184,756
Supplies	17,800	23,971	346,036
Provision for probable losses (Note 19)	-	-	151,840
Others	(510,822)	1,080,058	966,879
	$ 7,038,003	$ 9,844,980	$ 15,587,401

Professional fees pertain to retainer's fee, legal fees and consultancy fees.

Other expenses pertain to repairs and maintenance and bank charges.

26. LEASE AGREEMENTS

The Group has leases for its land. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group's sales) are excluded from the initial measurement of the lease liability and asset.

26.01 The Group as a Lessee

26.01.01 Cirtek Land Corporation

The Group entered into a lease agreement with Cirtek Land Corporation (CLC), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,674 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of $12,189 for a period of 16 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $1,016. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

26.01.02 Cayon Holdings, Inc.

The Group entered into a lease agreement with Cayon Holdings, Inc (Cayon), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,064 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CHI to lease the land where Building 2 is erected. The agreement calls for a fixed annual rate of $11,075 for a period of 5 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $923. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

Rental security deposits amounted to $1,248,654 and $1,157,496 as of December 31, 2020 and 2019, respectively, as disclosed in Note 10.

As of December 31, 2020 and 2019, the Group's ROU asset amounted to $443,009 and $490,807, respectively, as disclosed in Note 17.

Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as follows:

	2020	2019
Current	$ 301,901	$ 330,098
Non-current	162,983	162,983
	$ 464,884	$ 493,078

27. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

	2020	2019	2018
Short-term benefits (Note 27.01)	$ 12,762,274	$ 13,351,657	$ 20,067,554
Retirement benefits (Note 27.02)	221,824	317,749	329,485
	$ 12,984,098	$ 13,669,406	$ 20,397,039

27.01 Short-term benefits

Short-term benefits as disclosed in Notes 25 and 26 comprised of:

	2020	2019	2018
Salaries, wages and other labor costs	$ 11,006,291	$ 10,043,282	$ 16,679,530
SSS, PHIC and HDMF contributions	1,756,983	3,308,375	3,388,024
	$ 12,762,274	$ 13,351,657	$ 20,067,554

27.02 Retirement Employee Benefits

27.02.01 Defined Benefit Plan

CEC has a funded, noncontributory defined benefit retirement plan administered by the Board of Directors while CATS - Philippine Branch has an unfunded and non-contributory defined benefit retirement plan, with both entities covering all regular employees. Retirement benefits costs are determined in accordance with an actuarial study and are based on the employees' years of service and monthly basic salary. CEIC has not established a retirement plan while the Parent Company and RBWRP have no employees.

Under the existing regulatory framework, R.A. 7641 requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

27.02.01.01 Retirement benefit costs

Below are the summarized components of retirement benefit costs recognized in consolidated statements of comprehensive income:

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Current service cost	$ 187,190	$ 74,027	$ 261,217
Net interest cost	99,530	(138,823)	(39,293)
	$ 286,720	$ (64,796)	$ 221,924

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Current service cost	$ 142,464	$ 59,331	$ 201,795
Net interest cost	108,920	7,034	115,954
	$ 251,384	$ 66,365	$ 317,749

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Current service cost	$ 156,742	$ 47,681	$ 204,423
Net interest cost	96,549	6,132	102,681
Effect of asset ceiling	-	22,381	22,381
	$ 253,291	$ 76,194	$ 329,485

27.02.01.02 Retirement benefit obligation

Below are the summarized components of retirement benefit obligation recognized in consolidated statement of financial position:

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 3,528,100	$ -	$ 3,528,100
Fair value of plan assets	(780,543)	-	(780,543)
	$ 2,747,557	$ -	$ 2,747,557

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 2,544,100	$ 214,912	$ 2,759,012
Fair value of plan assets	(704,243)	-	(704,243)
	$ 1,839,857	$ 214,912	$ 2,054,769

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 1,852,493	$ 143,445	$ 1,995,938
Fair value of plan assets	(440,876)	-	(440,876)
	$ 1,411,617	$ 143,445	$ 1,555,062

27.02.01.03 Present value of the defined benefit obligation

Changes in the presented value of the defined benefit obligation are as follows:

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	$ 2,544,100	$ 214,912	$ 2,759,012
Current service cost	187,190	74,027	261,217
Interest cost (income)	131,696	(138,923)	(7,227)
Remeasurement gains	385,411	(35,011)	350,400
Benefits paid from working capital	(209,817)	-	(209,817)
Benefits paid from plan assets	(22,623)	-	(22,623)
Translation difference	153,772	-	153,772
	$ 3,169,729	$ (115,005)	$ 3,054,724

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	$ 1,852,494	$ 143,444	$ 1,995,938
Current service cost	142,464	59,331	201,795
Interest cost	142,938	7,316	150,254
Remeasurement gains	(21,639)	4,822	(16,817)
Benefits paid	(153,028)	-	(153,028)
Transfer of employees	495,881	-	495,881
Translation difference	84,990	-	84,990
	$ 2,544,100	$ 214,913	$ 2,759,013

27.02.01.04 Fair value of plan assets

Changes in the fair value of plan assets of CEC are as follows:

	2020	2019
Opening fair value of plan assets	$ 617,893	$ 440,877
Interest income included in net interest cost	32,166	34,018
Remeasurement losses	(115,003)	(41,036)
Contribution paid	119,258	184,975
Past service cost	(22,623)	-
Benefits paid	-	(21,639)
Translation difference	34,047	107,048
	$ 665,538	$ 704,243

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.

27.02.01.05 Remeasurement losses (gains)

Details of the remeasurement losses (gains) in other comprehensive income are as follows:

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in financial assumptions	$ 2,462,799	$ (40,904)	$ 2,272,271
Experience adjustments		4,870	
Remeasurement losses on plant assets		(155,493)	
	$ 2,462,799	$ (191,527)	$ 2,272,271

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in assumptions	$ 513,458	$ 4,822	$ 518,280
Experience adjustments	(17,576)	-	(17,576)
Remeasurement losses on plant assets	41,036	-	41,036
	$ 536,918	$ 4,822	$ 541,740

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in assumptions	$ (320,676)	$ (21,657)	$ (343,090)
Experience adjustments	(100,479)	18,771	(84,004)
Changes in demographic assumptions	62,453	7,054	69,655
Remeasurement losses on plant assets	128,226	-	124,032
	$ (230,476)	$ 4,168	$ (233,407)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020		2019	
	CEC	CATS – Philippine Branch	CEC	CATS – Philippine Branch
Discount rate	3.70%	3.50%	5.10%	5.10%
Expected rate of salary increase	3.00%	2.00%	3.00%	2.00%

The sensitivity analysis of the defined benefit obligation of changes in the weighted principal assumption for 2019 and 2018 are as follows:

	2020		2019	
	Impact on Defined Benefit Obligation			
	Change in Assumption	Increase in Assumption	Change in Assumption	Decrease in Assumption
CEC				
Discount rate	+1.00%	$ (315,405)	+1.00%	$ (235,320)
	-1.00%	374,269	-1.00%	277,610
Expected rate of salary increase	+1.00%	373,092	+1.00%	280,804
	-1.00%	(320,228)	-1.00%	(241,894)
CATS – Philippine Branch				
Discount rate	+1.00%	$ (4,696)	+1.00%	$ (4,696)
	-1.00%	5,377	-1.00%	5,377
Expected rate of salary increase	+1.00%	16,562	+1.00%	16,562
	-1.00%	(15,313)	-1.00%	(15,313)

29. INCOME TAXES

29.01 CEC

On March 24, 1996, the Philippine Economic Zone Authority (PEZA) approved CEC's registration as an ecozone export enterprise at the Laguna Technopark for the manufacture of standard integrated circuits, discrete, hybrid and potential new packages.

Beginning October 30, 2002, the manufacture and export of integrated circuits, discrete and hybrid transferred to PEZA from Board of Investments (where originally registered) and became subject to the 5% gross income tax incentive, as defined under R.A. No. 7916, the law creating the PEZA.

29.02 CATS - Philippine Branch

CATS - Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeter wave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

As a PEZA-registered entities, CEC and CATS - Philippine Branch are entitled to tax incentives equivalent to 5% of the gross income earned on its registered activities after the Income tax holiday (ITH) of four years.

Details of provision for (benefit from) income tax are as follows:

	2020	2019	2018
Current	$ 496,594	$ 720,640	$ 884,352
Deferred	(51,659)	(330,172)	567,239
	$ 446,935	$ 390,468	$ 1,451,591

The provision for current income tax in 2020, 2019 and 2018 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

Based on the National Internal Revenue Code Sec 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Group is subject to MCIT beginning 2015.

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate is as follows:

	2020	2019	2018
Income tax at applicable statutory rate	$ 2,252,747	$ 885,233	$ 1,092,528
Tax effects of:			
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for no deferred income tax assets were recognized	1,812,884	268,577	548,566
Taxable income subject to ITH		(264,669)	(230,729)
Non-taxable income	(4,661,823)	(55,629)	(45,420)
Income subject to higher tax rate	(21,724)	19,767	64,450
Other taxable income subject to 5%		(2,034)	(3,947)
Nondeductible expenses	74,294	(190,596)	9,551
Translation difference and others	1,617	(284)	65,203
	$ 448,805	$ 380,488	$ 1,491,591

In 2020, 2019 and 2018, CATS - Philippine Branch has availed ITH for certain product lines. Total gross income for the registered activities of CATS - Philippine Branch under ITH in 2018 amounted to $6.5 million, $5 million, and $4.6 million, respectively.

The components of the net deferred income tax assets and liabilities of the Group as of December 31 are as follows:

28.03 Net deferred income tax assets

	2020	2019
Deferred income tax assets recognized in profit or loss:		
Fair value adjustment on nonfinancial assets	$ -	$ 151,980
Retirement benefit obligation	329,361	146,905
Other financial asset at amortized cost	-	3,215
	$ 329,361	$ 302,110
Deferred income tax liabilities recognized in profit or loss:		
Effect of foreign exchange differences between tax base and financial base	-	(2,173)
Unrealized foreign exchange gains	-	(16,133)
	$ -	$ (18,306)
Deferred income liability related to retirement benefit obligation recognized in other comprehensive income	-	(26,946)
	$ 329,361	$ 256,858

29.0d Net deferred income tax assets

	2020	2019
Deferred income tax assets (liabilities) recognized in business combination:		
Intangible assets	$ (7,204,421)	$ (7,204,421)
NOLCO	3,528,204	3,528,204
Accrued expenses	88,137	88,137
	$ (3,588,080)	$ (3,588,080)
Deferred income tax assets (liabilities) recognized in profit or loss:		
Net fair value gain on change in fair market value of investment properties	(323,496)	(551,038)
Unrealized foreign exchange loss	-	-
	$ (323,496)	$ (551,038)
	$ (3,913,575)	$ (4,141,118)

The following are the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized as the Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized:

	2020	2019
NOLCO	$ 1,322,486	$ 2,584,703
Unrealized gross profit	-	1,918,247
MCIT	8,438	261,642
Unrealized foreign exchange losses	1,319,008	245,193

Deferred income tax asset on MCIT amounting to $0.3 million is not recognized in 2020 and 2019. Management believes it is not probable that sufficient future taxable profits will be available against which the MCIT may be applied. MCIT incurred in 2018 can be utilized until 2021.

The undistributed retained earnings of foreign subsidiaries for which no deferred income tax liability was recognized amounted $10.0 million as of December 31, 2020 and 2019.

As of December 31, 2020, the Group and RBWRP incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2018	$ 1,196,292	$ -	$ -	$ 1,196,292	$ -	2020
2019	856,786	-	-	-	856,786	2022
2020	1,154,584	-	-	-	1,154,584	2025
	$ 3,207,662	$ -	$ -	$ 1,196,292	$ 2,011,370	

RBWRP

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2017	$ 3,282	$ -	$ -	$ 3,282	$	2020
2018	1,759	-	-	-	1,759	2021
2019	2,432	-	-	-	2,432	2022
2020	1,430	-	-	-	1,430	2025
	$ 8,903	$	$ -	$ 3,282	$ 5,621	

The Bureau of Internal Revenue (BIR) has recently issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

Quintel USA

As of December 31, 2020 and 2019, Quintel USA incurred NOLCO that can be claimed as deduction from future taxable income amounting to nil and $23.2 million, respectively.

	NOLCO	DTA	Expiration
Quintel USA	$ 32,764,855	$ 6,880,620	2027 to 2037

CEIC and CATS are exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

Changes in Legislation

United States of America (US)

The Group is subject to income taxes in the U.S. owing to Quintel USA. The Tax Act was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

Philippines

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax laws and includes several provisions that will generally effect businesses on a prospective basis, Management assessed that the same did not have any significant impact on the consolidated financial statement balances as of balance sheet date.

30. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2020	2019	2018
Net income	$ 6,597,212	$ 9,421,881	$ 8,334,245
Adjustment on dividends declared:			
Preferred A shares	(8,537)	(8,537)	(8,400)
Preferred B-1 shares	(89,280)	-	(81,377)
Preferred B-2 shares	(4,103,750)	(3,077,912)	(4,103,750)
Net income attributable to common shareholders of the Group	$ 2,395,645	$ 6,335,132	$ 4,140,718
Weighted average number of ordinary shares for the purposes of basic earnings per share	419,063,353	419,063,353	392,979,673

The Group's earnings per share are $0.0057, $0.0015, and $0.0110 in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the Group has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Group as adjusted with the effects of shares held by a subsidiary.

31. FAIR VALUE MEASUREMENTS

31.01 Fair Value of Financial Assets and Liabilities

As of December 31, 2020 and 2019, the carrying value of the Group's financial assets and liabilities, excluding financial assets at FVOCI because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables, short-term loans, dividend payables, due to related parties and deposits

The carrying amounts approximate fair value since these are mostly short-term in nature or due and demandable.

Financial assets at FVTPL - UITF

The investments in Unit Investment Trust Fund classified as financial asset at FVTPL are stated at their fair value based on lowest level input (Level 2).

Investment Properties

The fair value of the investment properties is determined by a Philippine SEC-accredited independent appraiser using the market data approach, a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors.

Other financial statements at amortized cost

The fair value of financial assets at amortized cost that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date or last trading day as applicable (Level 1).

Miscellaneous deposits and loans to payable

The miscellaneous deposits are carried at cost since the timing and related amounts of future cash flows cannot be reasonably and reliably estimated for purposes of establishing its fair value using an alternative valuation technique.

Long-term debt

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rate used was 7.5% in 2020 and 2019 (Level 3).

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial asset at FVPL	$ -	$ 3,378	$ -	$ 3,378
Financial assets measured at fair value:				
Financial asset at amortized cost	$ 466,055	$ -	$ -	$ 466,055
Long-term debt	-	-	58,430,485	58,430,485

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial asset FVTPL	$ -	$ 494	$ -	$ 494
Financial assets measured at fair value:				
Financial asset at amortized cost	$ 458,873	$ -	$ -	$ 458,873
Long-term debt	-	-	62,480,320	62,480,910

32. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these consolidated financial statements is to support the Group's operations. The Group has various other financial instruments such as trade and other receivables, due from related parties rental deposits and loans to employees (presented as part of other current assets), miscellaneous deposits (presented under other noncurrent assets), trade and other payables, amounts due to related parties and derivative liability which generally arise directly from its operations.

32.01 Credit Risk Management

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and foreign currency risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit items are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For cash in bank and cash equivalents, other receivables, due from related parties, rental deposits, loans to employees and miscellaneous deposits, the Group applies the low credit risk simplification where the Group measures the ECL on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other counterparties to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers its cash in banks and cash equivalents as high grade since these are placed in financial institutions of high credit standing. For other receivables, amounts owed by related parties various deposits, loans to employees, the Group considers this as high to medium grade as the counterparties are of high credit standing. Accordingly, ECLs relating to those debt instruments round to nil.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measures ECLs. The provision rates are based on days past due for groupings of customers segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

In its ECL model, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic products
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of receivables increase.

On the other hand, the Group considers its amounts owed by related parties as medium grade due to assured collectability through information from the related parties' sources of funding. No ECLs relating to these debt instruments was recognized.

The aging per class of financial assets and expected credit loss as of December 31, 2020 and 2019 are follows:

December 31, 2020:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Has Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents	₱ [illegible]	₱ -	₱ -	₱ -	₱ [illegible]
Trade and other receivables		-	[illegible]	[illegible]	[illegible]
Due from related parties	[illegible]	-	-	-	[illegible]
Other current assets:				-	
Rental deposits	[illegible]	-	-	-	[illegible]
Loans to employees	[illegible]	-	-	-	[illegible]
Security deposit	[illegible]	-	-	-	[illegible]
Other financial assets at amortized cost	[illegible]	-	-	-	[illegible]
Miscellaneous deposits	[illegible]	-	-	-	[illegible]
	₱ [illegible]	₱ -	₱ [illegible]	₱ [illegible]	₱ [illegible]

*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, 2020.

	Trade receivables and other receivables Days past due						
	Current	<30 days	31-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	14.28%	
Estimated total gross carrying amount at default	12,132,254	[illegible]	13,437,407	[illegible]	[illegible]	[illegible]	[illegible]
Expected credit loss	$-	$-	$-	$-	-	$241,[illegible]	$241,[illegible]

December 31, 2019:

		12-Month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Not Credit Impaired		Simplified Approach		Total
Amortized cost										
Cash and cash equivalents*	$	15,354,711	$	-	- $	-	$	-	$	15,354,[illegible]
Trade and other receivables		-		-	-	741,012		43,749,775		43,749,775
Due from related parties		23,873,930		-	-	-		-		23,873,930
Other current assets								-		
Rental deposits		1,187,[illegible]		-	-	-		-		1,187,[illegible]
Loans to employees		821,206		-	-	-		-		821,[illegible]
Security deposits		182,[illegible]		-	-	-		-		182,[illegible]
Other financial assets at amortized cost		[illegible]		-	-	-		-		[illegible]
Miscellaneous deposits		171,[illegible]		-	-	-		-		171,[illegible]
	$	[illegible]	$	-	- $	741,012	$	43,749,775	$	[illegible]

**Excludes cash on hand*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2019.

	Trade receivables and other receivables Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	[illegible]	
Estimated total gross carrying amount at default	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expected credit loss	$-	$-	$-	$-	$-	$241,[illegible]	$[illegible]

Expected credit loss rate on the Group's cash on hand and cash equivalents approaches zero.

December 31, 2020:

		Past due					
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks	31,[illegible]	-	-	-	-	-	31,[illegible]
Trade and other receivables	12,132,214	23,[illegible]	13,407,407	1,907,[illegible]	5,978,426	(741,[illegible])	[illegible]
Due from parties	[illegible]	-	-			-	[illegible]
Other Current assets:							
Financial asset at FVTPL	934	-	-	-	-	-	874
Rental deposit	1,221,[illegible]	-	-	-	-	-	1,221,[illegible]
Loans to employees	344,070	-	-	-	-	-	344,070
Security Deposits	182,[illegible]	-	-	-	-	-	182,[illegible]
Other financial asset at amortized cost	456,055	-	-	-	-	-	456,055
Other noncurrent assets:		-	-	-	-	-	-
Loans to employees	154,728	-	-	-	-	-	154,728
Miscellaneous deposits	177,[illegible]	-	-	-	-	-	177,[illegible]
Others	74,[illegible]	-	-	-	-	-	74,[illegible]
	46,[illegible]	23,[illegible]	13,407,407	1,907,[illegible]	5,978,426	(741,[illegible])	91,[illegible]

December 31, 2019

		Past due					
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	
Cash in bank and equivalents	515,354,463	-	-	-	-	-	515,354,463
Trade and other receivables	25,[illegible]	1,[illegible]	1,976,532	2,279,[illegible]	12,427,342	(741,012)	[illegible]
Due from related parties	22,[illegible]	-	-	-	-	-	22,[illegible]
Other Current assets:							
Financial asset at FVTPL	494	-	-	-	-	-	494
Rental deposit	1,157,[illegible]	-	-	-	-	-	1,157,[illegible]
Loans to employees	621,[illegible]	-	-	-	-	-	621,[illegible]
Security deposits	182,[illegible]	-	-	-	-	-	182,[illegible]
Other financial asset at amortized cost	456,873	-	-		-	-	456,873
Other noncurrent assets:							
Loans to employees	731,[illegible]	-	-	-	-	-	731,[illegible]
Miscellaneous deposits	171,[illegible]	-	-	-	-	-	171,[illegible]
	[illegible]	31,[illegible]	61,976,532	62,279,[illegible]	512,427,342	(741,012)	[illegible]

The tables below summarize the credit quality per class of the Group's financial assets that are either past due nor impaired:

December 31, 2020

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	31,836,938	$ -	$ -	531,836,938
Trade and other receivables	12,132,214	-	-	12,132,214
Due to related parties		193,592	-	193,592
Other Current assets:				
Rental deposit	1,221,835	-	-	1,221,835
Loans to employees	344,070	-	-	344,070
Security Deposit	182,587	-	-	182,587
Other financial assets at amortized cost	456,055	-	-	456,055
Other noncurrent assets:				
Loans to employees	154,726	-	-	154,726
Miscellaneous deposits	177,909	-	-	177,909
Others	74,056			74,056
	46,580,380	193,592	$ -	546,773,981

December 31, 2019

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	$ 15,354,463	$-	$-	$ 15,354,463
Trade and other receivables	25,818,637	-	-	25,818,637
Due to related parties	- -	22,973,970	-	22,973,970
Other Current assets:				
Rental deposit	1,157,496	-	-	1,157,496
Loans to employees	621,206	-	-	621,206
Security Deposit	182,482	-	-	182,482
Other financial assets at amortized cost	456,873	-	-	456,873
Other noncurrent assets:				
Loans to employees	731,043	-	-	731,043
Miscellaneous deposits	171,205	-	-	171,205
	$ 44,495,406	$ 22,973,970	$-	$ 67,469,375

High grade – These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Medium grade – These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay and that have history of sliding beyond the credit terms but pay within 60 days.

Low grade – These are receivables where the counterparty's capability of honoring its financial obligation is doubtful.

Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risk may result from a counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financing, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The table below summarize the maturity analysis of the Group's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

December 31, 2020

	On Demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
December 31, 2020					
Cash and cash equivalents	$ 31,837,180	$ -	$ -	$ -	$ 31,837,180
Trade and other receivables	12,132,214	44,522,565	-	-	56,654,779
Due from related parties	193,592	-	-	-	193,592
	$ 44,162,986	$ 44,522,565	$ -	$ -	$ 88,685,551
Trade and other payables:					
Trade payables	$ 10,068,862	$ -	$ -	$ -	$ 10,068,862
Accrued expense	-	1,962,157	-	-	1,962,157
Short-term loans*	-	86,039,148			86,039,148
Due to related parties	618,881	-	-	-	618,881
Dividend payable	126,955	-	-	-	126,955
Long-term debts*	-	8,113,098	25,017,387	25,300,000	58,430,485
	$ 10,804,698	$ 96,114,401	$ 25,017,387	$ 25,300,000	$ 157,236,476

December 31, 2019

	On Demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
December 31, 2019					
Cash and cash equivalents	$ 15,354,711	$ -	$ -	$ -	$ 15,354,711
Trade and other receivables	25,818,637	17,931,138	-	-	43,749,775
Due from related parties	22,973,970	-	-	-	22,973,970
	$ 84,147,318	$ 17,931,138	$ -	$ -	$ 82,078,456
Trade and other payables:					
Trade payables	$ 8,373,400	$ -	$ -	$ -	$ 8,373,400
Accrued expense		8,377,928	-	-	8,377,928
Short-term loans	-	64,899,593	-	-	64,899,593
Due to related parties	566,867	-	-	-	566,867
Dividend payable	20,601	-	-	-	20,601
Long-term debts	-	13,251,824	25,410,090	38,538,246	77,200,160
	$ 8,959,868	$ 84,329,345	$ 25,410,090	$ 38,538,246	$ 157,237,549

Foreign currency risk

The Group uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2020 and 2019:

US Dollars

	December 31, 2020			
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	₱	684,664,068	$	14,257,003
Financial asset at amortized cost		21,936,440		456,790
Other current assets		329,523,253		6,861,780
Other noncurrent assets		6,411,485		133,509
Total Financial Assets		1,042,535,246		21,709,082
Financial Liabilities				
Trade and other payables		103,627,699		2,157,876
Borrowings		2,000,000,000		41,646,711
Total Financial Liabilities		2,103,627,699		43,804,587
Net Financial Liabilities	₱	(1,061,092,453)	$	(22,095,505)

	December 31, 2019			
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	₱	15,370,490	$	592,791
Financial asset at amortized cost		25,000		494
Other current assets		75,634,372		1,493,717
Other noncurrent assets		6,240,523		123,245
Total Financial Assets		97,270,385		2,210,247
Financial Liabilities				
Trade and other payables		82,080,100		1,621,015
Net Financial Assets	₱	15,190,285	$	589,232

US Dollar

	December 31, 2020				
	Foreign currency Appreciates by	Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$ 6,569,683	-5%	$	(6,569,683)
Peso denominated liabilities	+5%	(13,256,306)	-5%		13,256,306
		$ (6,686,623)		$	6,686,623

	December 31, 2019				
	Foreign currency Appreciates by	Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$ (110,512)	-5%	$	110,512
Peso denominated liabilities	+5%	81,051	-5%		(81,051)
		$ (29,461)		$	29,461

The change in currency rate is based on the Group's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Group's equity other than those already affecting income before tax.

33. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's manages its capital structure, which pertains to its equity as shown in the consolidated statement of financial position, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2020.

The Group considers the following as capital:

	2020	2019
Common Stock	$ 9,594,321	$ 9,594,321
Preferred Stock	3,032,140	2,615,995
Additional paid-in-capital	120,053,514	100,469,659
Equity reserve	4,030,214	4,030,214
Other comprehensive income	1,365,256	(906,979)
Retained earnings	28,144,471	26,467,617
Parent company shares held by a subsidiary	(24,786,482)	(27,753,126)
	$ 141,433,496	$ 114,517,705

As of December 31, 2020 and 2019, the Group is subject to quantitative loan covenants and financial ratios on its long term debts.

As of December 31, 2020 and 2019, the Group was able to meet its capital requirements and management objectives.

34. EQUITY

Components of capital stock are as follows:

		2020		2019		2018
Common shares	$	9,594,321	$	9,594,321	$	9,594,321
Preferred shares		3,032,140		2,616,995		2,616,995
Additional Paid-in Capital		120,053,514		100,469,659		100,469,659
	$	132,679,975	$	112,679,975	$	112,679,975

24.01 Common Shares

Shown below are the details of common shares as of December 31, 2020, 2019 and 2018:

	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Common shares, ₱1.00 par value	520,000,000	₱ 520,000,000	520,000,000	₱ 520,000,000	520,000,000	₱ 520,000,000
Issued and fully paid						
Common shares	419,063,353	9,894,321	419,063,353	9,894,321	419,063,353	9,894,321
Balance, December 31	419,063,353	₱ 9,894,321	419,063,353	₱ 9,894,321	419,063,353	₱ 9,894,321

On November 19, 2011, the Group listed with the PSE its common stock, wherein it offered 42,183,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million (₱295.1 million). The Group incurred transaction costs incidental to the IPO amounting to ₱47.3 million ($1.1 million), which was charged against "Additional paid-in capital" in the 2011 consolidated balance sheets. As of December 31, 2011, the Group's has 182,183,000 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 18, 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 19, 2014, the stockholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 28, 2014, to be distributed on August 20, 2014.

On March 24, 2015, the BOD also declared a ten (10%) stock dividend. On May 12, 2015, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of May 26, 2015, to be distributed on June 18, 2015.

On March 24, 2015, the Group's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock by P160,000,000 or from P400,000,000 divided into 400,000,000 common shares with a par value of P1.00 per share, to P560,000,000 divided into 520,000,000 common shares with a par value of P1.00 per share and 400,000,000 preferred shares with a par value of $0.10 per share.

The BOD also authorized the Group to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

On July 22, 2015, the Philippine SEC approved the Group's application to increase its authorized capital stock.

On November 4, 2015, the Group's FOO was completed. The Group issued 80,000,000 new shares at issue price of P20 per share for a total amount of $34.2 million. The Group incurred transactions costs incidental to FOO amounting to $1.2 million which was charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

On October 24, 2016, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by P 1,440,000,000 or from P560,000,000 divided into 520,000,000 common shares with a par value of P1.00 per share and 400,000,000 preferred shares with a par value of P0.10 per share ("Preferred A" shares), to P 860,000,000 divided into 520,000,000 common shares with a par value of P1.00 per share and 700,000,000 preferred shares classified into "Preferred A shares "with a par value of P0.10 per share, and P270,000,000 worth of new preferred shares classified into "Preferred B shares", with par value P1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Group's BOD. On the same date, the Group's BOD, by majority vote, approved the declaration of ten percent (10%) stock dividend for each of the 419,063,353 issued and fully paid common shares, and 400,000,000 issued and fully paid preferred shares of the Corporation. To date the shareholders have not approved and ratified the said declaration.

On May 26, 2017, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to: i) determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Group will be implemented; and (ii) the manner by which the increase in the authorized capital stock will be subscribed and paid for, such as, but not limited to, a private placement transaction or public offering. The BOD was also granted authority to issue in one or more series the new preferred shares and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the new preferred shares.

The Group's application to increase its authorized capital stock, which was approved by Philippine SEC on September 29, 2017, did not include increase in authorized capital stock on common shares. In 2018 collection of subscription agreement amounted to $578,882.

On July 18, 2018, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by P 150,000,000 by increasing the authorized: (1) common stock by P120,000,000; and (ii) preferred A stock by P40,000,000. Furthermore, the par value of the common shares was reduced from P1.00 to P0.50 per share.

On September 7, 2018, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD.

As of December 31, 2018, the Group's BOD is in the process of filing applications and documents as may be necessary to amend the articles of incorporation and to implement and give effect to the foregoing resolution.

As of December 31, 2018 and 2017, the Group has a total number of 26 and 25 stockholders, respectively.

In 2018, CEC acquired a total of 102,018,859 common shares of the Group for P2.3 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 "due from related parties" account. Management inadvertently included the disposals of shares held by Cameron, its immediate Group, amounting to $4.5 million (equivalent to 11,872,566 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	$	(4,519,053)
Decrease in Group shares held by a subsidiary		4,519,053
Consolidated statement of changes in equity:		
Sale by subsidiary of Parent Company's shares held by a subsidiary	$	4,519,053

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 32,152,544 Group shares for P1.2 billion ($19,795,320).

In 2019, CEC acquired parent company shares amounting to $940,448.

In 2020, CEC sold parent company shares amounting to $2,966,636.

The Board of Directors of TECH, in its special meeting held on September 28, 2020, approved the following:

1. The amendment of Article Fourth of the Articles of Incorporation on corporate terms from 50 years to perpetual term;

2. The amendment to the increase in the Authorized Capital Stock and the delegation to the Board of Directors of (i) the manner by which the proposed increase in the Authorized Capital Stock 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 or rights offering;
3. The approval to offer to all eligible stockholders of record of the Corporation, as of the date to be set by its management in accordance with existing law and regulations (the 'Record Date'), rights to subscribe (the "Rights Offer") to the common shares of the Corporation (the 'Rights Shares') with a bonus detachable warrant for each Rights Share (the 'Detachable Warrant'), subject to: (i) the approval of the increase in the Corporation's authorized capital stock; (ii) the registration or exemption requirements, whichever may be applicable, of the Securities and Exchange Commission ('SEC'); and (iii) the listing requirements of the Philippine Stock Exchange ('PSE').
4. The approval of the authority of any one (1) of the Chairman of the Board, the President, the Chief Financial Officer, and/or other senior officers of the Corporation to fix the terms and conditions of the Rights Offer, including, but not limited to, the final issue size which shall be up to 250,000,000 common shares, the entitlement ratio, the offer price, the payment terms, the terms of the Detachable Warrant including the exercise price, the procedure for lodging the application to subscribe, the details and procedures for the various rounds of offer including the treatment of rump shares, as applicable, the Record Date and other relevant dates, and other terms, without the necessity of obtaining further approval from the stockholders and Board of Directors.
5. The approval of the holding of the Special Stockholders' Meeting on November 27, 2020 with the Record Date on October 29, 2020 which will be conducted by videoconferencing.

As of December 31, 2020 and 2019, the carrying value of Group shares held by a subsidiary amounted to $24,786,492 and $27,753,128, respectively.

24.02 Preferred Shares

Details of Group's redeemable preferred shares are as follows:

	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Preferred shares A, P0.10 par value	700,000,000	₱ 70,000,000	700,000,000	₱ 70,000,000	700,000,000	₱ 70,000,000
Preferred shares B-1, P1.00 par value	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Preferred shares B-2, P1.00 par value	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid						
Preferred shares A	700,000,000	946,863	700,000,000	946,863	700,000,000	946,863
Preferred shares B-1	70,000,000	342,599	70,000,000	342,599	70,000,000	342,599
Preferred shares B-2	67,000,000	1,326,733	67,000,000	1,326,733	67,000,000	1,326,733
Preferred shares B-2B	30,000,000	496,145	-	-	-	-
Balances, December 31	867,000,000	₱ 3,062,140	837,000,000	₱ 2,615,995	837,000,000	₱ 2,616,195

In 2015, the 400,000,000 preferred shares at par value of P0.10 were subscribed by Cameron, a principal shareholder of the Group.

On September 6, 2017, the Group's BOD, by majority vote, approved the amendment in the Group's articles of incorporation to increase the Group's authorized capital stock by ₱300,000,000 or;

a) from ₱580,000,000 consisting of:
   i. ₱520,000,000 worth of common shares divided into 520000000 common shares with par value of P1.00 per share, and
   ii. ₱60,000,000 worth of preferred shares divided into 40,000,000 Preferred A shares with par value of P0.10 per share,

b) to ₱ 880,000,000 consisting of:
   i. ₱820,000,000 worth of common shares divided in to 820,000,000 common shares with par value of P1.00 per share;

ii. ₱70,000,000 worth of preferred A shares divided into 70,000,0000 preferred A shares with par value of ₱0.10 per share; and

iii. ₱270,000,000 worth of preferred B shares with par value of ₱1.00 per share. The preferred B shares are further classified into the following series: (a) ₱70,000,000 worth of preferred B-1 shares, and (b) ₱20,0000,000 worth of preferred B-2 shares, both having a per value of ₱1.00 per share

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Cemerton at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Group recognized preferred stock and additional paid-in capital amounting to $0.1 million and $0.3 million, respectively, net of subscriptions receivable.

On September 29, 2017, the Philippine SEC approved the Group's application for the increase in authorized capital stock.

The features of the preferred A shares are full voting rights, one vote for each share; (ii) preferred non-cumulative cash dividends at the rate of 1% of their par value per year, with no participation in further cash dividends which may be declared and paid to the common shares or any other class or series of shares; and (iii) the same stock dividends which may be declared and paid to the common shares or any other class or series of shares.

On September 15, 2017 and November 9, 2017, the Group BOD approved the following features, rights and privileges of preferred B-2 shares:

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 8.125% of the issue price per year, at the discretion of the Group's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and referred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Group BOD, redeemable in whole and not in part, at the sole option of the Group at a price and at such time that the Group BOD shall determine 3;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Group, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Group are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Group is paid or distributed to the holders of other classes of shares.

On October 23, 2017 and November 8, 2017, the Group BOD approved the following features, rights and privileges of preferred B-1 shares:

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Group BOD, redeemable in whole and not in part, at the sole option of the Group at a price and at such time that the Group BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Group is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Group pursuant to the Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;
f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Group, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Group are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Group is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

On November 8, 2017, the PSE BOD approved the public offering of up to $200,000,000 preferred B-2 shares. A total of 140,000,000 preferred B-2 shares were offered to the public during the offer period.

On November 29, 2017, the Group's public offering was completed. The Group issued 67,000,000 preferred B-2 shares with par value of P1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Group recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively.

The Group incurred transaction costs incidental to FOO amounting to $1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to $324,856 recorded under "Accrued expenses and other payables" account.

In 2017, aggregate amount received from the issuance of preferred shares amounted to $67,489,141. Related stock issuance cost amounted to $775,635.

On December 8, 2017, the Group listed with the PSE its 67,000,000 preferred B-2 shares.

On July 18, 2018, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱ 40,000,000 The Group authorized the subscription by Cameron, Inc, to ₱40,000,000 of preferred A shares. Furthermore, the par value of the preferred A shares was reduced from ₱0.10 to ₱0.05 per share. On the same date, the Group's BOD approved by majority vote the reclassification of ₱100,000,000 preferred B-2 shares with a par value of ₱1.00 per share into ₱100,000,000 of a new class of shares denominated as preferred C shares, divided into 100,000,000 of ₱1.00 per share.

On September 7, 2018, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to determine and fix the terms and conditions of preferred C shares.

On December 13, 2018, Cameron, Inc. paid 25% of the additional subscription to preferred A shares amounting to ₱10,000,000 or $189,107. This amount was recorded as deposit for future stock subscription as of December 31, 2018.

In 2018, partial payment received from subscription receivable on preferred shares A amounting to $578,882.

As of December 31, 2020 and 2019, the Group has not yet secured a certificate of approval of increase of capital stock from the Securities Exchange Commission (SEC). Moreover, the application has not yet been presented to SEC, hence deposit for future stock subscription was classified as a liability. As of December 31, 2020 and 2019, deposit for future stock amounted to $189,107.

The Board of Directors, in its special meeting held on September 1, 2020, approved the following:

1. The designation of Subseries of Preferred B2 Shares Consisting of 33 Million Unissued Existing Preferred B2 Shares to be denominated as Preferred B2 Subseries B Shares and to denominate the Preferred B2 shares issued in 2017 consisting of 67 Million Preferred B2 Shares as Preferred B2 Subseries A Shares.
2. Approval of the Terms and Conditions of the Preferred B2 Subseries B Shares and the filing of Enabling Resolutions/Directors' Certificate with the Securities and Exchange Commission for the Preferred B2 Subseries B Shares.
3. The offer for sale or subscription of up to 33 Million of its Preferred B2 Subseries B Shares by way of private placement and offer to qualified buyers for an offer price of up to One US Dollar (USD1.00) per share, and the listing of such shares with the Philippine Stock Exchange.

On September 1, 2020, the Corporation disclosed that in its Special Meeting, the Board of Directors approved the following:

1. The designation of Subseries of Preferred B2 Shares Consisting of 33 Million Unissued Existing Preferred B2 Shares to be denominated as Preferred B2 Subseries B Shares and to denominate the Preferred B2 shares issued in 2017 consisting of 67 Million Preferred B2 Shares as Preferred B2 Subseries A Shares.
2. Approval of the Terms and Conditions of the Preferred B2 Subseries B Shares and the filing of Enabling Resolutions/Directors' Certificate with the Securities and Exchange Commission for the Preferred B2 Subseries B Shares.
3. The offer for sale or subscription of up to 33 Million of its Preferred B2 Subseries B Shares by way of private placement and offer to qualified buyers for an offer price

of up to One US Dollar (USD1.00) per share, and the listing of such shares with the Philippine Stock Exchange.

On October 7, 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.

The Board of Directors of TECH, in its special meeting held on November 10, 2020, approved the subscription by Cameron, Inc. of up to 33,000,000 Preferred B2 Subseries B Shares of the Company at the subscription price of One US Dollar (USD1.00) per share.

The Board of Directors of TECH, in its special meeting held on December 2, 2020, approved the setting of the Dividend Rate of the Preferred B2 Subseries B Shares to 6% per annum.

On December 21, 2020, the execution of the Subscription Agreement between Cirtek Holdings Philippines Corporation (the "Corporation" or "TECH") and Cameron, Inc. for the issuance of a total of 20,000,000,000 Preferred B-2 Subseries B Shares.

As of December 31, 2020 and 2019, the Group has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to nil and $0.1 million, respectively.

34.03 Retained Earnings

On January 29, 2016, the Group's BOD approved the declaration of cash dividends of $0.0050 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $2,100,000 for payment and distribution on February 29, 2016 to shareholders of record of February 12, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On June 9, 2016, the Group's BOD approved the declaration of cash dividends of $0.00382 per share for each of 419,063,353 fully paid and issued common shares and $0.000001 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,520,000, for payment and distribution on July 7, 2016 to shareholders of record of June 23, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 23, 2017 the Group's BOD approved the declaration of cash dividends of $0.00432 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,820,000, for payment and distribution on February 22, 2017 to shareholders of record of February 6, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 15, 2017 the Group's BOD approved the declaration of cash dividends of $0.004629 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $1,840,000, for payment and distribution on October 6, 2017 to shareholders of record of September 29, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Group's stockholders, unless received as cash dividends from the subsidiaries. On February 2, 2018, the Group's BOD approved the declaration of cash dividends of $0.004609 per share for each of 419,063,353 fully paid and issued common shares and $0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of $1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 27, 2018, the Group's BOD approved the declaration of cash dividend of P0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of P1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount remained unpaid as of December 31, 2018.

On the same date, the Group's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.

On June 4, 2018, the Group's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

a. June 8, 2018 to shareholders of record as of June 6, 2018
b. September 10, 2018 to shareholders of record as of September 6, 2018
c. December 10, 2018 to shareholders of record as of December 6, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 3, 2018, the Group's BOD approved the declaration of cash dividends of $0.0048 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 30, 2019, the Group's BOD approved the declaration of cash dividend to its equity holders for payment and distribution on the following dates:

Date of declaration	Record date	Payment date	Dividend per share	Shares outstanding	Total dividends
January 30, 2019					
Preferred B-2	March 6, 2019	March 8, 2019	$ 0.015313	67000000	$ 1,025,937.50
Preferred B-2	June 6, 2019	June 10, 2019	$ 0.015313	67000000	$ 1,025,937.50
Preferred B-2	September 5, 2019	September 9, 2019	$ 0.015313	67000000	$ 1,025,937.50
Preferred B-2	December 5, 2019	December 9, 2019	$ 0.015313	67000000	$ 1,025,937.50
					$ 4,103,750.00

On May 24, 2019 the Group's BOD approved the declaration of cash dividends to its equity holders, for payment and distribution on the following dates:

Date of declaration	Record date	Payment date	Dividend per share	Shares outstanding	Total dividends
May 24, 2019					
Common	June 11, 2019	June 28, 2019	$ 0.002366	419063353	$ 991,462.99
Common	November 11, 2019	November 29, 2019	$ 0.002386	419063353	$ 1,000,000.00
Preferred A	June 10, 2019	June 28, 2019	$ 0.000012	700000000	$ 8,537.01
					$ 2,000,000.00

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

In 2020, the Group's BOD approved the declaration of cash dividends to its equity holders:

Date of declaration	Date of record		Dividend per share	Shares outstanding		Total Dividends
2020						
February 17, 2020						
Preferred B-2	March 9, 2020	$	0.015313	67,000,000	$	1,025,936
Preferred B-2	June 8, 2020		0.015313	67,000,000		1,025,937
Preferred B-2	September 8, 2020		0.015313	67,000,000		1,025,938
Preferred B-2	December 9, 2020		0.015313	67,000,000		1,025,937
					$	$4,103,750
March 06, 2020						
Preferred B-1	March 9, 2020	$	0.06125	70,000,000	$	$8,637
March 06, 2020						
Preferred - A	March 8, 2020	P	0.000012196	700,000,000	P	4,287,500 (or $89,280)
July 17, 2020						
Common	August 11, 2020	$	0.001199	419,063,353	$	500,000

In 2020, 2019 and 2018, cash dividends paid amounted to $4,564,004, $5,863,974, and $7,841,801, respectively. Accordingly, as of December 31, 2020 and 2019, dividends payable amounted to $126,955 and $29,138, respectively.

Retained earnings include undistributed earnings amounting to $28.1 million, $26.2 million and $25.1 million as of December 31, 2020, 2019 and 2018, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2018 amounted to $3.6 million.

Retained earnings are further restricted for the payment of dividends to the extent of unrealized foreign exchange gains except those attributable to cash and cash equivalents, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2020 and 2019.

38. DISCONTINUED OPERATIONS

In 2019, Cirtek Group decided to discontinue Quintel Technology, Ltd. (Quintel UK) in line with the Group's strategy to focus all its operations in the US market and bring down its operating costs. Consequently, Quintel UK operations including all its assets and liabilities were transferred to Quintel USA and manpower reduction was implemented (See Note 3.03).

By end of January 2019, management thru its legal counsel in the UK filed for liquidation of Quintel Technology, Ltd. wherein the final settlement with the liquidators and third party creditors was reached in April 2020, in the amount of GBP1.9 million or an equivalent to $2.5 million.

On July 4, 2019, Telecom Quintel Mauritius, Ltd. (Quintel Mauritius), sales and administration office of Quintel group, has ceased its operation and registration in line with the Group's profit optimization strategy (See Note 3.03).

As a result of the liquidations of Quintel UK and Quintel Mauritius, assets and liabilities identified to these companies were classified as disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

A gain amounting to $13,730,096 was recognized in the discontinued operations. The amount is the sum of (1) $10,907,492 gain from the release of other net comprehensive income, (2) $3,599,742 of investment in subsidiary, and (3) $94,841 write-off of property, plant and equipment, and net of $871,789 additional expenses from the settlement.

The $10,907,492 million gain from the release of other comprehensive income pertains to cumulative foreign currency translation adjustment from translating the financial statements of Quintel UK and Quintel Mauritius to the presentation currency of Quintel Cayman, Ltd., its parent company. The $11 million resulted from multiple years effects of foreign exchange gain prior to acquisition in 2017. Prior to this consolidation, there was no movement in the OCI since acquisition on July 28, 2017.

In 2019, Quintel UK and Quintel Mauritius have no operations.

36. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2020		2019
Beginning balance, January 1	$	128,457,703	$	124,992,809
Changes from financing cash flows				
Proceeds from short-term loans		111,083,781		69,449,593
Effect of lease liability		(28,194)		493,078
Net movement of due to related party		53,014		(35,326)
Finance costs paid		(5,375,227)		(2,118,477)
Payment of cash dividends		(4,684,004)		(5,853,974)
Payment of long-term loans		(1,538,038)		-
Payment of short-term loans		(89,744,208)		(58,460,000)
Ending balance, December 31	$	138,344,907	$	128,457,703

37. CORRECTION OF PRIOR PERIOD ERROR

During the year, the Group learned that certain prior period errors, which arose from the adjustments on deferred tax on utilized NOLCO, fair value gain on land, and other comprehensive income on pension plan with aggregate amount of USD1,484,680, and the adjustment to dividends payable amounting to USD8,537 were inadvertently lodged as part of dividends declared in 2018.

The effects of the above adjustments in each line item and the consolidated statements of cash flows were shown below:

		As Previously Reported		Adjustment		As Restated
Dividends declared, 2018	USD	7,348,654	USD	(1,476,143)	USD	5,872,511
Dividends payable, December 31, 2018		20,601		8,537		29,138
Retained earnings, January 1, 2018		25,144,680		(1,484,680)		23,660,010

		As Previously Reported		Adjustment		As Restated
December 31, 2018						
Net cash used in operating activities	USD	(32,609,282)	USD	(1,484,680)	USD	(34,094,962)
Net cash from financing activities		34,577,624		1,484,680		36,062,304

38. EVENTS AFTER THE REPORTING PERIOD

On January 6, 2021, the Board of Directors passed resolutions approving anew the conduct of a Stock Rights Offering with issuance of bonus detachable warrants.

On January 22, 2021, Cirtek Electronics Corporation, a wholly-owned subsidiary of Cirtek Holdings Philippines Corporation, disposed 6,000,000 TECH shares at 6.84.

On January 20, 2021, the PSE approved the application for listing of its 20,000,000 U.S. Dollar Denominated Preferred B2-8 Shares issued to Cameron, Inc. by way of private placement. TECH has complied with all post-approval requirements for the listing of

the shares subject of the private placement transaction. TECH's Preferred B2-B Shares, with the stock symbol "TCB2B", will be listed on February 2.

The Board of Directors of TECH, in its regular meeting held on February 5, 2021, approved the following:

1. Filing of Registration Statement with the Securities and Exchange Commission in connection with the TECH's Stock Rights Offering with Detachable Warrants.
2. Setting of the 2021 Annual Stockholders' Meeting on May 28, 2021 with Record Date on 29 April 2021.
3. Approval of the change of the Stock Symbol in the Philippine Stock Exchange of the TECH's Preferred B-2 Subseries A Shares from "TECB2" to "TCB2A"

On February 5, 2021 through a Special Block Sales Cemarton, Inc. disposed Preferred B2 Subseries B Shares of 8,546,000 @ US$1.00 per share.

The Securities and Exchange Commission (the Commission) has issued on March 26, 2021 the Order of Registration and Certificate of Permit to Offer Securities for Sale to Cirtek Holdings Philippines Corporation in connection to the shelf-registration of Six Billion Pesos (Php6,000,000,000.00) worth of Commercial Paper (CPs), with an initial tranche of up to Two Billion Pesos (Php2,000,000,000.00) which is intended to be issued and then listed at the Philippine Dealing and Exchange Corp. on April 28, 2021. The succeeding tranches, if any, shall be issued within three (3) years from the date of effectivity of the Registration Statement.

39.01 Declaration of Cash Dividends

The Board of Directors of TECH, in its regular meeting held on 05 February 2021, approved the declaration of cash dividends on the following shares:

The Board of Directors of TECH, in its regular meeting held on 05 February 2021, approved the declaration of cash dividends on the following shares:

a. Preferred B-2 Subseries A Shares ("Preferred B-2A Shares"):

   Declaration of Cash dividend of US Dollars 0.015313 (US$0.015313) per share for each of the Sixty Seven Million (67,000,000) outstanding and issued Preferred B-2A shares amounting to an aggregate sum of US Dollars One Million Twenty Five Thousand Nine Hundred Thirty Seven and Fifty Cents (US$1,025,937.50), for each Dividend Period.

   The schedule of the payment and distribution of the cash dividends of Preferred B-2A shares shall be made to the entitled shareholders on the following dates:

   (i) March 8, 2021 to shareholders of record as of March 1, 2021;
   (ii) June 8, 2021 to shareholders of record as of June 1, 2021;
   (iii) September 8, 2021 to shareholders of record as of September 1, 2021; and
   (iv) December 9, 2021 to shareholders of record as of December 1, 2021.

b. Preferred B-2 Subseries B Shares ("Preferred B-2B Shares"):

   Declaration of cash dividend of US Dollars 0.015 (US$0.015) per share for each of the Twenty Million (20,000,000) outstanding and issued Preferred B-2B Shares amounting to an aggregate sum of US Dollars Three Hundred Thousand (US$300,000.00), for each Dividend Period.

The schedule of the payment and distribution of the cash dividends of Preferred B-2B shares shall be made to the entitled shareholders on the following dates:

(i) March 18, 2021 to shareholders of record as of March 5, 2021;
(ii) June 18, 2021 to shareholders of record as of June 4, 2021;
(iii) September 20, 2021 to shareholders of record as of September 6, 2021; and
(iv) December 20, 2021 to shareholders of record as of December 6, 2021.

c. Preferred A Shares

Declaration of cash dividend of Php0.007 per share for each of the Seven Hundred Million (700,000,000) issued and outstanding Preferred A shares amounting to an aggregate sum of Seven Hundred Thousand Pesos (Php700,000.00), for payment and distribution on March 8, 2021 to shareholders of record as of March 1, 2021.

d. Preferred B-1 Shares

Declaration of cash dividend of Php0.06125 per share for each of the Seventy Million (70,000,000) issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of Four Million Two Hundred Eight Seven Thousand Five Hundred Pesos (Php4,287,500.00) for payment and distribution on March 8, 2021 to shareholders of record as of March 1, 2021.

38.02 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax Incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

Accordingly, PAS 10, *Events after the Reporting Period,* identifies the enactment or announcement of a change in tax rates and laws after the end of the reporting period as an example of a non-adjusting event even if it has a retroactive effect. Therefore, the reduction in the rate has not been reflected in these financial statements.

The impact of the RA 11534 on the each of the component entity under the Group as at end for the year ended December 31, 2020, is presented below:

CHPC

	As at December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
Statement of Comprehensive Income			
Tax and licenses (percentage tax)	$ -	$ -	$ -
Current tax expense	8,438	(2,109)	6,329
Deferred tax expense (benefit)	-	-	-
Net income for the year	10,281,794	2,109	10,283,903
Statement of Financial Position			
Prepaid income tax	$ -	$ -	$ -
Deferred tax asset	-	-	-
Income tax payable	-	-	-
Deferred tax liability	-	-	-
Statement of Changes in Equity			
Reserves	$ -	$ -	$ -

GEC

	As at December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
Statement of Comprehensive Income			
Current tax expense	$ 15,976	$ (1,332)	$ 14,644
Deferred tax expense (benefit)	327,040	(98,112)	228,928
Net income for the year	3,126,124	99,112	3,293,236
Statement of Financial Position			
Deferred tax asset	$ 165,402	$ (27,567)	$ 137,835
Income tax payable	15,976	(1,332)	14,644
Deferred tax liability	(16,133)	(2,689)	(18,444)

RBW

	As at December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
Statements of Financial Position			
Deferred tax asset	₱ 1,695	₱ 282	₱ 1,413
Deferred tax liability	551,047	91,841	459,206

The CREATE Act has no impact on the income tax and deferred tax of CEIC and Quintel since both are foreign corporations, and has an immaterial impact on CATS – Philippine Branch.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 28, 2021.

RSBA R.S. BERNALDO & ASSOCIATES PKF

REPORT ON THE SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
116 East Main Avenue Phase V-SEZ
Laguna Technopark, Biñan, Laguna

We have issued our report dated April 28, 2021 on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as of and for the year ended December 31, 2020. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as a whole. The information in the index to the consolidated financial statements for the year ended December 31, 2020, which is not a required part of the consolidated financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**. The information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
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

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8539809
Issued on January 7, 2021 at Makati City

April 28, 2021

18/F Cityland Condominium 10 Tower 1
156 H.V. dela Costa Street, Ayala North,
Makati City, Philippines 1226

T: +632 8812-1718 to 24
F: +632 8813-6539
E: rsbassoc@rsbernaldo.com
W: www.rsbernaldo.com

BOA/PRC No. 0300
SEC Group A Accredited
BSP Group B Accredited
CDA CFA Accredited
IC Accredited

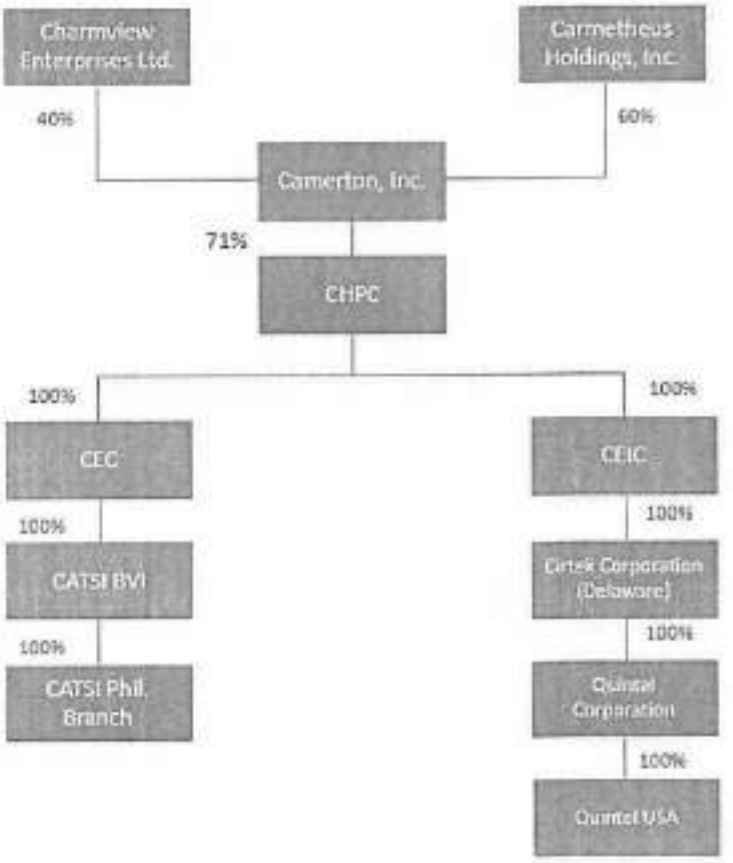
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule	Contents
Index to the Interim Condensed Consolidated Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	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
DECEMBER 31, 2020



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated retained earnings, beginning	$	1,882,140
Add net income actually earned during the period		10,281,794
Less cash dividends declared		4,661,821
Retained earnings available for dividend declaration	**$**	**7,502,113**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020 AND DECEMBER 31, 2019

	Ratios	Formula	December 30 2020	December 31, 2019
(i)	Current Ratio	Current Assets/Current Liabilities	1.46	1.49
(ii)	Debt/Equity Ratio	Bank Debts[1]/Total Equity	1.62	1.11
(iii)	Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	0.80	0.98
(iv)	Asset to Equity Ratio	Total Assets/Total Equity	2.19	2.33
(v)	Interest Cover Ratio	EBITDA/Interest Expense	3.66	4.06
(vi)	Profitability Ratios			
	GP Margin	Gross Profit/Revenues	0.29	0.28
	Net Profit Margin	Net Income/Revenues	0.10	0.11
	EBITDA Margin	EBITDA/Revenues	0.29	0.25
	Return on Assets	Net Income/Total Assets	0.02	0.03
	Return on Equity	Net Income/Total Equity	0.06	0.08

[1] Sum of short-term loans and long-term debts

[2] EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

[3] Based on balances as at December 31, 2020 and December 31, 2019

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

	Name of issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	$ 31,837,190	$ 31,837,190	$ 72,412
Trade and other receivables	N/A	56,654,779	$ 56,654,779	
Amounts owed by related parties	N/A	193,592	$ 193,592	
Other current assets:				
Financial asset at FVTPL	N/A	574	$ 574	
Rental deposits	N/A	1,221,835	$ 1,221,835	
Loans to employees	N/A	344,070	$ 344,070	
Security deposits	N/A	182,587	$ 182,587	
Other financial assets at amortized cost	N/A	458,055	$ 458,055	
Other noncurrent assets:				
Loans to employees	N/A	154,726	$ 154,726	
Miscellaneous deposits	N/A	177,909	$ 177,909	
Others	N/A	74,056	$ 74,056	
		$ 91,297,373	$ 91,297,373	$ 72,412

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

	Amounts owed by Related Parties					
Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company						
Cirmeton	$ 20,962,321	$ -	$ (20,962,321)	$ -	$ -	$ -
Related parties under common control						
Cirtek Holdings, Inc.	1,809,266	-	(1,809,266)	-	$ -	-
Cayan Holdings, Inc.	183,584	10,008	-	193,592	$ -	193,592
Cirmeton	18,809	-	(18,809)		$ -	-
TOTAL	$ 22,979,979	$ 10,008	$ (22,790,396)	$ 193,592	$ -	$ 193,592

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

Receivable from related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Quintel USA	$ 11,[illegible]		$ (4,273,[illegible])	$ 7,219,[illegible]	$ -	7,219,[illegible]

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amount written off	Current	Not Current	Balance at the end of the period
CHPC							
CEC	$ 45,[illegible]	$ 3,000,000			$ 48,[illegible]		$ 48,[illegible]
CBC	$ 21,[illegible]	$ 12,500,000			$ 33,[illegible]		$ 33,[illegible]
CATS	$ 32,272,[illegible]	$ 13,[illegible]	$ (1,[illegible])		$ 44,[illegible]		$ 44,[illegible]
Quintel	$ 10,000,000	$ [illegible]			$ 19,[illegible]		$ 19,[illegible]
Total	$ 109,[illegible]	$ 39,[illegible]	$ (1,[illegible])	$ -	$ 147,[illegible]	$ -	$ 147,[illegible]
CEC							
CHPC	$ 27,[illegible]		$ (1,[illegible])		$ [illegible]		$ 22,[illegible]
CATS	$ -	$ 5,000,000			$ 5,000,[illegible]		$ 5,000,[illegible]
Total	$ 27,[illegible]	$ 5,000,000	$ (5,[illegible])	$ -	$ 27,[illegible]	$ -	$ 27,[illegible]
CBC							
CHPC	$ 2,[illegible]	$ 5,000,000	$ (4,000,000)		$ 3,[illegible]		$ 3,[illegible]
CEC	$ 21,[illegible]	$ 4,[illegible]	$ (4,[illegible])		$ 21,[illegible]		$ 21,[illegible]
CATS	$ [illegible]	$ 22,[illegible]			$ 22,746,[illegible]		$ 22,[illegible]
Quintel	$ 82,[illegible]				$ 82,[illegible]		$ 82,[illegible]
Total	$ 106,[illegible]	$ 31,[illegible]	$ (8,[illegible])	$ -	$ 128,[illegible]	$ -	$ 128,[illegible]
CATS							
REW	$ [illegible]	$ 3,[illegible]		$ ([illegible])	$ [illegible]		$ [illegible]
Total	$ [illegible]	$ 3,[illegible]	$ -	$ ([illegible])	$ [illegible]	$ -	$ [illegible]
REW							
CATS	$ 18,[illegible]				$ 18,[illegible]		$ 18,[illegible]
Total	$ 18,[illegible]	$ -	$ -	$ -	$ 18,[illegible]	$ -	$ 18,[illegible]
TOTAL	$ 2[illegible]	$ [illegible]	$ (18,[illegible])	$ ([illegible])	$ [illegible]	$ -	$ [illegible]

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2020

	Intangible Assets - Other Assets					
Name and designation of debtor	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$ 56,641,157					$ 56,641,157
Product development cost	$ 4,540,810	$ 1,715,289	$ (787,967)		$ 183,736	$ 5,451,374
Customer relationships	$ 23,736,800					$ 23,736,800
Technology	$ 3,238,945		$ (1,174,926)		$ (183,736)	$ 1,880,289
Trademark	$ 2,472,800					$ 2,472,800
TOTAL	$ 94,719,712	$ 1,715,289	$ (1,962,893)	$ -	$ -	$ 94,072,121

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS OF DECEMBER 31, 2020

	Long-term Debt		
Type of issue and type of obligation	Amounts authorized by indenture	Amounts shown under caption "current portion of long-term" in related balance sheet	Amounts shown under caption "long-term debt" in related balance sheet
Notes payable	$ 58,430,485	$ 8,113,098	$ 50,317,387

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS OF DECEMBER 31, 2020

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
Not Applicable		

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF DECEMBER 31, 2020

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
Not Applicable				

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GROSS AND NET PROCEEDS BY A LISTED COMPANY WITH RECENT OFFERING OF SECURITIES (COMMERCIAL PAPER) TO THE PUBLIC

AS OF DECEMBER 31, 2020

1 Gross and net proceeds as disclosed in the final prospectus	
Gross	₱ 2,000,000,000.00
Net	₱ 1,979,584,751.00
2 Actual gross and net proceeds	
Gross	₱ 2,000,000,000.00
Net	₱ 1,939,157,118.00
3 Each expenditure item where the proceeds were used	
Working capital	₱ 668,810,838.00
Loans	₱ 1,054,675,247.00
CAPEX	₱ 214,671,033.00
4 Balance of the proceeds as of December 31, 2020	₱ -

SCHEDULE I

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS OF DECEMBER 31, 2020

	Capital Stock					
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common Stock	520,000,000	419,063,353	-	145,782,005	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	87,000,000	-	-	-	-

COVER SHEET

for

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7

Company Name

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town)Province)

116 EAST MAIN AVENUE, PHASE V SEZ, LAGUNA TECHNOPARK, BIÑAN LAGUNA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	STOCK ISSUER

COMPANY INFORMATION

Company's Email Address	Company's Telephone Numbers	Mobile Number
N/A	(632) 7729-6205	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
29	30-Jul	31-Dec

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Numbers	Mobile Number
Brian Gregory Liu	brian.liu@cirtek.ph	(632) 7729-6205	N/A

Contact Person's Address

116 East Main Ave., Phase V SEZ Laguna Technopark, Biñan Laguna

Note : 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/ or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein as of December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019 in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

R.S. Bernaldo & Associates and SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2019 and 2018, respectively, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinions on the fairness of presentation upon completion of such audit.

JERRY LIU
Chairman of the Board

JORGE AGUILAR
Vice- Chairman and President

BRIAN GREGORY LIU
EVP& Chief Financial Officer

Signed this 20th day of April 2020.

SUBSCRIBED AND SWORN to before me this MAY 2 6 2020, day of _____ 2020 affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

Name	CTC No.	Date of Issue	Place of Issue
JERRY LIU	CC202007557950	01/06/2020	City of Manila
JORGE AGUILAR	CC202007557955	01/06/2020	City of Manila
BRIAN GREGORY LIU	CC202007557946	01/06/2020	City of Manila

Doc. No. 591;
Page No. 119;
Book No. XII;
Series of 2020

Attv. Ma. [illegible]-Liu
[illegible]
Notary Public for the City of Sta. Rosa, Laguna
Until December 31, 2021
[illegible]
[illegible]

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
116 East Main Avenue, Phase V-SEZ
Laguna Technopark, Binan, Laguna

Opinion

We have audited the accompanying consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as of December 31, 2018, were audited by another auditor whose report dated May 3, 2019, expressed an unqualified opinion on those consolidated statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

The risk

In our view revenue recognition is significant to our audit since the Group is a profit-oriented business and a publicly-listed. The accounting policies for revenue recognition are set out in Note 4.

Our response

Our audit procedures relating to revenue recognition included: understanding the Group's revenue cycle, performing system documentation and walkthrough, testing of controls, performing cut-off tests, and tracing of invoice to records.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is **PERCIVAL R. DE GUZMAN.**

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

PERCIVAL R. DE GUZMAN
Partner
CPA Certificate No. 92437
SEC Group A Accredited
Accreditation No. 1411-AR-1
Valid until June 14, 2020
BIR Accreditation No. 08-006019-1-2017
Valid from August 7, 2017 until August 6, 2020
Tax Identification No. 195-606-180
PTR No. 8125458
Issued on January 6, 2020 at Makati City

April 20, 2020

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Comparative Figures as of December 31, 2018)
(In US Dollars)

	NOTES	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	7	16,384,711	17,443,001
Trade and other receivables – net	8	43,749,775	14,725,876
Inventories – net	9	36,841,095	28,303,008
Due from related parties	22	22,973,970	57,004,906
Other current assets	10	4,138,465	2,817,509
		123,088,016	120,094,299
Assets held for sale	13	10,605,040	-
		133,693,056	120,094,299
Non-current Assets			
Other financial asset at amortized cost	12	458,873	469,598
Investment properties	14	-	10,605,040
Property, plant and equipment – net	15	38,738,251	38,180,729
Intangible assets – net	16	94,319,719	93,083,644
Right-of-use asset – net	17	490,807	-
Deferred income tax assets – net	29	266,858	208,074
Other non-current assets	18	902,248	1,950,980
		133,167,856	144,475,065
TOTAL ASSETS		266,830,912	264,569,364
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	19	17,628,029	16,810,575
Short-term loan	20	64,599,583	53,710,000
Long-term debt – current portion	20	8,661,136	11,045,751
Due to related parties	22	585,867	601,193
Dividend payable	34	20,601	20,601
Lease liabilities – current portion	21	330,095	-
Deposit for future stock subscription	34	189,107	189,107
Income tax payable		288,125	458,785
		93,374,553	82,836,012
Non-current Liabilities			
Long-term debt – net of current portion	20	52,829,784	62,300,920
Lease liabilities – net of current portion	21	162,983	-
Retirement benefit obligation	27	2,054,769	1,555,062
Deferred income tax liabilities – net	29	4,141,118	4,090,991
		59,188,654	67,946,973
TOTAL LIABILITIES		152,563,207	150,782,985
STOCKHOLDERS' EQUITY			
Common Stock	34	9,594,321	9,594,321
Preferred Stock	34	2,615,995	2,615,995
Additional Paid-in Capital	34	100,469,659	100,469,659
Equity Reserve	34	4,030,214	4,030,214
Other Comprehensive Loss	27,34	(906,973)	(1,255,830)
Retained Earnings	34	26,217,617	26,144,690
Parent Company shares held by a subsidiary	34	(27,753,128)	(28,812,680)
TOTAL STOCKHOLDERS' EQUITY		114,267,705	113,786,369
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		266,830,912	264,569,354

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2019

(With Comparative Figures for the Years Ended December 31, 2018 and 2017)

(In US Dollars)

	NOTES	2019	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS	23	88,118,716	106,474,833	-
NET SALES		-	-	88,709,634
COST OF SALES	24	57,091,070	84,523,337	70,430,440
		23,027,646	21,950,496	18,279,194
OPERATING EXPENSES	25	8,944,960	15,587,401	12,214,356
FINANCIAL EXPENSE (INCOME)				
Finance costs	20	4,907,331	4,847,519	3,404,730
Finance income	7,12	(55,629)	(42,264)	(54,463)
OTHER INCOME – net	26	481,088	5,326,056	506,256
PROFIT BEFORE TAX		9,812,049	9,785,836	3,250,828
INCOME TAX	28	390,469	1,451,591	100,735
PROFIT		9,421,581	8,334,245	3,150,093
DISCONTINUED OPERATION	35	13,730,086	-	-
OTHER COMPREHENSIVE INCOME				
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:				
Remeasurement – net	27, 34	348,857	214,878	155,963
ITEM THAT WIL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:				
Fair value loss on financial assets measured at FVOCI	34	(2,453,633)	-	-
TOTAL COMPREHENSIVE INCOME		20,046,891	8,549,123	3,306,996
Basic Earnings per Share		0.0119	0.0110	0.0080

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2019
(With Comparative Figures for the Years Ended December 31, 2018 and 2017)
In US Dollars

	Note	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income/(Loss): Remeasurement	Other Comprehensive Income/(Loss): Net Changes in Fair Value of Equity Investment at FVOCI	Retained Earnings	Parent Company shares held by a subsidiary	Total
Balance at January 1, 2017		9,694,321	221,235	30,694,893	4,138,375	40,329	-	24,884,576	(49,566,536)	25,209,188
Profit								3,160,033		3,160,033
Other comprehensive income						165,963				165,963
Cash dividends declared	34							(3,351,762)		(3,351,762)
Issuance of preferred stock	34		1,615,874	60,673,267						62,489,141
Stock issue cost				(1,100,501)						(1,100,501)
Sale by subsidiary of Parent Company's shares					(108,161)					(108,161)
Balance, December 31, 2017, as previously reported		9,694,321	2,837,113	100,468,659	4,030,214	166,292	-	24,672,847	(49,866,535)	91,483,611
Sale by subsidiary of Parent Company's shares, as previously reported.									47,067,229	47,067,229
Effect of restatements									(4,518,053)	(4,518,053)
Balance, December 31, 2017, as restated		9,694,321	2,837,113	100,468,659	4,030,214	166,292	-	24,672,847	(7,017,350)	133,983,886
Profit								8,334,245		8,334,245
Other comprehensive income						114,578				114,578
Cash dividends declared	34							(7,862,402)		(7,862,402)
Issuance of preferred stock	34		578,882							578,882
Effect of PFRS 9							(1,667,000)			(1,667,000)
Acquisition of subsidiary of Parent Company's shares									(19,795,320)	(19,795,320)
Balance, December 31, 2018		9,694,321	2,615,995	100,468,659	4,030,214	111,170	(1,667,000)	25,144,690	(26,812,660)	158,789,389
Profit								8,421,661		8,421,661
Other comprehensive income						348,557				348,557
Cash dividends declared	34							(7,348,654)		(7,348,654)
Acquisition of subsidiary of Parent Company's shares									(940,448)	(940,448)
Balance, December 31, 2019		9,694,321	2,615,995	100,468,659	4,030,214	760,027	(1,667,000)	26,217,817	(27,763,128)	164,367,706

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(With Comparative Figures for the Years Ended December 31, 2018 and 2017)
(In US Dollars)

	NOTES	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		4,512,048	9,785,839	3,280,828
Adjustments for:				
Depreciation and amortization	24	9,599,974	6,960,524	4,126,012
Finance costs	20,21	4,607,821	4,647,519	3,404,730
Retirement benefit costs	28	317,748	(10,361)	245,280
Net unrealized foreign exchange losses (gains)		242,589	(31,799)	(49,619)
Finance income	7,12	(55,626)	(42,204)	(84,468)
Gain from discontinued operations	30	(13,730,056)	-	-
Loss on disposal of property, plant and equipment	15	-	10,589	-
Net gain on changes in FV of investment properties	24	-	(2,042,858)	-
Operating cash flows before changes in working capital		5,490,811	19,371,249	10,893,767
Decrease (increase) in operating assets:				
Trade and other receivables		(28,022,897)	10,893,587	14,083,141
Inventories		(6,539,090)	(1,696,925)	(13,685,238)
Other current assets		(1,550,958)	(156,058)	472,878
Increase (decrease) in trade and other payables		929,454	(22,814,088)	(183,086)
Cash from (used in) operations		(31,762,977)	5,596,768	11,861,642
Interest received		54,285	46,858	78,888
Income taxes paid		(881,390)	(856,090)	(616,191)
Net cash from operating activities		(32,409,582)	5,891,336	11,324,339
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	15	(3,169,953)	(9,501,832)	(6,863,215)
Product development costs	16	(1,678,947)	(1,617,281)	-
Goodwill	16	-	-	(81,303,212)
Proceeds from disposal of:		-		
Property, plant and equipment	15	-	280	-
Acquisition of asset at amortized cost		-	-	(460,563)
Redemption of assets at amortized cost		-	-	371,520
Decrease (increase) in other noncurrent assets		1,049,623	44,804	(784,094)
Net cash from (used in) investing activities		(3,868,277)	(10,074,029)	(87,719,865)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from:		-		
Availment of short-term loan	20	68,449,589	39,778,000	94,414,857
Issuance of stock		-	-	67,489,141
Common		-	-	-
Sale by a subsidiary of Parent Company's shares		-	-	42,441,016
Payments of:		-		
Cash dividends	24	(7,349,654)	(7,841,901)	(8,281,782)
Finance costs	20	(2,118,477)	(4,230,238)	(3,622,369)
Debt issuance costs	20	-	(300,274)	-
Long-term loan	20	-	(4,380,000)	(7,025,862)
Short-term loan	20	(56,460,000)	(10,109,088)	(92,000,714)
Stock issue cost		-	-	(775,436)
Acquisition by subsidiary of the Parent Company's shares	24	(840,448)	(19,785,320)	-
Collection of subscription receivable	24	-	678,882	-
Cash received as deposit for future stock subscription	24	-	189,107	
Net movement in amounts owed by and owed to related parties		23,889,610	(6,563,068)	(37,924,209)
Net cash from (used in) financing activities		24,577,634	(12,842,814)	58,432,374
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH		(259,759)	(54,329)	(25,804)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(12,089,290)	(16,779,736)	32,711,244
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,449,001	37,222,737	24,511,493
CASH AND CASH EQUIVALENTS AT END OF YEAR		15,354,711	17,443,001	37,222,737

See Notes to Consolidated Financial Statements

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
(With Comparative Figures as of and for the Years Ended December 31, 2018 and 2017)

1. CORPORATE INFORMATION

Cirtek Holdings Philippines Corporation (CHPC or the "Parent Company") was incorporated under the laws of the Republic of the Philippines on February 10, 2011. The principal activities of the Parent Company are to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities.

The Parent Company was listed in the Philippine Stock Exchange (PSE) on November 18, 2011.

Prior to the listing, the Parent Company had undergone a corporate re-organization on March 1, 2011 which includes an acquisition from Cirtek Holdings, Inc. (CHI) of 155,511,952 common shares of Cirtek Electronics Corporation (CEC), and 50,000 shares of Cirtek Electronics International Corporation (CEIC), representing 100% of the outstanding capital stock of both companies. The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method.

Cemarton, Inc. is the immediate parent of CHPC, while Cammetheus Holdings, Inc. is the ultimate CHPC and its subsidiaries (the "Group").

CHPC, through its subsidiaries CEC and CEIC, is primarily engaged in two major activities: (1) the manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services, and (2) the manufacture of value-added, highly integrated technology products. CEC provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users. CEIC sells integrated circuits principally in the United States of America, and assigns the production of the same to CEC. In 2014, CEIC acquired Remec Broadband Wireless Inc. (REWI or REMEC), renamed as Cirtek Advanced Technologies and Solutions, Inc. (CATS), a manufacturer of valued-added, highly integrated technology products. CATS offers complete "box build" turnkey manufacturing solutions to radio frequency, microwave and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

Incorporation of Cirtek Corporation and Cirtek Cayman Ltd. (CCL, Merger Subsidiary)

Cirtek Corporation was incorporated on July 7, 2017 under the laws of Delaware, USA, to engage in lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware. Cirtek Corporation is a wholly-owned subsidiary of CEIC.

In the same period, CCL was incorporated in the Cayman Islands. CCL is a wholly-owned subsidiary of Cirtek Corporation and was merged with Quintel Cayman Ltd. (Quintel) in accordance with the Agreement and Plan of Merger ("Agreement") between the Parent Company and the previous stockholders of Quintel.

Acquisition of Quintel

On July 28, 2017, the Parent Company's Board of Directors (BOD), approved the acquisition of Quintel and its subsidiaries for $83.2 million (see Note 5). Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

In accordance with the Agreement, CCL was merged with and into Quintel, with the latter surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from CHPC and Cirtek Corporation. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished, and be converted automatically into the right to receive a portion of the purchase price.

The Group believes that Quintel's cutting edge research and development and product capabilities significantly add to and complement the Group's growing portfolio in wireless communication, and is aligned with its business focus on high-growth market segments. Furthermore, being the strategic manufacturing partner of Quintel products places the Group in a unique situation to achieve significant synergies through value engineering, research and development collaboration as well as cost reduction, resulting in high-quality, reliable and cost-competitive products.

On August 4, 2017, the Assistant Registrar of Companies for the Cayman Islands issued a Certificate of Merger stating that the companies have merged effective on said date.

Commercial Papers

On February 19, 2020, the Securities and Exchange Commission (SEC) approved the ₱2,000,000,000 worth of Commercial Papers (CPs) of the Parent Company. On the following day, the CPs have been listed in the Philippine Dealing and Exchange Corporation. The CPs may be issued in lump-sum or in tranches as follows:

Series	Discount Rate	Tenor	Denomination
A	5.332%	91 days	Minimum of ₱5,000,000 face value and increments of ₱100,000
B	5.582%	182 days	Minimum of ₱5,000,000 face value and increments of ₱100,000
C	5.832%	364 days	Minimum of ₱500,000 face value and increments of ₱100,000

The proceeds will be used to refinance the existing debt of the Parent Company and finance working capital requirement.

The Parent Company is 77.93% owned by Cemerton, Inc., a domestic Corporation, 21.69% owned by Filipino individuals and 0.38% owned by foreign individuals.

The Parent Company's registered office address is at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

2.01 New and Revised PFRSs with Material Effect on Amounts Reported in the Current Year

PFRS 16 *Leases* has been applied in the current period and had materially affected the amounts reported in these financial statements. Details of other new and revised PFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.03.

- PFRS 16, *Leases*

  PFRS 16 replaces PAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019.

  The Group elected to apply this standard in accordance with modified retrospective approach. The details are provided in Note 36.

2.02 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendment clarifies that the exclusion of PFRS 9 applies only to interests a Group accounts using the equity method. A Group applies PFRS 9 to other interests in associates and joint venture, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

  The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  This amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

  The sign of prepayment amount is not relevant (i.e. this is depending on the interest rate prevailing at the time of termination), a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The amendments are effective for annual periods beginning or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement shall be determined using the assumptions used for the remeasurement. It clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

  The amendments are effective for annual periods beginning on or after January 1, 2019.

- Annual Improvements to PFRSs 2015-2017 Cycle

  <u>Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation</u> – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from 52A that deals only with situations where there are different tax rates for distributed and undistributed profits.

Amendments to PAS 23 - Borrowing costs eligible for capitalization – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective beginning on or after January 1, 2019.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  It clarifies the accounting for uncertainties in income taxes. An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

  An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

  An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2019.

2.03 New and Revised PFRSs in Issue but Not Yet Effective

The Group will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.03.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendments are effective beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

2.03.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

3.01 Statement of Compliance

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or amortized cost, investment properties carried at fair value, and non-current assets held for sale, which are stated at lower of carrying amount and fair value less costs to sell.

3.02 Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using United States Dollar ($), the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group chose to present its consolidated financial statements using its functional currency.

3.03 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its subsidiaries as of December 31, 2019 and 2018:

		Percentage of Ownership			
		2019		2018	
	Country of Incorporation	Direct	Indirect	Direct	Indirect
CSC	Philippines	100		100	
CSIC	BVI	100		100	
CATS	BVI		100		100
CATS - Philippine Branch	Philippines		100		100
RSW Realty and Property, Inc. (RSWRP)	Philippines		100		100
Circuit Corporation	United States of America		100		100
Quintel	Cayman Islands		100		100
Quintel Technology, Ltd.	United Kingdom		100		100
Quintel USA	United States of America		100		100
Telecom Quintel Mauritius, Ltd.	Republic of Mauritius		100		100

Telecom Quintel Mauritius, Ltd. and Quintel Technology, Ltd. are in the process of liquidation, as disclosed in Note 35.

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (its subsidiaries) up to December 31 of each year. Control is achieved when the Parent Company has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

At acquisition, the assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit and loss in the period of acquisition.

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction.

Upon the loss of control, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Group recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

3.04 Current and Non-Current Presentation

The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Business Combination

Business combination is a transaction or event in which an acquirer obtains control of one or more businesses. The Group accounts for each business combination by applying the acquisition method in accordance with PFRS 3. The Group elects to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about the facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration that is classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 (previously PAS 39) is measured at fair value with changes in fair value recognized either in profit or loss or other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

The Group recognizes goodwill as of the acquisition date as the excess of (a) and over (b) below:

a) The aggregate of:

   i. The consideration transferred, which is generally measured at acquisition-date fair value;

   ii. The amount of any non-controlling interest in the acquiree; and

   iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within the unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Common control combination is a business combination wherein the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

The Group applied pooling of interest method in accounting for common control business combinations. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated statement of financial position. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

4.02 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Group considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.03 Financial Assets

4.03.01 Initial Recognition and Measurement

The Group recognizes a financial asset in its consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Group measures receivables that do not have a significant financing component at their transaction price.

4.03.02 Classification

- Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  The Group's financial assets measured at amortized costs include cash and cash equivalents, trade and other receivables, amounts owed by related parties, rental deposit, loans to employees, security deposits presented under other current assets, other financial asset at amortized cost, and loans to employees and miscellaneous deposits presented under other non-current assets..

  a) Cash and Cash Equivalents

  Cash includes cash on hand and in banks. Cash in banks are deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

  Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

  b) Receivables

  Receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

➢ Financial Asset at Fair Value through Other Comprehensive Income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at financial asset at fair value through other comprehensive income pertains to an investment in unquoted equity shares.

The Group has no financial assets measured at fair value through profit or loss in both years.

4.03.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.03.02. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.03.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.03.05 Impairment

The Group shall measure expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopted general approach in accounting for impairment.

- General Approach

  The Group applied the general approach to cash and cash equivalents, other receivables, amounts owed by related parties, rental deposit, security deposits, other financial assets at amortized cost, and miscellaneous deposit. At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Group measures the loss allowance equal to 12-month expected credit losses.

  The Group compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

  The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

  The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

  If the Group has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

  The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

  The Group performs the assessment of significant increases in credit risk on an individual basis.

  The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

  - Significant financial difficulty of the counterparty; and
  - A breach of contract, such as a default or past due event.
  - The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
  - It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.03.06 Derecognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.03.07 Write-off

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.04 Inventories

Inventories includes raw materials, spare parts and other materials which are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined using first-in, first-out (FIFO) method. For finished goods and work-in-process, costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income. The amount of reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are used in operation or sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.05 Other Current Assets

4.05.01 Prepayment

Prepayment represent expenses not yet incurred, but already paid in cash. This is initially recorded as assets and measured at the amount of cash paid. Subsequently, this is charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayment is classified in the statements of financial position as current asset when the expenses related to prepayment are expected to be incurred within one (1) year or Group's normal operating cycle whichever is longer. Otherwise, prepayment is classified as non-current assets.

4.05.02 Advances to Suppliers

Advances to suppliers represents down payments for production materials that are still to be delivered. These are initially recorded as asset and will be subsequently reclassified to appropriate account once delivery is made.

4.06 Assets Held for Sale

Non-current assets and disposal groups are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell except for the following assets which shall continue to be measured in accordance with the corresponding standards:

- Non-current assets that are accounted for in accordance with the fair value model in PAS 40, *Investment Property*
- Deferred tax assets
- Assets arising from employee benefits
- Financial assets within the scope of PFRS 9, *Financial Instruments*
- Non-current assets that are measured at fair value less costs to sell in accordance with PAS 41, *Agriculture*
- Contractual rights under insurance contract as defined in PFRS 4, *Insurance Contracts*

4.07 Investment Properties

Investment properties, which are properties held to earn rentals is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Fair value is determined as disclosed in Note 14.

Land is not depreciated. Depreciation of building and improvements is computed using straight-line method based on the estimated useful life of twenty-five (25) years.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

The estimated residual value, useful life and depreciation method are reviewed at the end of each annual reporting period, with the effort of any changes in estimate being accounted for on a prospective basis.

Investment property is derecognized by the Group upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.08 Property, Plant and Equipment

Property, plant and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and improvements	5 to 25 years
Machinery and equipment	10 to 15 years
Facility and production tools	5 to 8 years
Furniture, fixtures and equipment	2 to 5 years
Transportation equipment	5 to 7 years

Construction in progress is a property under construction and development which is initially measured at cost. Cost includes construction costs, professional fees, borrowing costs, taxes and licenses and other expenses which are directly related with the construction of the project. Subsequently, upon completion, this will form part of property, plant and equipment and will be measured at cost less accumulated depreciation and accumulated impairment losses.

The residual value, useful lives and depreciation method of the Group's property, plant and equipment is reviewed, and adjusted prospectively if appropriate, if there is an indication of a change since the last reporting date.

An item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible asset with finite life is amortized over its economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each balance sheet date Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment can be supported. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset is identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contract legal" criterion)

The Group's intangible assets recognized from business combination pertain to customer relationship, trademark and technology. Trademark and customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing. The Group estimates that technology will have an economic life of 10 years.

4.09.01 Research and Development Costs

Research costs are expensed as incurred Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit, which is estimated to be five (5) to ten (10) years. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.10 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any of its assets other than financial assets that are within the scope of PFRS 9, *Financial Instruments,* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.11 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.12 Financial Liabilities and Equity Instruments

4.12.01 Financial Liabilities

4.12.01.01 Initial Recognition and Measurement

The Group recognizes a financial liability in its consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.12.01.02 Classification

The Group classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liabilities at amortized cost pertain to trade and other payables (except withholding taxes payable), short-term loans, long-term debts, dividends payable, due to related parties, and deposit for future stock subscription.

The Group does not have financial liabilities at fair value through profit or loss in both years.

4.12.01.03 Deposit for Future Stock Subscription

Deposit for future stock subscription is defined as a subscription agreement which, among other things, states that the Group is not contractually obliged to return the consideration received and that the Group is obliged to deliver fixed number of own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Deposit for future stock subscription is classified as equity if all the conditions required for such recognition have been met as of the end of the reporting period otherwise, if not, classified as liability.

Deposit for future stock subscription is classified as equity when all of the following conditions are met as of the end of the reporting date:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; and
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

4.12.01.04 Derecognition

The Group removes a financial liability (or part of a financial liability) from its consolidated statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.12.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct costs.

Ordinary shares are classified as equity.

4.13 Employee Benefits

4.13.01 Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages and other employee benefits.

4.13.02.01 Defined Benefit Plans

CEC and CATS are covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occure

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when reimbursement is virtually certain.

4.13.02.02 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group has a defined contribution plan covering substantially all employees of Quintel USA and Quintel Technology, Inc.

4.14 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Revenue Recognition

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.15.01 Performance Obligations Satisfied at a Point in Time

Revenue from sale of goods is recognized at a point in time when the goods have been transferred to the customer (i.e. upon delivery). The Group's normal credit term is 30 to 120 days upon delivery. Discounts, returns and other allowances are not significant to the Group.

The Group's revenue encompasses sale of semiconductor packages and solid-state devices.

4.15.02 Dividend and Finance Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.16 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the consolidated statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.17 Leases

The Group has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under PAS 17.

4.17.01 Accounting Policy Applicable from January 1, 2019

4.17.01.01 The Group as Lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Group assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Group measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Group depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

The Group has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

ROU asset is presented as a separate line item on the consolidated statement of financial position.

Lease Liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Group recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

Lease liabilities is presented as a separate line item on the consolidated statement of financial position.

4.17.02 Accounting Policy Applicable before January 1, 2019

4.17.02.01 Operating Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.18 Foreign Currency Transactions and Translation

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.19 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Group that is preparing its consolidated financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.20 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.20.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.20.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.20.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.20.04 Final Tax on Dividend

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. In many jurisdictions, this amount is referred to as a withholding tax. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.

4.21 Earnings per Share

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.22 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the consolidated financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to consolidated financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

5.01.01 Functional Currency

The Group determines its functional currency based on the economic substance of the underlying circumstances relevant to them. The US Dollar ($) is the currency that most faithfully represent the primary economic environment in which the Group operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Group. Hence, Management believes that US Dollar ($) is the Group's functional currency since it represents the economic substance relevant to the Group.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2019, 2018 and 2017, the aggregate amounts of the aforementioned assets amounted to $85,401,007 and $92,649,984, respectively, as disclosed in Note 32.

5.01.03 Assessment on the Bifurcation of Embedded Derivative

The Group determines whether the embedded derivative component of the Group's Note Facility Agreement (NFA) should be modified in relation to changes in a variable, such as an interest rate, commodity price, credit rating, or foreign exchange rate.

The Group assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9. As of December 31, 2019, 2018 and 2017, carrying amounts of long-term loans amounted to $62,480,920, $73,346,671 and $80,949,845, respectively, as disclosed in Note 20.

5.01.04 Assessment of 90 days Rebuttable Presumption

The Group determines when a default occurs on its financial assets based on the credit Management practice of the Group.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired or not is not applicable because based on the Group's historical experience past due amounts even over 90 days are still collectible.

5.01.05 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that the performance obligation is satisfied at point in time from the sale of its semiconductor and solid state devices.

In 2019 and 2018, revenue recognized from such sale amounted to ₱80,118,716, ₱106,474,833 and ₱88,709,634, respectively, as disclosed in Note 23.

5.01.06 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price is not applicable since the only obligation identified is the sale of semiconductor and solid state devices.

5.01.07 Determining Whether or not a Contract Contains a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Management assessed that they can make important decision about the use of the leased asset in the same way they can make decision about the use of asset on their own outright and met the criteria and conditions to be part of a lease hence, the Management believes that the contract conveys a lease. During the year, the Management assessed that contracts with Cirtek Land Corporation and Cayon Holdings, Inc. contains a lease, as disclosed in Note 26.

5.01.08 Estimating the Lease Term

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For contracts in place at the date of initial application, the Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

5.01.09 Reclassification from Investment Properties to Assets Held for Sale

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires entities to classify a noncurrent asset held for sale if its carrying amount will be recovered mainly through selling rather than through continuing use.

When Cirtek Electronics International Corporation (CEIC) acquired RBW Realty and Property, Inc. (RBWRP) and Cirtak Advanced Technologies and Solution, Inc – Philippine Brach (CATS), the manufacturing activities of CATS had been transferred to Cirtek Electronics Corporation (CEC) facility for operational efficiency measures. As a result, the investment properties and building improvements owned by the Company and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose these assets to interested buyers.

In 2018, the Management became less committed in its plan to sell the assets since offers received from prospective buyers are below the carrying amount of the assets and the Group is not willing to accept lower asking prices. As a result, the assets are reclassified as 'Investment Properties' as of December 31, 2018.

During the year, Management has already located buyers who are willing to buy the assets at sales price reasonable in relation to the fair value. It is highly probable that sale will be completed in the subsequent year.

As of December 31, 2019, the carrying amount of assets held for sale measured at fair value amounted to $10,605,040 which were presented as of December 31, 2018 as investment properties.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Expected Credit Losses of Financial Assets

The Group evaluates the expected credit losses related to its financial assets based on an individual assessment and available facts and circumstances, including, but not limited to historical loss experience and current and forecast macro-economic information.

The Group uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its bank deposits. In view of the foregoing factors, Management believes that the expected credit loss is nil.

The Group uses historical experience and current and forecast macro-economic information to assess the expected credit losses on its trade and other receivables and due from related parties. In view of the foregoing factors, Management believes that the expected credit loss on trade and other receivables and due from related parties is nil.

As of December 31, 2019 and 2018, the Group's financial assets measured at amortized cost amounted to $85,401,007 and $92,649,984, respectively, as disclosed in Note 32.

5.02.02 Estimating Inventories at Net Realizable Values

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

In 2019 and 2018, Management believes that the net realizable values of the inventories approximate their costs. Thus, no additional provision for obsolescence was recognized. In 2019 and 2018, the Group's obsolete inventories written off amounted to $924,262 and $689,767, respectively, as disclosed in Note 9. As of December 31, 2019 and 2018, carrying amount of the Group's inventories amounted to $36,841,095 and $28,303,005, respectively, as disclosed in Note 9.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property, Plant, Equipment

The residual values, useful lives and depreciation method of the Group's property, plant and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recognized operating expenses and decrease non-current assets.

The Group uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which a Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, it shall change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in the pattern used by the Group to consume assets' future economic benefits. As of December 31, 2019 and 2018, the carrying amount of property, plant and equipment amounted to $36,739,251 and $38,160,729, respectively, as disclosed in Note 15.

5.02.04 Reviewing Residual Values, Useful Lives and Amortization Method of Product Development Costs

The residual values, useful lives and amortization method of the Group's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible assets are available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

In both years, Management assessed that there were no significant changes on the estimates since the most recent annual reporting period. As of December 31, 2019 and 2018, the carrying value of product development cost amounted to $4,340,317 and $2,123,057, respectively, as disclosed in Note 16.

5.02.05 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), assets held for sale, property, plant and equipment, right-of-use asset, investment properties, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees), which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. In assessing value in use, the estimated future cash flows shall be discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), assets held for sale, property, plant and equipment, right-of-use asset, investment properties, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees). As of December 31, 2019 and 2018, the aggregate carrying amounts of the foregoing assets amounted to $144,331,604 and $143,411,045 respectively, as disclosed in Notes 10,13,14,15, 16, 17 and 18.

5.02.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

For the years ended December 31, 2019, 2018 and 2017, retirement benefits expense amounted to $317,749, $329,485 and $639,583 , respectively, as disclosed in Note 27. Retirement benefit obligation amounted to $2,054,769 and $1,555,062 as of December 31, 2019 and 2018, respectively, as disclosed in Note 27.

5.02.07 Deferred Tax Assets

The Group reviews the carrying amount at reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to its expiration. The Group has recognized net deferred income tax assets amounting to $256,958 and $205,074 as of December 31, 2019 and 2018, respectively, as disclosed in Note 29.

Moreover, the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized, as disclosed in Note 29, are as follows:

	2019	2018
NOLCO	$ 2,564,703	$ 7,681,943
Unrealized gross profit	1,918,247	1,986,262
MCIT	261,642	201,584
Unrealized foreign exchange losses	245,193	66,667

Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized.

5.02.08 Estimating the Appropriate Discount Rate to Use

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

Management used its incremental borrowing rate of 5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

5.02.09 Estimation of Fair Value of Investment Properties

The determination of the fair value of the investment properties are dependent upon certain approaches used by professional qualified independent appraisers who hold a recognized and relevant valuation license. Below are the approaches used based on the study made on April 22, 2018.

The fair value of the Company's investment properties, consisting of land, and building and improvements, was arrived at using Cost Approach. In this approach, the fair values of land and improvements are estimated separately. The value of the land is computed using the Market Approach and the value of the improvements is arrived at by computing the estimated replacement cost less estimated accrued depreciation. Based on the study, the Management reported fair value of the properties amounting to ₱10,606,040 as disclosed in Note 13.

Other financial information of the operating segments as of December 31, 2019 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	₱ 78,048,487	₱ 67,756,574	₱ 11,841,671	₱ (21,767,782)	₱ 133,908,950
Non-current assets	29,980,954	7,845,290	4,433,983	89,785,667	132,084,895
	₱ 106,018,451	₱ 75,631,864	₱ 16,275,654	₱ 68,017,885	₱ 265,943,755
Liabilities					
Current liabilities	₱ 79,583,886	₱ 17,091,057	₱ 16,587,559	₱ (18,912,561)	₱ 93,359,941
Non-current liabilities	54,569,174	896,008	360,000	8,673,470	99,165,652
	₱ 134,153,040	₱ 17,987,065	₱ 16,947,559	₱ (10,239,091)	₱ 192,648,613

For the year ended December 31, 2018:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	₱ 44,240,950	₱ 7,599,786	₱ 54,634,087	₱ -	₱ 106,474,833
Inter-segment	-	35,366,017	-	(35,366,017)	-
Total	₱ 44,240,950	₱ 42,965,613	₱ 54,634,087	₱ (35,366,017)	₱ 106,474,833
Segment depreciation and amortization	3,206,711	1,165,693	1,486120	-	5,860,524
Segment interest income	29,064	13,140	-	-	42,204
Segment interest expense	4,766,379	-	81,140	-	4,847,519
Segment profit (loss) before income tax	11,096,097	6,189,693	(684,778)	(6,815,376)	9,785,636
Segment provision for (benefit from) income tax	703,210	690,088	37,821	30,494	1,461,591
Segment profit (loss) after income tax	₱ 10,392,887	₱ 7,509,287	₱ (722,599)	₱ (6,845,870)	₱ 8,324,245

Other financial information of the operating segments as of December 31, 2018 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	₱ 124,850,608	₱ 46,770,966	₱ 17,004,639	₱ (68,631,914)	₱ 120,094,299
Non-current assets	39,417,569	18,590,853	2,971,351	83,496,482	144,476,055
	₱ 164,268,177	₱ 65,361,819	₱ 19,975,990	₱ 14,963,568	₱ 264,569,354
Liabilities					
Current liabilities	₱ 73,965,589	₱ 44,637,884	₱ 29,539,670	₱ (65,307,341)	₱ 82,836,012
Non-current liabilities	69,352,537	693,500	360,000	3,540,530	87,946,973
	₱ 137,318,126	₱ 45,331,700	₱ 29,899,670	₱ (61,766,711)	₱ 150,782,985

For the year ended December 31, 2017 (As restated):

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	₱ 43,282,804	₱ 25,695,362	₱ 18,731,368	₱ -	₱ 88,709,834
Inter-segment	-	18,972,071	-	(18,972,071)	-
Total	₱ 43,282,804	₱ 45,667,433	₱ 18,731,368	₱ (18,972,071)	₱ 88,709,834
Segment depreciation and amortization	2,886,683	816,010	123,775	489,550	4,126,018
Segment interest income	47,941	36,464	58	-	84,463
Segment interest expense	2,320,940	-	63,790	-	3,407,730
Segment profit (loss) before income tax	2,982,150	8,066,901	(4,230,097)	43,537,125)	3,250,829
Segment provision for (benefit from) income tax	441,476	96,213	8,675	(396,570)	109,794
Segment profit (loss) after income tax	₱ 2,510,674	₱ 8,029,688	₱ (4,239,772)	₱ (3,140,555)	₱ 3,140,035

Other financial information of the operating segments as of December 31, 2017 (As restated) is as follows:

	CEC	CATS -Philippine Branch	Quintal	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 117,099,488	$ 63,013,402	$ 24,158,971	$ (50,701,277)	$ 153,570,584
Non-current assets	29,389,777	6,407,914	574,332	92,135,507	128,507,540
	$ 146,489,265	$ 69,421,328	$ 24,733,303	$ 41,434,230	$ 282,078,124
Liabilities					
Current liabilities	$ 74,354,747	$ 47,913,288	$ 33,394,679	$ (46,592,536)	$ 108,070,178
Non-current liabilities	34,862,589	112,135	540,000	3,510,136	39,024,840
	$ 109,217,336	$ 48,025,423	$ 33,934,679	$ (43,082,400)	$ 148,095,038

Inter-segment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The operating income and profit before and after income tax for each operating segment includes net profit from inter-segment revenues aggregating to nil, $19 million and $35.4 million in 2019, 2019 and 2017, respectively, inter-segment cost of sales of nil, $33.4 million and $15.9 million in 2019, 2018 and 2017, respectively, and inter-segment operating expenses aggregating to $0.6 million, $0.5 million, and $0.6 million in 2019, 2018 and 2017, respectively.

The Group's external customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the USA. Following shows the distribution of external customers by revenue contribution (amounts in thousands):

	2019	2018	2017
USA	$ 40,519	$ 51,728	$ 55,801
Europe	15,266	35,336	22,307
Asia	24,334	19,411	10,602
	$ 80,119	$ 106,475	$ 88,710

7. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, in banks and cash equivalents.

Cash and cash equivalents at the end of the reporting periods as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2019	2018
Cash on hand	$ 248	$ 245
Cash in banks	15,354,463	17,439,717
Cash equivalents	-	3,039
	$ 15,354,711	$ 17,443,001

Cash in banks earn interest at prevailing deposit rates. Cash equivalents are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Group, and earns interest at the respective short-term deposit rates.

Aggregate finance income from cash equivalents amounted to $51,434, $30,581 and $49,564 in 2019, 2018 and 2017, respectively.

8. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables are as follows:

	2019	2018
Trade receivables	₱ 29,294,780	₱ 14,940,815
Less: Allowance for expected credit losses	(741,012)	(491,012)
	28,553,768	14,449,803
Others	15,196,007	276,075
	₱ 43,749,775	₱ 14,725,878

Trade receivables are non-interest and are generally on thirty (30) to one hundred twenty (120) days' terms.

The movements in the allowance for expected credit losses are as follows:

	2019	2018
Balance at January 1	₱ 491,012	₱ 241,012
Provision for expected credit loss (Note 25)	250,000	250,000
Balance at December 31	₱ 741,012	₱ 491,012

In 2018 and 2017, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer financial institution. In 2018 and 2017, sold its receivables amounting to $13.3 million and $11.7 million, respectively. Sale of receivables under this arrangement convey all rights to the financial institution without recourse at a discount of LIBOR plus 1.05%. Quintel USA incurred discounting fees and charges amounting to $61,800 and $71,963 pertaining to this arrangement in 2018 and 2017, respectively.

Others include accrued interest receivable from short-term deposits and nontrade receivable from suppliers which are expected to be collected within one year.

9. INVENTORIES – net

Details of the Group's inventories are as follows:

	2019	2018
Raw materials	₱ 13,299,410	₱ 9,814,321
Finished goods	11,217,838	12,812,535
Work-in-process	9,464,196	4,901,773
Spare parts and others	1,223,379	847,330
Supplies and others	1,646,272	944,214
	36,841,095	29,227,267
Less: Allowance for obsolescence	-	(924,262)
	₱ 36,841,095	₱ 28,303,005

The movements in the allowance for obsolescence are as follows:

	2019	2018
Balance at January 1	$ 924,262	$ 1,614,029
Write-off	(924,262)	(689,767)
Balance at December 31	$ -	$ 924,262

The cost of inventories charged to expenses amounted to $34,159,682, $53,980,162 and $44,347,102, in 2019, 2018 and 2017, respectively, as disclosed in Note 24.

10. OTHER CURRENT ASSETS

The details of the Group's other current assets are shown below:

	2019	2018
Prepaid expenses	$ 271,018	$ 389,399
Advances to suppliers	1,980,803	288,767
Rental deposit (Note 26)	1,157,496	1,142,374
Loans to employees (Note 22)	621,206	612,792
Security deposits	152,462	182,469
Others	26,380	1,757
	$ 4,138,465	$ 2,617,509

Loans to employees include loans extended to key management personnel as disclosed in Note 22.

Advances to suppliers pertain mainly to down payments for production materials and services that are still to be delivered.

Others include investment classified as financial asset at FVPL amounted to $494 and $476, as of December 31, 2019 and 2018, respectively.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OCI

Details of the Groups' financial asset at fair value through other comprehensive income:

	2019	2018
Balance at January 1	$ -	$ 1,667,000
Fair value changes recognized directly in equity upon adoption of PFRS 9	-	(1,667,000)
Balance at January 1, adjusted	-	-
Fair value changes recognized in other comprehensive income	-	-
Balance at December 31	$ -	$ -

The Groups' financial asset at FVOCI pertains to investment in an unquoted equity shares acquired at a cost of $1,667,000 in 2015. The financial asset is carried at cost amounting to $1,667,000 as of December 31, 2017 but has been revalued as of January 1, 2018 amounting to nil. The fair value of the financial asset is obtained through market comparable approach (Level 3).

There were no additions and disposals made in 2019 and 2018.

12. OTHER FINANCIAL ASSET AT AMORTIZED COST

Movement of the Groups' financial asset at amortized cost is as follows:

	2019	2018
Balance at January 1	$ 469,588	$ 480,563
Amortization of premium	(10,715)	(10,975)
Balance at December 31	$ 458,873	$ 469,588

In compliance with the Revised Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with the market values equivalent to a certain percentage of the amount by which CATS – Philippine Branch's income exceeds $0.1 million (₱5.0 million).

The Philippine SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

The Group's other financial asset at amortized cost pertains to government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation. The remaining bond will mature in 2021 and bears an effective interest rate of 1.948% per annum.

Interest income in 2019, 2018 and 2017 amounting to $4,195, $11,625 and $34,899, respectively, are presented as finance income in the consolidated statement of comprehensive income.

13. ASSETS HELD FOR SALE

Prior to reclassification of the Group's investment properties into assets held for sale, the carrying value of the investment properties amounted to $8,788,538, which was net of accumulated depreciation amounting to $1,079,896. The Group's investment properties consist of land, and building and improvements, costing $3,698,601 and $6,169,833, respectively.

On December 9, 2014, the Group's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS – Philippine Branch's operations. An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of $11,408,611 was classified as assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

The fair value of the assets held for sale was determined as the sum of:

1. Fair value of land computed using the Market Approach (Level 3); and
2. Fair value of building and building improvements, and machinery and equipment computed as Replacement Cost New less estimated accrued depreciation (Level 3).

The valuations were performed by the Philippine SEC-accredited independent appraiser as of December 31, 2017.

Market Approach is method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparable range from ₱125 to ₱150. Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

Replacement Cost New is estimated as follows:

- For building and improvements, the appraiser used the Comparative Unit Method. This method is derived by dividing the total known cost of similar buildings or structures by the total construction floor area of those structures, combining all the costs of a particular type and quality of structure into one value as a cost per square meter. The resulting benchmark costs are then adjusted to reflect the difference between the benchmark building and structures to the subject property in term of market conditions, locations and/or physical characteristics.

  Construction cost per square meter range from ₱308 to ₱411. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence.

  For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history is also considered.

Costs to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive the amount of fair value less costs to sell.

As of December 31, 2017, the carrying value of assets held for sale amounting to ₱11,408,611 lower than fair value less costs to sell.

In 2018, land and building with a total carrying value of ₱8.6million reclassified to investment properties as disclosed in Note 14 and building plant and machineries with a total carrying value of ₱2,846,227 were reclassified to property, plant and equipment. Management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, as disclosed in Notes 13 and 14. Depreciation recognized has the properties not been reclassified as non-current asset held for sale amounted to ₱0.5 million presented under "Operating expenses" in the consolidated statement of comprehensive income.

The most recent valuation of the Company's investment properties was performed on April 22, 2018 by Philippine SEC accredited independent appraiser. The valuation was arrived by reference to Market Approach method which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets.

In 2019, the Group reclassified land and building with a total carrying value of ₱10,605,040 presented as investment properties as assets held for sale. Management assessed that the sale of these properties is probable and will meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. As of December 31, 2019, and 2018, the Group's assets held for sale amounted to ₱10,605,040 and nil, respectively.

14. INVESTMENT PROPERTIES

As of December 31, 2019, and 2018, the Groups' investment properties amounted to nil and ₱10,605,040, respectively, as disclosed in Note 13. In 2019, 2018 and 2017, net gain on fair value measurement amounted to nil, ₱2,042,656 and nil, respectively, as disclosed in Note 28.

As of December 31, 2019, and 2018, the fair value of land and building are based on valuations performed by Philippine SEC-accredited independent appraiser. The valuation model in accordance with that recommended by the IVSC has been applied.

Market Approach is method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparable range from ₱130 to ₱240. Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis (Level 2).

The Group has no intentions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancement as of December 31, 2019.

In 2019 and 2018, there were no expenses incurred and income generated from the investment properties.

15. PROPERTY, PLANT AND EQUIPMENT – net

The carrying amounts of the Group's property, plant and equipment are as follows:

	Machinery and equipment	Building and improvements	Facility and production tools	Furniture, fixtures, and equipment	Transportation equipment	Construction in Progress	Total
January 1, 2018							
Cost	$ 55,071,722	$ 8,247,402	$ 9,979,138	$ 1,320,217	$ 171,177	$ -	$ 74,[illegible]
Accumulated depreciation	31,371,775	5,214,809	5,643,127	1,146,300	118,755	-	43,[illegible]
Carrying amount	23,689,947	3,032,693	4,336,011	173,917	91,422	-	31,293,890
Movements during 2018							
Balance, January 1, 2018	23,689,947	3,032,693	4,336,011	173,917	91,422	-	31,293,890
Cost:							
Additions	6,319,447	870,622	1,849,015	117,049	-	346,699	8,501,832
Reclassification from non-current asset held for sale	3,690,452	-	-		-	-	3,690,452
Reclassification due to change of use	(10,436)	-	-	10,436	-	-	-
Disposals	(15,000)	(7,827)	(86,636)	(124,149)	-	-	(233,612)
Accumulated Depreciation:							
Depreciation (Notes 24 and 26)	(2,895,760)	(499,642)	(889,879)	(168,310)	(16,940)		(4,470,551)
Reclassification from non-current asset held for sale	(744,226)	-	-	-	-	-	(744,226)
Reclassification due to change of use	1,186	-	-	(1,186)	-	-	-
Disposals	13,593	7,827	77,374	124,149	-	-	222,943
Balance, December 31, 2018	29,969,184	3,413,573	6,274,885	131,906	24,492	346,699	39,160,729
December 31, 2018							
Cost	63,966,165	9,210,187	11,740,517	1,323,652	171,177	346,699	86,748,326
Accumulated depreciation	34,997,001	5,796,624	5,465,632	1,191,647	146,685	-	48,587,589
	29,969,184	3,413,573	6,274,885	131,906	24,492	346,699	39,160,729

Movements during 2019														
Balance, January 1, 2019	$	28,659,194	$	3,419,573	$	5,274,585	$	131,306	$	34,482	$	346,699	$	38,160,729
Cost:														
Additions		1,370,154		137,159		1,347,301		315,338		-		-		3,169,953
Disposal		-		-		(504,010)		-		-		-		(504,010)
Accumulated Depreciation:														
Depreciation (Notes 24 and 25)		(2,624,291)		(576,638)		(1,071,857)		(212,246)		(16,939)		-		(4,501,271)
Disposal		-		-		413,860		-		-		-		413,860
	$	27,705,047	$	2,974,094	$	5,460,969	$	234,399	$	17,543	$	346,699	$	35,739,261
December 31, 2019														
Cost		65,626,939		9,347,356		12,563,909		1,636,692		171,177		346,699		89,414,271
Accumulated depreciation		37,521,292		6,373,262		7,122,939		1,403,693		153,634		-		52,676,620
Carrying amount	$	27,705,047	$	2,974,094	$	5,460,969	$	234,399	$	17,543	$	346,699	$	35,739,261

In both years, additions were all paid in cash.

In 2018, certain amount of Group's property and equipment with carrying amount of ₱10,669 has been disposed resulting into a loss of ₱10,369.

Construction in progress pertains to the construction of Building 3 – Phase 2 which will cater additional capacity for the Group.

In both years, total balance of property, plant and equipment includes fully depreciated equipment that are still in use.

In both years, the Group has determined that there is no indication that impairment has occurred on its of property, plant and equipment.

16. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets are as follows:

	2019	2018
Goodwill	₱ 55,541,157	₱ 55,541,157
Customer relationships	23,736,500	23,736,500
Trademark	7,472,800	7,472,800
Technology	3,228,948	4,210,130
Product development costs	4,340,316	2,123,057
	₱ 94,319,719	₱ 93,083,644

Goodwill

The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition, the Group recognized goodwill amounting to ₱56,541,157 for both years.

Customer relationships

Customer relationship represent Quintel's established relationships with two of the largest telecon companies in the United States. Such relationships are deemed valuable given the length of their relationships (from as far back as 2008) and the difficulty in esteblishing connections. Management strongly believes that the relationships with their current customers will drive Quintel's business in the long run.

The fair value of customer relationships is determined based on the discounted excess earnings, which is the difference between the post-tax cash flows attributable to the sales made to Quintel's current customers and the contributory asset charges used to generate the cash flows (i.e., multi-period excess earnings method). Customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Technology and trademark

Movements of technology are as follows:

	2019	2018
Carrying amount		
Cost	₱ 5,874,600	₱ 5,874,600
Accumulated amortization	(1,664,470)	(489,550)
	4,210,130	5,385,050
Movements during the year		
Balance, January 1	4,210,130	5,385,050
Additions	193,736	-
Amortization (Notes 24 and 25)	(1,174,920)	(1,174,920)
Balance, December 31	₱ 3,228,946	₱ 4,210,130

The fair values of the Quintel's technology and trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the required assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of five (5) years.

Trademark is estimated to have an indefinite useful life.

The Group has determined that there is no indication that an impairment loss has occurred on its technology and trademark.

Product development cost

Movements of product development cost are as follows:

	2019	2018
Carrying amount		
Cost	₱ 2,944,300	₱ 1,327,019
Accumulated amortization	(821,243)	(606,190)
	2,123,057	720,829
Movements during the year		
Balance, January 1	2,123,057	720,829
Additions	2,537,984	1,617,281
Amortization (Notes 24 and 25)	(320,724)	(215,053)
Balance, December 31	₱ 4,340,317	₱ 2,123,057

Product development cost pertain to the capitalized cost of developing certain packages or products for the specific customers. The development cost met the requirements of PAS 38 for capitalization.

Of the total additions above, only ₱1,382,211 has been paid in cash during the year. The remaining balance amounting to ₱1,155,733 pertains to non-cash adjustment related to of Quintel's product development cost capitalized in the books of the Group.

Software

As of December 31, 2019 and 2018, CEC has software with a total cost of ₱39,278 which are fully amortized but are still used for in operations.

Impairment testing of goodwill, customer relationship and trademark

Goodwill acquired through business combinations have been allocated to only one (1) CGU, which is the Group's Quintel business. The recoverable amount of CGU has been determined based on value-in-use calculations using cash flows projections from financial budgets covering a five-year period.

Key assumptions with respect to the calculation of value-in-use of the CGU as of December 31, 2018 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2018
Discount rate	10.7%
Terminal growth rate	1.5%
Revenue growth rates	30.0% to 38.0%

- Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group's Quintel business, derived from weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).
- Terminal growth rate is the sustainable growth rate computed based on Quintel's comparable
- Revenue growth rates are based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment losses were recognized for goodwill, customer relationships and trademark for the years ended December 31, 2019 and 2018.

17. RIGHT-OF-USE ASSET – net

The details of the Group's right-of-use asset are as follows:

Balance, January 1, 2019		-
Additions	$	509,015
Depreciation (Notes 24 and 25)		(18,208)
Balance, December 31, 2019		**490,807**
December 31, 2019		
Cost		509,015
Accumulated depreciation		(18,208)
Carrying amount	$	490,807

As of December 31, 2019 and 2018, lease liabilities related to right-of-use asset amounted to $493,078 and nil, respectively, as disclosed in Note 21.

16. OTHER NON-CURRENT ASSETS

Below is the composition of the Groups' other non-current assets:

	2019	2018
Loans to employees (Note 22)	₱ 731,043	₱ 902,161
Miscellaneous deposits	171,205	166,646
Advances to suppliers	-	876,662
Others	-	6,511
	₱ 902,248	₱ 1,950,980

Loans to employees includes loans to key management personnel as disclosed in Note 22.

Miscellaneous deposits pertain to refundable deposits with MERALCO for the installation of CEC's electrical meters and bill deposit equivalent to one (1) month energy consumption.

Advances to suppliers pertain to down payments for the acquisition of software and building expansion.

18. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

	2019	2018
Trade	₱ 8,373,400	₱ 10,835,308
Accruals	6,366,967	2,871,077
Contract liabilities (Note 23)	1,807,662	2,041,270
Provisions	641,949	1,272,860
Others	429,761	290,060
	₱ 17,620,029	₱ 16,810,575

Trade payables are noninterest-bearing and are generally on 60-90 day's terms.

Accruals comprise mainly of accruals for payroll, utilities, communication, security, shuttle services and professional services. Accruals include accrual of interest amounting to ₱634,136, ₱755,977 and ₱257,793 in 2019, 2018 and 2017, respectively, as disclosed in Note 20.

Provisions pertain to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications and potential liability for legal and other claims.

Others pertain to statutory liabilities.

The movements in the provisions are as follows:

	2019	2018
Balance at January 1	₱ 1,272,860	₱ 2,302,670
Reversal of warranty claims (Note 28)	(630,911)	(1,181,650)
Provision for legal and other claims (Note 25)	-	151,840
	₱ 641,949	₱ 1,272,860

20. LOANS PAYABLE

The Group's borrowings pertain to bank short-term and long-term loans.

	Current	Non-current	Total
December 31, 2019			
Short-term loans (Note 20.01)	₱ 64,699,593	₱ -	₱ 64,699,593
Long-term loans (Note 20.02)	9,651,136	52,829,784	62,480,920
	₱ 74,350,729	₱ 52,829,784	₱ 127,180,513
December 31, 2018			
Short-term loans (Note 20.01)	₱ 53,710,000	₱ -	₱ 53,710,000
Long-term loans (Note 20.02)	11,045,751	62,300,920	73,346,671
	₱ 64,755,751	₱ 62,300,920	₱ 127,056,671

20.01 Short-term Loans

Details of short-term loans are as follows:

	2019	2018
Rizal Commercial Banking Corporation (RCBC)	₱ 44,399,593	₱ 25,610,000
China Banking Corporation (CBC)	10,600,000	11,000,000
Security Bank Corporation (SBC)	9,900,000	10,000,000
BDO Unibank, Inc. (BDO)	-	5,400,000
Metropolitan Bank and Trust Company (MBTC)	-	1,700,000
	₱ 64,699,593	₱ 53,710,000

Terms and conditions of short-term loans are as follows:

- Revolving loan facilities with RCBC have payment terms ranging from 60 days to 360 days. The facilities charged interest of 2.25% to 6.00% per annum in 2018 and 2018, respectively.
- Revolving loan facilities with CBC, which have payment terms of 180 days, are unsecured and charged interest of 5.00% per annum in 2018.
- Revolving loan facilities with SBC have payment terms ranging from 177 days to 180 days. The facilities charged interest of 1.95% to 6.00% per annum in 2019 and 2018, respectively.
- Revolving loan facilities with BDO have payment terms of 183 days. The facilities charged interest of 2.75% to 3.50% per annum in 2019 and 2018, respectively.
- Revolving loan facilities with MBTC have payment terms ranging from 59 days to 180 days. The facilities charged interest of 3.00% to 3.88% per annum in 2019 and 2018, respectively.

Movements of the short-term loans are as follows:

	2019	2018
Balance at January 1	₱ 53,710,000	₱ 64,040,088
Proceeds from availment of loan	69,449,593	39,778,000
Loan repayments	(58,460,000)	(10,108,088)
Reclassified to long-term loans	-	(40,000,000)
Balance at December 31	₱ 64,699,593	₱ 53,710,000

In 2019, 2018 and 2017, finance costs incurred and paid on short-term loans amounted to ₱2,118,477, ₱2,065,756 and ₱1,100,000, respectively.

The Group is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02 Long-term Loans

Details of long-term loans are as follows:

	Current	Non-current	Total
December 31, 2019			
Principal	₱ 9,680,000	₱ 53,110,000	₱ 62,790,000
Deferred finance cost	(28,864)	(280,216)	(309,080)
	₱ 9,651,136	₱ 52,829,784	₱ 62,480,920
December 31, 2018			
Principal	₱ 11,180,000	₱ 62,610,000	₱ 73,790,000
Deferred finance cost	(134,249)	(309,080)	(443,329)
	₱ 11,045,751	₱ 62,300,920	₱ 73,346,671

Movements of deferred finance costs are as follows:

	2019	2018	2017
Balance at January 1	₱ 443,329	₱ 272,155	₱ 390,029
Transaction costs	-	300,274	-
Amortization	(134,249)	(129,100)	(117,874)
Balance at December 31	₱ 309,080	₱ 443,329	₱ 272,155

20.02.01 2012 Note Facility Agreement (NFA)

On July 25, 2012, the Parent Company entered into a ₱10.0 million NFA with MBTC (Initial Note Holder), MBTC - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew ₱10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in twelve (12) equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date is payable in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

In accordance with the NFA, the following financial ratios must be maintained

- Debt to equity ratio shall not, at any time, exceed 2:1;
- Debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- Current ratio shall not, at any time, be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement as the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments owing, scheduled repayments of principal, interest expenses (including capitalized interest expenses) and fees payable, whether or not actually paid, in respect of any debt, whether or not actually paid.

The loan was fully paid in 2017.

20.02.02 2014 Note Facility Agreement (NFA)

On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Note Holder), Metropolitan Bank & Trust Company, Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in twelve (12) equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date is payable in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely Related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

The 2014 NFA follows the same definition and calculation of financial ratios as the 2012 NFA.

The Parent Company is in compliance with the debt covenants as of December 31, 2019 and 2018, respectively.

The carrying amount of the loan from the 2014 NFA as of December 31, 2019 and 2018 amounted to nil and $7.0 million, respectively.

20.02.03 2016 Note Facility Agreement (NFA)

On September 20, 2016, the Parent Company entered into a $30.0 million NFA with BPI (Initial Note Holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger).The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 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 twelve (12) equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until the end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on se date in four (1) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the w e date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000, the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not as of relevant testing date, be less than 1.5; and
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Group to pay or repay including without limitation: (i) all obligations of the Group for borrowed money evidenced by promissory notes or other instruments, (ii) all financial obligations of any other person guaranteed by the Group, (iii) all financial obligations of any other person secured by a security upon or in property owned by the Group, whether or not the Group have assumed or become liable for the payment of such financial obligations, and (iv) capitalized lease obligations of the Group which are capitalized in accordance with PFRS.

The carrying amount of the loan from the 2016 NFA as of December 31, 2019 and 2018 amounted to $23.2 million and $26.1 million, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02.04 2018 Note Facility Agreement (NFA)

On April 12, 2018, the Parent Company entered into a $40.0 million NFA with BPI and RCBC (each a "Noteholder" and collectively, the "Noteholders"), RCBC Trust and Investments Group (Facility and Paying Agent) and RCBC Capital Corporation (Issue Manager). The NFA provided for the conversion of the outstanding balance of the Parent Company's short-term bridge loan facilities with the Noteholders amounting to $20.0 million each Noteholder into long term credit facilities. The NFA provided for the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used to refinance the bridge loan facilities used to acquire the 100% ownership of Quintel.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in twenty-four (24) equal consecutive quarterly commencing at the end of the 1st year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding on issue date shall be paid in a single balloon payment at maturity date.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem, in whole or in part, equivalent to an amount not less than and in multiples of $ 5,000,000 on any interest payment date beginning on the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption is due to: (i) interest costs or (ii) illegality. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not at any time, exceed 70:30;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.15; and
- current ratio shall not at any time, be less than 1.10.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Group Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the result obtained by dividing (i) EBITDA and (ii) the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments for: (a) interest and principal payments due under the Agreement in the next twelve (12) months; (b) the principal and interest payments due in the next twelve (12) months of all interest bearing debt with tenor of more than twelve (12) months, and (c) netting obligations of the Issuer due in the next twelve (12) months under permitted hedging arrangements, if applicable.

The carrying amount of the loan from the 2018 NFA amounted to $38.4 million and $39.7 million as of December 31, 2019 and 2018.

The Parent Company is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02.05 CATS

In 2012, CATS obtain a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in twenty-eight (28) quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three (3) month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan as disclosed in Note 15. The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

The loan contract gives the Group an option to prepay the loan in part or in full, subject to the Group giving the creditor at least thirty (30) days advance notice of its intention to make such prepayment counted from the date of receipt by the creditor of such written notice.

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4.7 million.

CATS is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02.06 Quintel USA

Long-term debt amounting to $540,000 and $540,000 as of December 31, 2019 and 2018 pertains to a term note payable to a state development corporation accruing interest monthly through July 2021. The agreement includes a Convertible Loan Principal Reduction feature providing that if Quintel achieves annual minimum full-time permanent employment targets through 2021, as defined in the loan agreement, the principal is reduced by 20% at each annual measurement date. The first measurement date was amended to June 30, 2015. The note bears interest at 3.0% per annum.

The loan agreement does not require Quintel USA to maintain any financial ratio, but instead comply with certain financial reporting requirements.

Quintel USA is in compliance with the financial reporting requirements as of December 31, 2019 and 2018.

Total finance costs (including amortization of deferred financing costs) amounted to $2,779,588, $2,781,753 and $2,304,730 in 2019, 2018 and 2017, respectively. In 2019, 2018 and 2017, finance cost paid amounting to nil, $2,154,469 and $418,633, respectively.

Total finance costs accrued and paid for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to $4,907,331, $4,847,519 and $3,404,730 in 2019, 2018 and 2017, respectively.

The Group is in compliance with the debt covenants as of December 31, 2019 and 2018.

21. LEASE LIABILITIES

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Notes 22 and 26. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2019	2018	2019	2018
Not later than one year	₱ 23,265	₱ -	₱ 14,787	₱ -
Later than one year but not later than five years	407,465	-	315,328	-
Later than five years	120,874	-	162,963	-
	551,604	-	493,078	-
Discount	(58,526)	-	-	-
Present value of minimum lease payments	493,078	-	493,078	-
Current lease liabilities	330,095	-	330,095	-
Non-current lease liabilities	₱ 162,983	₱ -	₱ 162,983	₱ -

Movement in the lease liabilities is as follows:

	2019	2018
Balance, January 1	₱ 502,344	₱ -
Interest expense	9,266	-
Balance, December 31	₱ 493,078	₱ -

The Group is required to pay security deposit and advanced rental equivalent to one (1) month rent amounting to ₱1,939. These shall be applied to the last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract. Rental security deposits amounted to ₱1,157,495 and ₱1,142,374 as of December 31, 2019 and 2018, respectively, as disclosed in Note 10.

The Group used its incremental borrowing rate of 5.6% to measure the present value of its lease liabilities since the implicit rate was not readily available.

The Group is compliant with the terms and conditions of the lease contracts.

22. RELATED PARTY TRANSACTIONS

Nature of relationship of the Parent Company and its related parties are disclosed below:

Related Party	Nature of Relationship
Carnetheus Holdings, Inc.	Ultimate Parent
Camerton Inc. (CI)	Immediate Parent
Cayon Holdings, Inc.	Under common key management
Cirtek Holdings, Inc. (CHI)	Under common key management
Charmview Enterprises Ltd (CEL)	Under common key management
Stockholders	Key Management Personnel

22.01 Due from Related Parties

Details of due from related parties are as follows:

	2019	2018
Immediate parent	$ 20,981,130	$ 54,978,875
Under common key management	1,992,840	2,026,031
Balance at December 31	$ 22,973,970	$ 57,004,906

Balances of due from related parties as shown in the consolidated statement of financial position are summarized per category as follows:

22.01.01 Immediate Parent

Transactions with immediate parent are detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CI				
Assignment of liabilities	$ -	$ 20,962,321	$ 54,888,948	$ 54,960,066
Reimbursements	-	18,809	18,809	18,809
	-	20,981,130	54,907,757	54,978,875

The following are the nature, terms and conditions:

a) Transactions with CI

On December 27, 2018, the Group and Camerton, Inc. executed a Sworn Corporate Undertaking, whereby CI undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. CI undertakes to repay portion of the outstanding advances amounting to $5.0 million on or before May 31, 2019 and the remaining balance in 2019.

The amounts outstanding are non-interest bearing, unsecured and will be settled in cash. No guarantees have been received. No provisions have been made for credit losses in respect of the amounts owed by related party.

22.01.02 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CHI				
Advances	$ -	$ 1,809,256	$ -	$ 1,809,256
Cayon				
Reimbursements	2,548	183,584	2,548	216,775
	$ 2,548	$ 1,992,840	$ 2,548	$ 2,026,031

The following are the nature, terms and conditions:

a) Transactions with CHI

Result of assignments and settlements in 2011 represents the advances for working capital in the normal course of business when CEC and CEIC were then subsidiaries of CHI. For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling $3.6 million representing unpaid advances of $2.3 million and dividends of $1.3 million as of March 17, 2011.

Thereafter, on March 18, 2011, the Parent Company and CHI, in view of being creditors and debtors to each other as a result of the assignment agreements above, entered into a set-off agreement for the value of the Group's liability aggregating $6.8 million. The amount represents the abovementioned total liability of $3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to $3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of December 31, 2019 and 2018 pertains to the outstanding receivable arising from the assignments and set-off agreements. The amounts outstanding are non-interest bearing, unsecured and will be settled in cash.

b) Transactions with Cayon

The Group also entered into an agreement with Cayon starting January 1, 2011 to lease the land where Group's Building 2 is located. The agreement calls for an annual rental of 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.

22.01.03 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Stockholders Advances	₱ -	₱ -	₱ 54,960,066	₱ -

22.02 Due to Related Parties

Balances of due to related parties as shown in the consolidated statement of financial position are summarized per category as follows:

22.02.01 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CLC Rental	₱ -	₱ 431,720	₱ 11,559	₱ 470,607
Canyon Rental	3,561	98,219	10,503	94,658
	₱ 3,561	₱ 529,939	₱ 22,062	₱ 565,265

The following are the nature, terms and conditions:

c) *Transactions with CLC*

The Group had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another twenty-five (25) years at the option of the Group. The lease agreement provided for an annual rental of ₱.15 Million subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2011, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of P0.64 Million ($0.01 Million) for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. The total rent expense charged to operations amounted to $0.01 million in both years.

d) Transactions with Cayon

The Group entered into an agreement with Cayon starting January 1, 2011 to lease the land where the Group's Building 2 is located. The agreement calls for a fixed annual rate of P.58 Million or $0.01 Million for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to $0.01 Million in both years. The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given.

22.02.02 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	$ 35,928	$ 35,928	$ 35,928	$ 35,928

22.03 Remuneration of Key Management Personnel

Remunerations of key management personnel of the Group are detailed as follows:

	2019	2018	2017
Short-term	$ 1,788,483	$ 2,017,640	$ 2,598,525
Long-term	6,160	6,850	2,045
Balance at December 31	$ 1,794,643	$ 2,024,490	$ 2,600,570

On May 17, 2018, the Group extended loans to two key management personnel totaling to $1.5 million. The loans bear interest of 2.69% per annum. Provided the executive is employed on August 4th of each year during the term of the note, 1/5th of the note is forgiven, including the proportionate accrued interest. If the executive is terminated for anything other than cause, as defined in the agreement, the remaining balance and accrued but unpaid interest is forgiven.

The remunerations above include the carrying amount of the loan as of December 31, 2019 and 2018, amounting to $1,352,249 and $1,514,953, respectively, as disclosed in Notes 10 and 18. Interest income recognized amounted to nil in both years.

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below is the disaggregation of the Group's revenue from contracts with customers in 2019 and 2018, respectively:

	2019	2018
8 port antennas	$ 19,242,837	$ 28,874,102
6 port antennas	13,774,254	5,356,743
12 port antennas	6,428,062	19,124,028
Discrete	6,425,672	10,667,990
New product	6,195,194	6,808,873
Multichips	6,110,854	11,043,990
Integrated circuits	6,079,549	7,569,714
Remec manufacturing services	5,729,194	4,122,599
Dual and quad flat no-leads	5,001,100	6,385,914
Hermetics	1,328,190	1,764,468
Indoor radio frequency unit	981,759	1,191,608
Brackets	466,836	1,034,534
Cougar	211,164	142,754
10 port antennas	171,075	244,681
Outdoor unit	120,114	1,667,913
Bridgewave	11,794	345,588
Others	1,841,069	129,324
	$ 80,118,716	$ 106,474,833

The Group has no contract assets as of December 31, 2019 and 2018.

The Group's contract liabilities pertain to advance payments from customers amounting to $1,807,952 and $2,041,270 as at December 31, 2019 and 2018, respectively, as disclosed in Note 19. Contract liabilities as at January 1, 2018 were recognized as revenue in 2018.

24. COST OF SALES

Components of cost of sales account are as follows:

	2019	2018	2017 (As restated)
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 9)	$ 34,159,682	$ 53,980,162	$ 44,347,102
Salaries, wages and employees' benefits (Note 27)	9,450,859	12,817,903	12,691,030
Inward freight and duties and others	4,234,641	8,148,510	5,397,161
Depreciation and amortization (Notes 15, 16 and 17)	5,275,072	5,209,430	4,032,434
Utilities	3,970,816	4,468,332	3,962,713
	$ 57,091,070	$ 84,624,337	$ 70,430,440

25. OPERATING EXPENSES

The account is composed of the following expenses:

	2019	2018	2017
Salaries, wages and employees' benefits (Note 27)	$ 3,762,002	$ 7,579,136	$ 5,181,761
Commissions	1,022,828	1,324,413	1,050,523
Utilities	993,787	485,756	630,039
Professional fees	965,697	2,308,451	2,965,595
Transportation and travel	596,526	752,810	602,944
Depreciation and amortization (Notes 15,16 and 17)	436,614	651,094	93,584
Taxes and licenses	362,081	417,298	676,068
Provision for estimated credit losses (Note 8)	250,000	250,000	200,000
Entertainment, amusements and recreation	189,833	198,932	186,020
Insurance	142,563	154,756	122,041
Supplies	23,971	346,036	274,472
Provision for probable losses (Note 19)	-	151,840	-
Others	1,080,059	966,879	232,308
	$ 9,844,960	$ 15,587,401	$ 12,214,355

Professional fees pertain to retainer's fee, legal fees and consultancy fees.

Other expenses pertain to repairs and maintenance and bank charges.

26. LEASE AGREEMENTS

The Group has leases for its land. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group's sales) are excluded from the initial measurement of the lease liability and asset.

26.01 The Group as a Lessee

26.01.01 Cirtek Land Corporation

The Group entered into a lease agreement with Cirtek Land Corporation (CLC), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,674 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of ₱12,189 for a period of 16 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to ₱1,016. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

26.01.02 Cayon Holdings, Inc.

The Group entered into a lease agreement with Cayon Holdings, Inc (Cayon), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,064 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CHI to lease the land where Building 2 is erected. The agreement calls for a fixed annual rate of $11,075 for a period of 5 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $923. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

Rental security deposits amounted to $1,157,498 and $1,142,374 as of December 31, 2019 and 2018, respectively, as disclosed in Note 10.

As of December 31, 2019 and 2018, the Group's ROU asset amounted to $490,807 and nil, respectively, as disclosed in Note 17.

Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2019	2018
Current	$ 330,095	$ -
Non-current	162,983	-
	$ 493,078	$ -

27. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

	2019	2018	2017
Short-term benefits (Note 27.01)	$ 13,351,657	$ 20,067,554	$ 17,233,208
Retirement benefits (Note 27.02)	317,749	329,485	639,583
	$ 13,669,406	$ 20,397,039	$ 17,872,791

27.01 Short-term benefits

Short-term benefits as disclosed in Notes 24 and 25 comprised of:

	2019	2018	2017
Salaries, wages and other labor costs	$ 10,043,282	$ 16,679,530	$ 15,174,955
SSS, PHIC and HDMF contributions	3,308,375	3,388,024	2,058,253
	$ 13,351,657	$ 20,067,554	$ 17,233,208

27.02 Retirement Employee Benefits

27.02.01 Defined Benefit Plan

CEC has a funded, noncontributory defined benefit retirement plan administered by the Board of Directors while CATS - Philippine Branch has an unfunded and non-contributory defined benefit retirement plan, with both entities covering all regular employees. Retirement benefits costs are determined in accordance with an actuarial study and are based on the employees' years of service and monthly basic salary. CEIC has not established a retirement plan while the Parent Company and RBWRP have no employees.

Under the existing regulatory framework, R.A. 7641 requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

27.02.01.01 Retirement benefit costs

Below are the summarized components of retirement benefit costs recognized in consolidated statement of comprehensive income:

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Current service cost	₱ 142,464	₱ 59,331	₱ 201,795
Net interest cost	108,920	7,034	115,954
	₱ 251,384	₱ 66,365	₱ 317,749

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Current service cost	₱ 156,742	₱ 47,681	₱ 204,423
Net interest cost	96,549	6,132	102,681
Effect of asset ceiling	-	22,381	22,381
	₱ 253,291	₱ 76,194	₱ 329,485

	December 31, 2017		
	CEC	CATS – Philippine Branch	Total
Current service cost	₱ 142,990	₱ 39,068	₱ 182,058
Net interest cost	88,768	3,290	92,058
Effect of asset ceiling	310,331	55,136	365,467
	₱ 542,089	₱ 97,494	₱ 639,583

27.02.01.02 Retirement benefit obligation

Below are the summarized components of retirement benefit obligation recognized in consolidated statement of financial position:

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 2,544,100	$ 214,912	$ 2,759,012
Fair value of plan assets	(704,243)	-	(704,243)
	$ 1,839,857	$ 214,912	$ 2,054,769

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 1,852,493	$ 143,445	$ 1,995,938
Fair value of plan assets	(440,876)	-	(440,876)
	$ 1,411,617	$ 143,445	$ 1,555,062

	December 31, 2017		
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 2,204,062	$ 112,135	$ 2,316,197
Fair value of plan assets	(426,048)	-	(426,048)
	$ 1,778,014	$ 112,135	$ 1,890,149

27.02.01.03 Present value of the defined benefit obligation

Changes in the presented value of the defined benefit obligation are as follows:

	December 31, 2019		
	CEC	CAT5 – Philippine Branch	Total
Opening present value defined benefit obligation	$ 1,852,494	$ 143,444	$ 1,995,938
Current service cost	142,464	59,331	201,795
Interest cost	142,938	7,316	150,254
Remeasurement gains	(21,639)	4,822	(16,817)
Benefits paid	(153,028)	-	(153,028)
Transfer of employees	496,881	-	496,881
Translation difference	84,990	-	84,990
	$ 2,544,100	$ 214,913	$ 2,759,013

	December 31, 2018		
	CEC	CAT5 – Philippine Branch	Total
Opening present value defined benefit obligation	$ 2,204,062	$ 112,135	$ 2,316,197
Current service cost	156,742	47,681	204,423
Interest cost	119,684	6,132	125,816
Effect of asset ceiling	-	22,381	22,381
Remeasurement gains	(350,756)	4,188	(356,568)
Benefits paid	(180,152)	(38,808)	(199,958)
Transfer of employees	4,486	(4,486)	-
Translation difference	(111,573)	(4,760)	(116,333)
	$ 1,852,493	$ 143,445	$ 1,995,938

27.02.01.04 Fair value of plan assets

Changes in the fair value of plan assets of CEC are as follows:

	2019	2018
Opening fair value of plan assets	$ 440,877	$ 426,048
Interest income included in net interest cost	34,018	23,190
Remeasurement losses	(41,036)	(124,032)
Contribution	184,575	139,214
Benefits paid	(21,639)	(2,058)
Translation difference	107,048	(21,486)
	$ 704,243	$ 440,876

CEC has an agreement with an insurance company to fund the retirement benefits of its employees. CEC 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.

27.02.01.05 Remeasurement losses (gains)

Details of the remeasurement losses (gains) in other comprehensive income are as follows:

	December 31, 2019		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in assumptions	$ 513,458	$ 4,822	$ 518,280
Experience adjustments	(17,576)	-	(17,576)
Remeasurement losses on plant assets	41,036	-	41,036
	$ 536,918	$ 4,822	$ 541,740

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in assumptions	$ (320,676)	$ (21,657)	$ (343,080)
Experience adjustments	(100,479)	16,771	(84,004)
Changes in demographic assumptions	62,453	7,054	69,855
Remeasurement losses on plant assets	128,226	-	124,032
	$ (230,476)	$ 4,168	$ (233,407)

	December 31, 2017		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in assumptions	$ (177,175)	$ (2,797)	$ (179,972)
Experience adjustments	51,035	(39,632)	11,403
Changes in demographic assumptions	(13,147)	(3,318)	(16,465)
Remeasurement losses on plant assets	20,863	-	20,863
	$ (118,424)	$ (45,747)	$ (164,171)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019		2018	
	CEC	CATS – Philippine Branch	CEC	CATS – Philippine Branch
Discount rate	5.10%	5.10%	7.60%	7.40%
Expected rate of salary increase	3.00%	2.00%	3.00%	2.00%

The sensitivity analysis of the defined benefit obligation of changes in the weighted principal assumption for 2019 and 2018 are as follows:

	2019		2018	
	Impact on Defined Benefit Obligation			
	Change in Assumption	Increase in Assumption	Change in Assumption	Decrease in Assumption
CEC				
Discount rate	+1.00%	$ (235,320)	+1.00%	$ (148,203)
	-1.00%	277,610	-1.00%	172,759
Expected rate of salary increase	+1.00%	280,804	+1.00%	179,239
	-1.00%	(241,884)	-1.00%	(155,715)
CATS – Philippine Branch				
Discount rate	+1.00%	$ (4,696)	+1.00%	$ (8,554)
	-1.00%	5,377	-1.00%	9,731
Expected rate of salary increase	+1.00%	16,582	+1.00%	10,178
	-1.00%	(15,313)	-1.00%	(9,061)

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The latest actuarial reports of the Group are as of December 31, 2019. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years.

Expected maturity analysis of undiscounted benefit obligation is as follows:

	2019		2018	
	CEC	CATS – Philippine Branch	CEC	CATS – Philippine Branch
1 year or less	₱ 586,053	₱ 129,365	₱ 475,353	₱ 171,902
More than 1 year to 5 years	553,310	541,438	555,796	558,211
More than 5 years	9,721,317	468,943	8,990,306	451,180

27.02.02 Defined Contribution Plan

Quintel USA has a retirement savings plan under Section 401(k) of the United States Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. Quintel USA makes a matching contribution of 100% of each employee's contributions up to 4% of such employee's compensation.

Quintel USA made matching contributions amounting to $0.1 million and $0.2 million in for the year ended December 31, 2019 and 2018, respectively.

Quintel Technology, Ltd has a defined contribution plan covering substantially all UK employees. In 2019 and 2018, Quintel Technology, Ltd. made nil and ₱94,530 in contributions.

28. OTHER INCOME – net

The account is composed of the following:

	2019	2018	2017
Net gain on fair value changes on investment properties (Note 14)	₱ -	₱ 2,042,656	₱ -
Sale of scrap	91,662	239,473	258,610
Foreign exchange gains (losses) - net	(242,283)	(117,472)	178,458
Others	631,796	8,153,399	69,290
	₱ 481,065	₱ 8,328,056	₱ 506,256

Others include reversal of warranty claims amounting to ₱630,911, ₱1,1181,650 and nil in 2019, 2018 and 2017, as disclosed in Note 19, respectively.

29. INCOME TAXES

29.01 CEC

On March 24, 1998, the Philippine Economic Zone Authority (PEZA) approved CEC's registration as an ecozone export enterprise at the Laguna Technopark for the manufacture of standard integrated circuits, discrete, hybrid and potential new packages.

Beginning October 30, 2002, the manufacture and export of integrated circuits, discrete and hybrid transferred to PEZA from Board of Investments (where originally registered) and became subject to the 5% gross income tax incentive, as defined under R.A. No. 7916, the law creating the PEZA.

29.02 CATS - Philippine Branch

CATS - Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeter wave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

As a PEZA-registered entities, CEC and CATS - Philippine Branch are entitled to tax incentives equivalent to 5% of the gross income earned on its registered activities after the income tax holiday (ITH) of four years.

Details of provision for (benefit from) income tax are as follows:

	2019	2018	2017 (As restated)
Current	$ 720,640	$ 884,352	$ 521,332
Deferred	(330,172)	567,239	(420,537)
	$ 390,468	$ 1,451,591	$ 100,795

The provision for current income tax in 2019, 2018 and 2017 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

Based on the National Internal Revenue Code Sec 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Group is subject to MCIT beginning 2015.

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate is as follows:

	2019	2018	2017 (As restated)
Income tax at applicable statutory rate	$ 695,233	$ 1,092,525	$ 913,950
Tax effects of:			
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for no deferred income tax assets were recognized	268,577	546,966	245,928
Change in tax rates arising from Tax Act	-	-	(713,214)
Taxable income subject to ITH	(294,569)	(230,729)	(275,166)
Non-taxable income	(66,629)	(45,420)	(123,161)
Income subject to higher tax rate	19,767	64,450	29,000
Other taxable income subject to 5%	(2,031)	(3,947)	12,930
Nondeductible expenses	(160,596)	9,551	8,928
Translation difference and others	(264)	16,203	1,591
	$ 390,459	$ 1,451,591	$ 100,795

In 2019, 2018 and 2017, CATS - Philippine Branch has availed ITH for certain product lines. Total gross income for the registered activities of CATS - Philippine Branch under ITH in 2016 amounted to $5 million, $4.6 million, and $8.9 million, respectively.

The components of the net deferred income tax assets and liabilities of the Group as of December 31 are as follows:

29.03 Net deferred income tax assets

	2019	2018
Deferred income tax assets recognized in profit or loss:	$	$
Fair value adjustment on nonfinancial assets	161,890	127,649
Retirement benefit obligation	146,805	114,618
HTM investments	3,215	1,408
	$ 302,110	$ 243,675
Deferred income tax liabilities recognized in profit or loss:		
Effect of foreign exchange differences between tax base and financial base	(2,173)	(1,351)
Unrealized foreign exchange gains	(16,133)	(13,192)
	$ (18,306)	$ (14,543)
Deferred income liability related to retirement benefit obligation recognized in other comprehensive income	(25,845)	(24,259)
	$ 256,958	$ 205,074

29.04 Net deferred income tax assets

	2019	2018
Deferred income tax assets (liabilities) recognized in business combination:		
Intangible assets	$ (7,204,421)	$ (7,204,421)
NOLCO	3,528,204	3,528,204
Accrued expenses	86,137	135,587
	$ (3,590,080)	$ (3,540,630)
Deferred income tax assets (liabilities) recognized in profit or loss:		
Net fair value gain on change in fair market value of investment properties	(551,038)	(551,038)
Unrealized foreign exchange loss	-	677
	$ (551,038)	$ (550,631)
	$ (4,141,118)	$ (4,090,991)

The following are the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized as the Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized:

	2019	2018
NOLCO	$ 2,564,703	$ 7,681,943
Unrealized gross profit	1,918,247	1,986,262
MCIT	261,642	201,584
Unrealized foreign exchange losses	245,193	66,667

Deferred income tax asset on MCIT amounting to $0.3 and $0.2 million is not recognized in 2019 and 2018, respectively, because Management believes it is not probable that sufficient future taxable profits will be available against which the MCIT may be applied. MCIT incurred in 2018 can be utilized until 2021.

The undistributed retained earnings of foreign subsidiaries for which no deferred income tax liability was recognized amounted to $10.0 million and $24.4 million as of December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Group and RBWRP incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2015	₱ 1,008,718	₱ 1,008,718	₱ -	₱ -	₱ -	2018
2016	1,329,752	1,329,752	-	-	-	2019
2018	4,783,563	3,587,271	-	-	1,196,292	2020
2019	695,256	-	-	-	695,256	2022
	₱ 7,815,289	₱ 5,923,741	₱ -	₱ -	₱ 1,891,548	

RBWRP

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2016	₱ 79,712	₱ -	₱ -	₱ 79,712	₱ -	2019
2017	3,282	-	-	-	3,282	2020
2018	1,759	-	-	-	1,759	2021
2019	2,797	-	-	-	2,797	2022
	₱ 87,550	₱	₱ -	₱ 79,712	₱ 7,838	

Quintel USA

As of December 31, 2019, Quintel USA incurred NOLCO that can be claimed as deduction from future taxable income amounting to $23.2 million.

	NOLCO	DTA	Expiration
Quintel USA	₱ 32,764,856	₱ 6,880,620	2027 to 2037

CEIC and CATS are exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

Changes in Legislation

United States of America (US)

The Group is subject to income taxes in the U.S. owing to Quintel USA. The Tax Act was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

Philippines

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax laws and includes several provisions that will generally affect businesses on a prospective basis, Management assessed that the same did not have any significant impact on the consolidated financial statement balances as of balance sheet date.

30. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019	2018	2017 (As restated)
Net income	$ 8,421,581	$ 8,334,245	$ 3,150,033
Adjustment on dividends declared:			
Preferred A shares	-	(8,400)	(8,400)
Preferred B-1 shares	-	(81,377)	(21,280)
Preferred B-2 shares	(4,103,750)	(4,103,750)	(341,979)
Net income attributable to common shareholders of the Group	$ 4,317,831	$ 4,140,718	$ 2,778,378
Weighted average number of ordinary shares for the purposes of basic earnings per share	392,979,673	392,979,673	367,502,711

The Group's earnings per share are $0.011, $0.011 and $0.008 in 2019, 2018 and 2017, respectively.

As of December 31, 2019, 2018 and 2017, the Group has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Group as adjusted with the effects of shares held by a subsidiary.

31. FAIR VALUE MEASUREMENTS

31.01 Fair Value of Financial Assets and Liabilities

As of December 2019 and 2018, the carrying value of the Group's financial assets and liabilities, excluding AFS financial assets carried at cost because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables, short-term loans, dividend payables, due to related parties and deposits

The carrying amounts approximate fair value since these are mostly short-term in nature or due and demandable.

Financial assets at FVTPL - UITF

The investments in Unit Investment Trust Fund classified as financial asset at FVTPL are stated at their fair value based on lowest level input (Level 2).

Investment Properties

The fair value of the investment properties is determined by a Philippine SEC-accredited independent appraiser using the market data approach, a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors.

HTM investments/Other financial statements at amortized cost

The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date or last trading day as applicable (Level 1).

Miscellaneous deposits and loans to payable

The miscellaneous deposits are carried at cost since the timing and related amounts of future cash flows cannot be reasonably and reliably estimated for purposes of establishing its fair value using an alternative valuation technique.

Long-term debt

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 7.5% and 4.19% to 6.37% in 2019 and 2018, respectively (Level 3).

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial asset at FVPL	₱ -	₱ 494	₱ -	₱ 494
Investment properties	-	-	-	-
Financial assets measured at fair value:				
Financial asset at amortized cost	₱ 458,873	₱ -	₱ -	₱ 458,873
Long-term debt	-	-	52,629,784	52,629,784

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial asset FVTPL	₱ -	₱ 475	₱ -	₱ 475
Investment properties	-	10,605,040	-	10,605,040
Financial assets measured at fair value:				
Financial asset at amortized cost	₱ 469,586	₱ -	₱ -	₱ 469,586
Long-term debt	-	-	74,119,113	74,119,113

32. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these consolidated financial statements is to support the Group's operations. The Group has various other financial instruments such as trade and other receivables, amounts owed by related parties /rental deposits and loans to employees (presented as part of other current assets), miscellaneous deposits (presented under other noncurrent assets), trade and other payables, amounts owed to related parties and derivative liability which generally arise directly from its operations.

32.01 Credit Risk Management

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and foreign currency risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit items are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For cash in bank and cash equivalents, other receivables, amounts owed by related parties, rental deposits, loans to employees and miscellaneous deposits, the Group applies the low credit risk simplification where the Group measures the ECL on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other counterparties to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers its cash in banks and cash equivalents as high grade since these are placed in financial institutions of high credit standing. For other receivables, amounts owed by related parties various deposits, loans to employees, the Group considers this as high to medium grade as the counterparties are of high credit standing. Accordingly, ECLs relating to those debt instruments round to nil.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measures ECLs. The provision rates are based on days past due for groupings of customers segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

In its ECL model, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic products
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of receivables increase.

On the other hand, the Group considers its amounts owed by related parties as medium grade due to assured collectability through information from the related parties' sources of funding. No ECLs relating to these debt instruments was recognized.

The aging per class of financial assets and expected credit loss as of December 31, 2019 and 2018 are follows:

December 31, 2019:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents	₱ 16,354,711	₱ -	₱ -	₱ -	₱ 16,354,711
Trade and other receivables	-	-	741,812	43,748,775	43,748,775
Amounts owed by related parties	22,873,970	-	-	-	22,873,970
Other current assets:					
Rental deposits	1,167,496	-	-	-	1,167,496
Loans to employees	621,209	-	-	-	621,209
Security deposit	182,482	-	-	-	182,482
Other financial assets at amortized cost	468,873	-	-	-	468,873
Miscellaneous deposits	171,205	-	-	-	171,205
	₱ 42,819,946	₱ -	₱ 741,812	₱ 43,748,775	₱ 86,809,473

*Excludes cash on hand

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2019.

	Trade receivables and other receivables Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	6.21%	
Estimated total gross carrying amount at default	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expected credit loss	₱-	₱-	₱-	₱-	-	[illegible]	₱481,012

December 31, 2018:

	12-Month ECL	Lifetime ECL-Not Credit Impaired	Lifetime ECL-Not Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents	₱ 7,442,765	₱ -	₱ -	₱ -	₱ 15,358,893
Trade and other receivables	-	-	481,012	14,735,577	15,216,589
Amounts owed by related parties	88,641,388	-	-	-	88,641,388
Other current assets:				-	
Rental deposits	1,142,874	-	-	-	1,142,874
Loans to employees	612,792	-	-	-	612,792
Security deposit	182,409	-	-	-	182,409
Other financial assets at amortized cost	469,589	-	-	-	469,589
Miscellaneous deposits	166,646	-	-	-	166,646
	₱ 78,657,353	₱ -	₱ 481,012	₱ 14,735,577	₱ 93,874,842

*Excludes cash on hand

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2018.

	Trade receivables and other receivables Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	22%	
Estimated total gross carrying amount at default	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expected credit loss	₱-	₱-	₱-	₱-	₱-	₱481,012	₱481,012

Expected credit loss rate on the Group's cash on hand and cash equivalents approaches zero.

December 31, 2019:

		Past due					
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks	$ 15,354,469	-	-	-	-	-	$15,354,469
Trade and other receivables	25,518,657	1,688,950	1,878,532	2,279,328	12,427,342	(741,012)	42,748,775
Amounts owed by related parties	22,973,970	-	-			-	22,973,970
Other Current assets:							
Financial asset at FVTPL	484	-	-	-	-	-	484
Rental deposit	1,157,486	-	-	-	-	-	1,157,486
Loans to employees	621,296	-	-	-	-	-	621,296
Security Deposit	182,482	-	-	-	-	-	182,482
Other financial asset at amortized cost	488,873	-	-	-	-	-	488,873
Other noncurrent assets:		-	-	-	-	-	-
Loans to employees	731,043	-	-	-	-	-	731,043
Miscellaneous deposits	171,205	-	-	-	-	-	171,205
	$67,489,860	$1,688,950	$1,878,532	$2,279,328	$12,427,342	$(741,012)	$85,401,007

December 31, 2018

		Past due					
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in bank and equivalents	$17,442,756	-	-	-	-	-	$17,442,756
Trade and other receivables	7,861,628	2,047,259	443,672	138,429	4,609,001	(491,012)	14,725,677
Amounts owed by related parties	57,004,908	-	-	-	-	-	57,004,908
Other Current assets:							
Financial asset at FVTPL	475	-	-	-	-	-	475
Rental deposit	1,142,374	-	-	-	-	-	1,142,374
Loans to employees	612,792	-	-	-	-	-	612,792
Security deposits	182,409	-	-	-	-	-	182,409
Other financial asset at amortized cost	489,588	-	-	-	-	-	489,588
Other noncurrent assets:							
Loans to employees	902,161	-	-	-	-	-	902,161
Miscellaneous deposits	168,646	-	-	-	-	-	168,646
	$85,842,735	$2,047,259	$443,672	$138,429	$4,609,001	$491,012	$92,648,984

The tables below summarize the credit quality per class of the Group's financial assets that are either past due nor impaired:

December 31, 2019

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	₱ 15,354,443	₱ -	₱ -	₱ 15,354,443
Trade and other receivables	25,819,637	-	-	25,819,637
Amounts owed by related parties	-	22,973,970	-	22,973,970
Other Current assets:				
Rental deposit	1,157,466	-	-	1,157,466
Loans to employees	621,206	-	-	621,206
Security Deposit	182,482	-	-	182,482
Other financial assets at amortized cost	468,873	-	-	468,873
Other noncurrent assets:				
Loans to employees	731,043	-	-	731,043
Miscellaneous deposits	171,205	-	-	171,205
	₱ 44,495,405	₱ 22,973,970	₱ -	₱ 67,469,375

December 31, 2018

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	₱ 17,442,758	₱-	₱-	₱ 17,442,758
Trade and other receivables	7,918,628	-	-	7,918,628
Amounts owed by related parties	-	57,004,908	-	57,004,908
Other Current assets:				
Rental deposit	1,142,374	-	-	1,142,374
Loans to employees	612,792	-	-	612,792
Security Deposit	182,409	-	-	182,409
Other financial assets at amortized cost	469,589	-	-	469,589
Other noncurrent assets:				
Loans to employees	902,161	-	-	902,161
Miscellaneous deposits	168,646	-	-	168,646
	₱ 28,837,354	57,004,908	₱-	₱ 85,842,260

High grade – These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Medium grade – These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay and that have history of sliding beyond the credit terms but pay within 60 days.

Low grade – These are receivables where the counterparty's capability of honoring its financial obligation is doubtful.

Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risk may result from a counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financing, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The table below summarize the maturity analysis of the Group's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

December 31, 2019

	On Demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
December 31, 2019			-		
Cash and cash equivalents	$ 15,364,711	$ -	$ -	$ -	$ 15,364,711
Trade and other receivables	26,818,637	17,931,138	-	-	44,749,775
Due from related parties	22,973,970		-	-	22,973,970
	$ 64,147,318	$ 17,931,138	$ -	$ -	$ 82,878,456
Trade and other payables:					
Trade payables	$ 8,373,400	$ -	$ -	$ -	$ 8,373,400
Accrued expense	-	6,277,928	-	-	6,277,928
Short-term loans*	-	64,686,583			64,686,583
Due to related parties	995,867	-	-	-	995,867
Dividend payable	20,601	-	-	-	20,601
Long-term debts*	-	13,261,824	25,410,090	38,538,248	77,209,160
	$ 9,389,868	$ 84,229,545	$ 25,410,090	$ 38,538,248	$ 157,227,548

December 31, 2018

	On Demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
December 31, 2018					
Cash and cash equivalents	$ 17,443,001	-	-	$ -	$ 17,443,001
Trade and other receivables	7,916,639	6,807,249	-	-	14,728,877
Due from related parties	57,004,908	-	-	-	57,004,908
	$ 82,368,538	$ 6,807,249	$ -	$ -	$ 89,173,784
Trade and other payables:					
Trade payables	$ 10,164,008	$ -	$ -	$ -	$ 10,164,008
Accrued expense		1,740,375	-	-	1,740,375
Short-term loans*	-	54,783,580	-	-	54,783,580
Due to related parties	930,745	-	-	-	930,745
Dividend payable	20,601	-	-	-	20,601
Long-term debts*	-	16,182,880	12,416,991	63,359,019	91,958,570
	$ 11,109,354	$ 71,688,815	$ 12,416,991	$ 63,359,019	$ 158,597,980

Foreign currency risk

The Group uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2019 and 2018:

US Dollars

		December 31, 2019		
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	₱	15,370,490	$	592,791
Financial asset at amortized cost		25,000		494
Other current assets		76,634,372		1,493,717
Other noncurrent assets		6,240,523		123,245
Total Financial Assets		97,270,386		2,210,247
Financial Liabilities				
Trade and other payables		82,080,100		1,621,015
Net Financial Assets	₱	15,190,286	$	589,232

		December 31, 2018		
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	₱	140,431,688	$	2,670,819
Financial asset at amortized cost		24,690,937		469,588
Other current assets		76,095,399		1,447,229
Other noncurrent assets		6,427,708		122,246
Total Financial Assets		247,645,726		4,709,882
Financial Liabilities				
Trade and other payables		115,680,925		2,200,094
Net Financial Assets	₱	131,964,801	$	2,509,788

British Pound

		December 31, 2019		
		Original Currency in GPB		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	£	-	$	-
Other current assets		-		-
	£	-	$	-

		December 31, 2018		
		Original Currency in GPB		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	£	58,901	$	75,111
Other current assets		36,791		46,916
	£	95,692	$	122,027

US Dollar

	December 31, 2019					
	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$	(110,512)	-5%	$	110,512
Peso denominated liabilities	+5%		81,051	-5%		(81,051)
		$	(29,461)		$	29,461

	December 31, 2018					
	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$	(235,494)	-5%	$	235,494
Peso denominated liabilities	+5%		125,489	-5%		(125,489)
		$	(110,005)		$	110,005

British Pound

	December 31, 2019					
	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	-	£	-	-	£	-

	December 31, 2018					
	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	£	6,101	-5%	£	(6,101)

The change in currency rate is based on the Group's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Group's equity other than those already affecting income before tax.

33. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's manages its capital structure, which pertains to its equity as shown in the consolidated statement of financial position, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2019 and 2018.

The Group considers the following as capital:

	2019	2018
Common Stock	$ 9,594,321	$ 9,594,321
Preferred Stock	2,615,995	2,615,995
Additional paid-in-capital	100,469,659	100,469,659
Equity reserve	4,030,214	4,030,214
Other comprehensive income	(906,873)	(1,225,830)
Retained earnings	26,467,617	25,144,690
Parent company shares held by a subsidiary	(27,753,128)	(26,812,680)
	$ 114,517,705	$ 113,816,369

As of December 31, 2019 and 2018, the Group is subject to quantitative loan covenants and financial ratios on its long term debts.

As of December 31, 2019 and 2018, The Group was able to meet its capital requirements and management objectives.

34. EQUITY

Components of capital stock are as follows:

	2019	2018	2017
Common shares	$ 9,594,321	$ 9,594,321	$ 9,594,321
Preferred shares	2,615,995	2,615,995	2,037,113
Additional Paid-In Capital	100,469,659	100,469,659	100,469,659
	$ 112,679,975	$ 112,679,975	$ 112,101,093

34.01 Common Shares

Shown below are the details of common shares as of December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Common shares, P1.00 par value	520,000,000	$ 520,000,000	520,000,000	$ 520,000,000	520,000,000	$ 520,000,000
Issued and fully paid						
Common shares	419,063,353	9,594,321	419,063,353	9,594,321	419,063,353	9,594,321
Balance, December 31	419,063,353	$ 9,594,321	419,063,353	$ 9,594,321	419,063,353	$ 9,594,321

On November 18, 2011, the Group listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of P7 per share. The total proceeds with issuance of new shares amounted to P295.1 million ($6.8 million). The Group incurred transaction costs incidental to the IPO amounting to P47.3 million ($1.1 million), which was charged against "Additional paid-in capital" in the 2011 consolidated balance sheets. As of December 31, 2011, the Group's has 182,163,000 issued common shares.

On May 25, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved and ratified the stock dividend payable to stockholders as of record as of June 8, 2012, to be distributed on June 29, 2012.

On September 14, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders of record as of December 21, 2012, to be distributed on January 10, 2013. On December 7, 2012, the stockholders approved the twenty percent (20%) stock dividend.

On January 16, 2013, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved the stock dividend payable to stockholders of record as of March 15, 2013, to be distributed on April 5, 2013.

On January 29, 2014, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting on July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014, to be distributed on August 20, 2014.

On March 24, 2015, the BOD also declared a ten (10%) stock dividend. On May 12, 2015, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of May 26, 2015, to be distributed on June 18, 2015.

On March 24, 2015, the Group's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock by ₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of P1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of $0.10 per share.

The BOD also authorized the Group to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

On July 22, 2015, the Philippine SEC approved the Group's application to increase its authorized capital stock.

On November 4, 2015, the Group's FOO was completed. The Group issued 80,000,000 new shares at issue price of P20 per share for a total amount of $34.2 million. The Group incurred transactions costs incidental to FOO amounting to $1.2 million which was charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

On October 24, 2016, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by P 1,440,000,000 or from ₱560,000,000 divided into 520,000,000 common shares with a par value of P1.00 per share and 400,000,000 preferred shares with a par value of P0.10 per share ("Preferred A" shares), to P 860,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 700,000,000 preferred shares classified into "Preferred A shares "with a par value of P0.10 per share, and ₱270,000,000 worth of new preferred shares classified into "Preferred B shares" with par value P1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Group's BOD. On the same date, the Group's BOD, by majority vote, approved the declaration of ten percent (10%) stock dividend for each of the 419,063,353 issued and fully paid common shares, and 400,000,000 issued and fully paid preferred shares of the Corporation. To date the shareholders have not approved and ratified the said declaration.

On May 26, 2017, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to: 0 determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Group will be implemented; and (ii) the manner by which the increase in the authorized capital stock will be subscribed and paid for, such as, but not limited to, a private placement transaction or public offering. The BOD was also granted authority to issue in one or more series the new preferred shares and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the new preferred shares.

The Group's application to increase its authorized capital stock, which was approved by Philippine SEC on September 29, 2017, did not include increase in authorized capital stock on common shares. In 2018 collection of subscription agreement amounted to $578,882.

On July 18, 2018, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by P 160,000,000 by increasing the authorized: (i) common stock by P120,000,000 ; and (ii) preferred A stock by P40,000,000. Furthermore, the par value of the common shares was reduced from P1.00 to P0.50 per share.

On September 7, 2018, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD.

As of December 31, 2018, the Group's BOD is in the process of filing applications and documents as may be necessary to amend the articles of incorporation and to implement and give effect to the foregoing resolution.

As of December 31, 2018 and 2017, the Group has a total number of 26 and 25 stockholders, respectively.

Group Shares Held by a Subsidiary In 2016, CEC acquired a total of 102,018,659 common shares of the Group for P2.3 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 P1.2 billion ($19,795,320).

As of December 31, 2019 and 2018, the carrying value of Group shares held by a subsidiary amounted to $27,753,128 and $26,812,680, respectively.

34.02 Preferred Shares

Details of Group's redeemable preferred shares are as follows:

	2019		2018		2017	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Preferred shares A, P0.10 par value	700,000,000	₱ 70,000,000	700,000,000	₱ 70,000,000	700,000,000	₱ 70,000,000
Preferred shares B-1, P1.00 par value	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Preferred shares B-2, P1.00 par value	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid						
Preferred shares A	9,468,630	946,863	9,468,630	946,863	3,679,810	367,981
Preferred shares B-1	342,399	342,399	342,399	342,399	342,399	342,399
Preferred shares B-2	1,326,733	1,326,733	1,326,733	1,326,733	1,326,733	1,326,733
Balance, December 31	11,137,762	₱ 2,615,995	11,137,762	₱ 2,615,995	5,348,942	₱ 2,037,113

In 2015, the 400,000,000 preferred shares at par value of P0.10 were subscribed by Cameron, a principal shareholder of the Group.

On September 8, 2017, the Group's BOD, by majority vote, approved the amendment in the Group's articles of incorporation to increase the Group's authorized capital stock by P300,000,000 or:

a) from P560,000,000 consisting of:
   i. P520,000,000 worth of common shares divided into 520000000 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 P 860,000,000 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. ₱70,000,000 worth of preferred A shares divided into 70,000,0000 preferred A shares with par value of ₱0.10 per share; and

iii. ₱270,000,000 worth of preferred B shares with par value of ₱1.00 per share. The preferred B shares are further classified into the following series: (a) ₱70,000,000 worth of preferred B-1 shares, and (b) ₱20,0000,000 worth of preferred B-2 shares, both having a par value of ₱1.00 per share

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Camerton at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Group recognized preferred stock and additional paid-in capital amounting to ₱0.1 million and ₱0.3 million, respectively, net of subscriptions receivable.

On September 29, 2017, the Philippine SEC approved the Group's application for the increase in authorized capital stock.

The features of the preferred A shares are full voting rights, one vote for each share; (ii) preferred non-cumulative cash dividends at the rate of 1% of their par value per year, with no participation in further cash dividends which may be declared and paid to the common shares or any other class or series of shares; and (iii) the same stock dividends which may be declared and paid to the common shares or any other class or series of shares.

On September 15, 2017 and November 9, 2017, the Group BOD approved the following features, rights and privileges of preferred B-2 shares:

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Group's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and referred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Group BOD, redeemable in whole and not in part, at the sole option of the Group at a price and at such time that the Group BOD shall determine 3;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Group, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Group are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Group is paid or distributed to the holders of other classes of shares.

On October 23, 2017 and November 9, 2017, the Group BOD approved the following features, rights and privileges of preferred B-1 shares:

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Group BOD, redeemable in whole and not in part, at the sole option of the Group at a price and at such time that the Group BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Group is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Group pursuant to the Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;
f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Group, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Group are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Group is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

On November 8, 2017, the PSE BOD approved the public offering of up to ₱200,000,000 preferred B-2 shares. A total of 140,000,000 preferred B-2 shares were offered to the public during the offer period.

On November 29, 2017, the Group's public offering was completed. The Group issued 67,000,000 preferred B-2 shares with par value of ₱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 Group listed with the PSE its 67,000,000 preferred B-2 shares.

On July 18, 2018, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000 ; and (ii) preferred A stock by P 40,000,000 The Group authorized the subscription by Cameron, Inc, to ₱40,000,000 of preferred A shares. Furthermore, the par value of the preferred A shares was reduced from ₱0.10 to ₱0.05 per share. On the same date, the Group's BOD approved by majority vote the reclassification of ₱100,000,000 preferred B-2 shares with a par value of ₱1.00 per share into ₱100,000,000 of a new class of shares denominated as preferred C shares, divided into 100,000,000 of ₱1.00 per share.

On September 7, 2018, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to determine and fix the terms and conditions of preferred C shares.

On December 13, 2018, Cameron, Inc. paid 25% of the additional subscription to preferred A shares amounting to ₱10,000,000 or $189,107. This amount was recorded as deposit for future stock subscription as of December 31, 2018.

In 2018, partial payment received from subscription receivable on preferred shares A amounting to $578,882.

As of December 31, 2019, the Group has not yet secured a certificate of approval of increase of capital stock from the Securities Exchange Commission (SEC). Moreover, the application has not yet been presented to SEC, hence deposit for future stock subscription was classified as a liability. As of December 31, 2019 and 2018, deposit for future stock amounted to $189,107.

As of December 31, 2019 and 2018, the Group has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to $0.1 million and $0.3 million, respectively.

35.03 Retained Earnings

On January 28, 2016, the Group's BOD approved the declaration of cash dividends of $0.0050 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $2,100,000 for payment and distribution on February 29, 2016 to shareholders of record of February 12, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On June 9, 2016, the Group's BOD approved the declaration of cash dividends of $0.00362 per share for each of 419,063,353 fully paid and issued common shares and $0.000001 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,520,000, for payment and distribution on July 7, 2016 to shareholders of record of June 23, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 23, 2017 the Group's BOD approved the declaration of cash dividends of $0.00432 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,820,000, for payment and distribution on February 22, 2017 to shareholders of record of February 6, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 15, 2017 the Group's BOD approved the declaration of cash dividends of ₱0.004629 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of ₱1,940,000, for payment and distribution on October 6, 2017 to shareholders of record of September 29, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Group's stockholders, unless received as cash dividends from the subsidiaries. On February 2, 2018, the Group's BOD approved the declaration of cash dividends of ₱0.004609 per share for each of 419,063,353 fully paid and issued common shares and ₱0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of ₱1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 27, 2018, the Group's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,876 (920,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount remained unpaid as of December 31, 2018.

On the same date, the Group's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of ₱1,025,938, for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.

On June 4, 2018, the Group's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of ₱1,025,938, for payment and distribution on the following dates:

a. June 8, 2018 to shareholders of record as of June 6, 2018
b. September 10, 2018 to shareholders of record as of September 6, 2018
c. December 10, 2018 to shareholders of record as of December 6, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 3, 2018, the Group's BOD approved the declaration of cash dividends of ₱0.0048 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of ₱2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 30, 2019, the Group's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of ₱1,025,971, for payment and distribution on the following dates:

a. March 6, 2019 to shareholders of record as of March 6, 2019
b. June 6, 2019 to shareholders of record as of June 6, 2019
c. September 5, 2019 to shareholders of record as of September 5, 2019
d. December 5, 2019 to shareholders of record as of December 5, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On May 24, 2019 the Group's BOD approved the declaration of cash dividends of ₱0.002366 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of ₱2,086,384, for payment and distribution on the following dates:

a. June 11, 2019 to shareholders of record of as of June 11, 2019.
b. November 11, 2019 to shareholders of record as of November 11, 2019

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

In 2019, 2018 and 2017, cash dividends paid amounted to ₱7,348,654, ₱7,841,801 and ₱3,361,762, respectively. Accordingly, as of December 31, 2019 and 2018, dividends payable amounted to ₱20,601.

Retained earnings include undistributed earnings amounting to ₱26.2 million, ₱25.1 million and ₱24.3 million as of December 31, 2019, 2018 and 2017, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2018 amounted to ₱3.6 million.

Retained earnings are further restricted for the payment of dividends to the extent of unrealized foreign exchange gains except those attributable to cash and cash equivalents, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2019 and 2018.

35. DISCONTINUED OPERATIONS

In 2019, Cirtek Group decided to discontinue Quintel Technology, Ltd. (Quintel UK) in line with the Group's strategy to focus all its operations in the US market and bring down its operating costs. Consequently, Quintel UK operations including all its assets and liabilities were transferred to Quintel USA and manpower reduction was implemented (See Note 3.03).

By end of January 2019, management thru its legal counsel in the UK filed for liquidation of Quintel Technology, Ltd. wherein the final settlement with the liquidators and third party creditors was reached in April 2020, in the amount of GBP1.9 million or an equivalent to ₱2.5 million.

On July 4, 2019, Telecom Quintel Mauritius, Ltd. (Quintel Mauritius), sales and administration office of Quintel group, has ceased its operation and registration in line with the Group's profit optimization strategy (See Note 3.03).

As a result of the liquidations of Quintel UK and Quintel Mauritius, assets and liabilities identified to these companies were classified as disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

A gain amounting to ₱13,730,066 was recognized in the discontinued operations. The amount is the sum of (1) ₱10,907,492 gain from the release of other net comprehensive income, (2) ₱3,599,742 of investment in subsidiary, and (3) ₱94,641 write-off of property, plant and equipment, and net of ₱871,789 additional expenses from the settlement.

The $10,907,492 million gain from the release of other comprehensive income pertains to cumulative foreign currency translation adjustment from translating the financial statements of Quintel UK and Quintel Mauritius to the presentation currency of Quintel Cayman, Ltd., its parent company. The $11 million resulted from multiple years effects of foreign exchange gain prior to acquisition in 2017. Prior to this consolidation, there was no movement in the OCI since acquisition on July 28, 2017.

In 2019, Quintel UK and Quintel Mauritius have no operations.

36. CHANGE IN ACCOUNTING POLICY

The Group applied PFRS 16 using the modified retrospective approach, with the cumulative effect being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

The Group has elected not to include initial direct cost in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of PFRS 16, being January 1, 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of PFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to PFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under PFRS 16 was 5.5%. The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from PAS 17 to PFRS 16 at January 1, 2019:

	Carrying amount	Reclassification	Remeasurement	PFRS 16 Carrying Amount at January 1, 2019
Right-of-use asset	₱ -	₱ 490,807	₱ -	₱ 490,807
Lease liabilities	₱ -	₱ 493,078	₱ -	₱ 493,078

37. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

	2019	2018
Beginning balance, January 1	$ 128,823,549	$ 111,789,811
Changes from financing cash flows		
Proceeds from short-term loans	69,449,593	39,778,000
Accrual of finance costs	534,136	755,977
Effect of lease liability	493,078	-
Amortization of deferred finance cost	134,249	129,100
Acquisition of Parent Company shares	(840,448)	-
Net movement of due to related party	(1,383,724)	57,880
Finance costs paid	(2,118,477)	(2,066,766)
Payment of cash dividends	(7,348,664)	(7,841,601)
Payment of long-term loans	(8,210,000)	(4,360,000)
Payment of short-term loans	(49,250,000)	(10,108,088)
Receipt of subscription receivable	-	578,882
Cash received as DFFS	-	188,107
Dividend payable	-	20,601
Debt issuance cost paid	-	(300,274)
Ending balance, December 31	$ 129,469,166	$ 128,823,549

38. EVENTS AFTER THE REPORTING PERIOD

38.01 Impact of COVID-19

In January 2020, the outbreak of Coronavirus Disease 2019 (COVID-19) in China resulted to delayed resumptions of work in all China manufacturing facilities in conformance with local government notices.

The Group in its disclosure dated March 16, 2020 informed the investing public that the Company and its subsidiaries (the "Cirtek Group") remain in full operation. The Group assessed that the potential risk and impact posed by COVID-19 include the following: (1) reduced attendance of employees due to mandatory quarantine; (2) increase in operating cost due to additional safety measures to protect all employees of the company; and (3) slow deliveries of materials from China. Further, Cirtek Group has implemented its Workplace Policy and Program on COVID-19 Prevention and Control to ensure the health, safety and welfare of all its employees and in compliance with the requirements of the Department of Labor and Employment and the Department of Health.

On March 24, 2020, Cirtek Group issued another update to inform investing public that the Company and its subsidiaries are still operational at different levels of capacity and customer orders continue to come in even better due to temporary closure of other competitors.

As at reporting date, Cirtek Group were operational at different levels of capacity. The Group will monitor the developments of the COVID-19 situation closely and continue to assess its impact on the 2020 financial position and performance of the Group. However, the Group does not expect that this will have significant impact on the 2019 judgments and estimates.

On April 15, 2020, Cirtek Group in its disclosure informed the investing public that amidst the global COVID-19 pandemic, Cirtek Electronics Corporation, the semiconductor arm of Cirtek Group, is experiencing a surge in product orders for medical chips supplied to medical equipment end customers globally while Quintel USA, Inc., its telecom base station antenna equipment maker, is also experiencing surge in antenna demand as the global lockdown and work from home policies have shifted growth to massive data demand. Cirtek and its subsidiaries worldwide remain COVID-19 free while adhering to local government policies and measures in ensuring business continuity.

38.01 Declaration of Cash Dividends

The Board of Directors of Cirtek Holdings Philippines Corporation ("TECH") in its Regular meeting held on 17 February 2020, approved the declaration of cash dividend ₱0.015313 per share for each of the Sixty Seven Million (67,000,000) outstanding and issued Preferred B-2 shares amounting to an aggregate sum ₱1,025,937.50.

Subject to the conditions for the declaration and payment of dividends and pursuant to the Terms and Conditions of the Offer, the schedule of the payment and distribution of the cash dividends provided above shall be made to the entitled shareholders on the following dates:

a. 9 March 2020 to shareholders of record as of 4 March 2020;
b. 8 June 2020 to shareholders of record as of 2 June 2020;
c. 8 September 2020 shareholders of record as of 2 September 2020; and
d. 9 December 2020 shareholders of record as of 2 December 2020.

The Cash Dividend shall be paid in US Dollar on the payment date.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 20, 2020.

RSBA R.S. BERNALDO & ASSOCIATES PKF

REPORT ON THE SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
116 East Main Avenue
Phase V-SEZ, Laguna Technopark
Biñan, Laguna

We have issued our report dated April 20, 2020 on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as of and for the year ended December 31, 2019. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as a whole. The information in the index to the consolidated financial statements for the year ended December 31, 2019, which is not a required part of the consolidated financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**. The information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

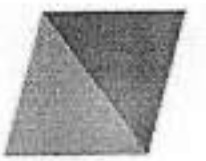
R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

PERCIVAL R. DE GUZMAN
Partner
CPA Certificate No. 92437
SEC Group A Accredited
Accreditation No. 1411-AR-1
Valid until June 14, 2020
BIR Accreditation No. 08-006019-1-2017
Valid from August 7, 2017 until August 6, 2020
Tax Identification No. 195-808-180
PTR No. 8125458
Issued on January 6, 2020 at Makati City

April 20, 2020

A: 10/F Cityland Condominium 10 Tower 1
156 H.V. dela Costa Street, Ayala North,
Makati City, Philippines 1226

T: +632 8602-1718 to 24
F: +632 8602-6539
E: rsbamail@rsbernaldo.com
W: www.rsbernaldo.com



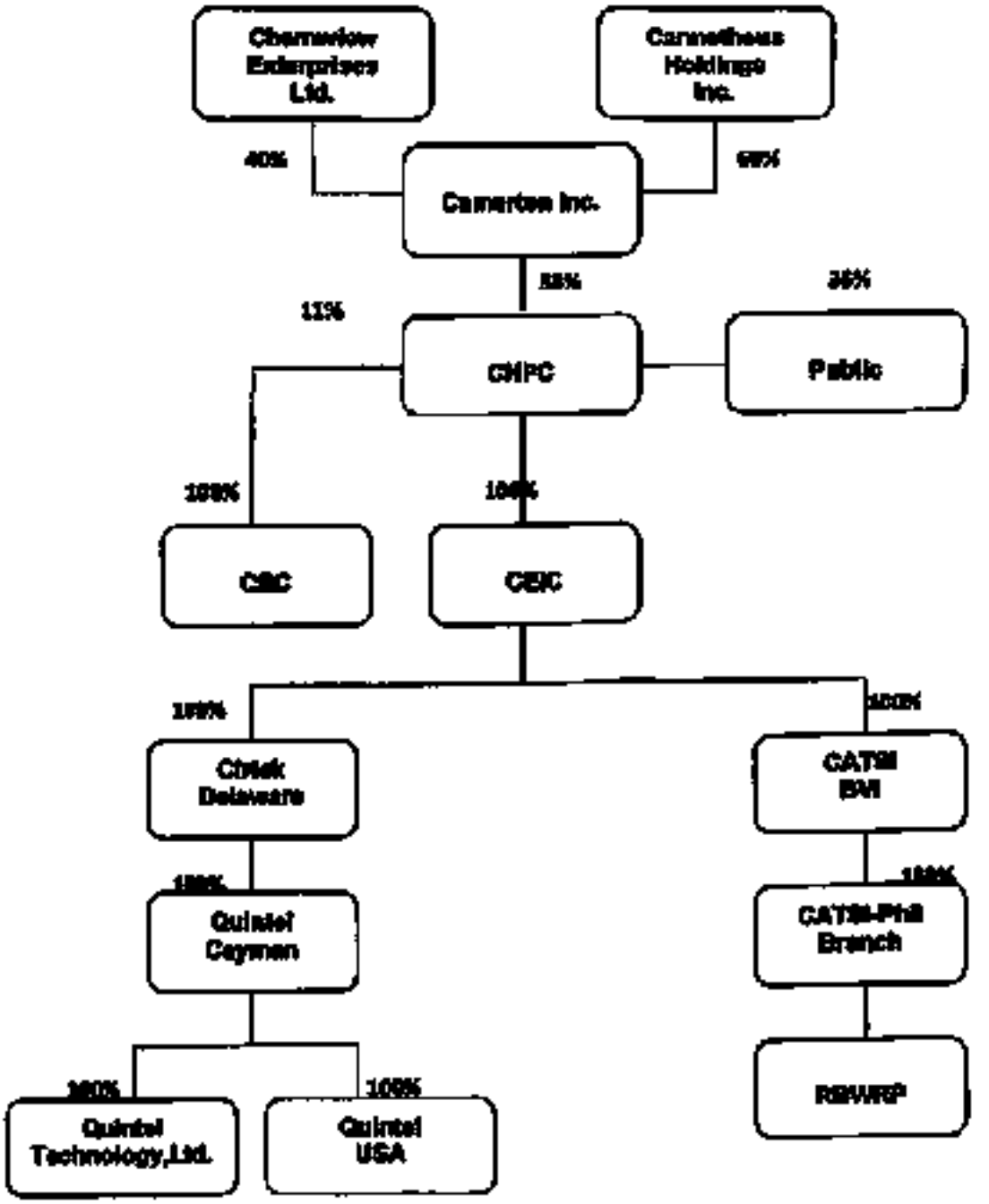
CEMEX HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31,2019

Schedule	Contents
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators

Supplementary Schedules

A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

CEMTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31,2019



II Reconciliation of Retained Earnings Available for Dividend Declaration as of December 31, 2019

Unappropriated retained earnings, beginning	**$3,808,626**
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	4,371,919
Less: Unrealized foreign exchange gain, net of tax (except for those attributable to cash)	-
Net income actually earned during the period	**7,980,545**
Less: Cash dividends declared	6,090,268
Retained earnings available for dividend declaration	**$1,890,277**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019

Ratios	Formula	December 31, 2019	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	1.43	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	1.14	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	0.98	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.33	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	4.06	4.22
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	0.29	0.21
Net Profit Margin	Net Income/Revenues	0.11	0.08
EBITDA Margin	EBITDA/Revenues	0.25	0.19
Return on Assets	Net Income/Total Assets[3]	0.03	0.09
Return on Equity	Net Income/Total Equity[3]	0.08	0.07

[1] Sum of short-term loans and long-term debts

[2] EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

[3] Based on balances as at December 31, 2019 and 2018

SCHEDULE A

CEMTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

	Name of issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotation at the end of reporting period	Income received or accrued
Cash in banks	N/A	₱15,334,468	₱15,334,468	₱51,434
Trade and other receivables	N/A	43,749,775	43,749,775	–
Amounts owed by related parties	N/A	22,973,970	22,973,970	–
Other current assets:				
Financial asset at FVTPL	N/A	404	404	–
Rental deposit	N/A	1,157,496	1,157,496	–
Security deposit	N/A	192,482	192,482	–
Loan to employees	N/A	421,206	421,206	–
Other financial asset at amortized	N/A	458,873	458,873	4,195
Other noncurrent assets:				
Loans to employees	N/A	731,043	731,043	–
Miscellaneous deposits	N/A	171,206	171,206	–
		₱85,401,007	₱85,401,007	₱55,629

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company	$					
Cimeston Inc.	$54,970,875	$-	($33,997,745)	$20,981,130	$-	$20,981,130
Related parties under common control						
Cirtek Holdings, Inc.	1,800,256	-	-	1,800,256	-	1,800,256
Cayen Holdings, Inc.	216,775	-	(33,191)	183,584	-	183,584
TOTAL	$57,004,506	$0	($34,030,936)	$22,973,970	$-	$22,973,970

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Receivables from related parties which are eliminated during the consolidation

(under Trade and Other Receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel USA*	24,[illegible]	-	(13,[illegible])	-	11,[illegible]	-	11,[illegible]

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$81,315,780	$-	($35,540,520)	$-	$45,775,261	$-	$45,775,261
CEIC	8,315,759	13,200,000	-	-	21,515,759	-	21,515,759
CATS	-	32,172,961			32,172,961		32,172,961
Subtotal	89,631,539	45,372,961	(35,540,520)	-	99,463,981	-	99,463,981
Cirtek Electronics Corporation from:							
CHPC	38,240,836	-	(11,090,452)	-	27,150,384	-	27,150,384
CATS	31,387,653	-	(31,387,653)	-	-	-	-
Subtotal	69,628,489	-	(42,478,105)	-	27,150,384	-	27,150,384
Cirtek Electronics International Corporation from:							
CHPC	2,330,863	-	-	-	2,330,863	-	2,330,863
CEC	21,[illegible]	440,[illegible]	-	-	21,[illegible]	-	21,[illegible]
CATS	161,776	159,620	-	-	321,396	-	321,396
Cirtek Corporation	82,479,692	-	-	-	82,479,692	-	82,479,692
Subtotal	106,070,225	600,113	-	-	106,[illegible]	-	106,[illegible]
Cirtek Advanced Technologies and Solutions, Inc from:							
CHPC	34,684	307	-	-	34,991	-	34,991
Subtotal	34,684	307	-	-	34,991	-	34,991
RBW Realty and Property, Inc from:							
CATS	18,589	-	-	-	18,589	-	18,589
TOTAL	$265,[illegible]	$45,[illegible]	($78,[illegible])	$-	$233,[illegible]	$-	$233,[illegible]

SCHEDULE D

CERTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS OF DECEMBER 31, 2015

Intangible Assets – Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and Expenses	Charged to other Accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$53,541,157	$–	$–	$–	$–	$53,541,157
Customer relationship	23,736,500	–	–	–	–	23,736,500
Trademark	7,472,800	–	–	–	–	7,472,800
Technology	4,210,130	199,786	(1,174,920)	–	–	3,228,946
Product development costs	2,123,057	2,537,983	(320,724)	–	–	4,340,316
Total	$93,083,644	$2,721,719	($1,495,644)	$–	$–	$94,319,719

SCHEDULE B

CERTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS OF DECEMBER 31, 2019

	Long-term Debt		
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	$62,490,920	89,451,136	$52,029,784

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
AS OF DECEMBER 31, 2019

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
Not Applicable		

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF DECEMBER 31, 2019

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
Not Applicable				

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Cirtek Holdings Philippines Corporation (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit

JERRY LIU
Chairman and CEO

ROBERTO JUANCHITO T. DISPO
Vice Chairman/President

CARLOS M. GACUSANA, JR.
Deputy Chief Finance Officer

Signed this 3rd day of May 2019

MAY 06 2019

SUBSCRIBED AND SWORN TO before me this day _____ of _____ at MAKATI CITY City, Philippines, affiant exhibited to me the following:

Affiant	Type Of ID	ID Number and Expiry Date (if applicable)
Jerry Liu	TIN	113-279-728
Roberto Juanchito Dispo	TIN	129-882-308
Carlos Gacusana ,Jr.	TIN	253-263-248

Doc. No. 112
Page No. 24
Book No. 920
Series of 2019.

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP. NO. 058333/04-03-2019
ROLL NO. 20947/MCLE 5/6-8-17
PTR. NO. MKT. 7333572/1-3-19 APPT. NO. M-123
2006 E. PASCUA ST., MAKATI CITY

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7

COMPANY NAME

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(049) 729-6205	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
26	05/31	12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Roberto Juanchito Dispo	jojodispo@cirtek.ph	N/A	N/A

CONTACT PERSON's ADDRESS

116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2016, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 9, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Cirtek Holdings Philippines Corporation
116 East Main Avenue
Phase V-SEZ
Laguna Technopark
Biñan, Laguna

Opinion

We have audited the consolidated financial statements of Cirtek Holdings Philippines Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Finalization of Purchase Price Allocation for the Acquisition of Quintel Cayman Ltd. (Quintel)

In 2018, the Group finalized the fair values of the net assets and liabilities acquired from its acquisition of Quintel on July 28, 2017. PFRS 3, *Business Combinations*, allows the fair values of assets acquired and liabilities assumed to be refined continually for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted to an increase in customer relationships, technology and trademark of $5.9 million and $2.4 million, respectively, and a decrease in technology and goodwill of $2.1 million and $6.4 million, respectively. We consider this as a key audit matter because of the materiality of the adjustment and the significant degree of management judgment in estimating the fair values of the net assets.

The Group's disclosures about the finalization of purchase price allocation for the acquisition of Quintel are included in Note 5 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's purchase price allocation process which includes the identification of the fair values of the net assets acquired. We have reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an external specialist to perform valuation on its assets, we considered the competence, capabilities and objectivity of the Group's external specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Intangible Assets with Indefinite Useful Lives including Goodwill

Intangible assets with indefinite useful lives, including goodwill, amounting to $86.8 million accounts for 33% of the Group's consolidated total assets as at December 31, 2018 which are attributable to only one (1) cash generating unit. We consider the recoverability of intangible assets with indefinite useful lives including goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes revenue assumptions, variable costs, terminal growth rate and discount rate.

Refer to Note 15 to the consolidated financial statements for the discussion of significant management estimates and assumptions used in impairment testing of intangible assets with indefinite useful lives including goodwill.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used, which include revenue assumptions, variable costs, terminal growth rate and discount rate. We compared the key assumptions used such as sales volume and price, and variable costs against the historical information and inquired from management about the plans to support the forecasted information. We tested the parameters used in the determination of the terminal growth rate and discount rate against market data.

We performed sensitivity analyses to understand the impact of reasonable change in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of intangible assets with indefinite useful lives including goodwill.

Reclassification of Noncurrent Assets Held for Sale to Property, Plant and Equipment to Investment Properties and Valuation of Investment Properties

The Group has noncurrent assets held for sale valued at $11.4 million which consists of land, building and building improvements, and machineries as of December 31, 2017. In 2018, these assets were reclassified to property, plant and equipment and investment properties as management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Assessing whether the noncurrent assets may continue to be classified as held for sale involves management's judgment.

Furthermore, the noncurrent assets that ceases to be classified as held for sale requires to be measured at the lower of its (a) carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been reclassified as held for sale; and (b) recoverable amount at the date of the subsequent decision not to sell or distribute. On the other hand, determining fair value of the investment properties requires management to make judgments regarding the appropriate valuation methodology and involves estimation based on available inputs.

The Group's disclosures about management's exercise of judgment and estimates is included in Note 3 to the consolidated financial statements and details about the non-current assets held for sale and investment properties are included in Notes 12, 13 and 14 to the consolidated financial statements.

Audit response

We inquired the Group's plan on the noncurrent assets which ceased to be classified as held for sale. We reviewed management's assessment and relevant accounting policies related to the reclassified noncurrent assets. For the noncurrent assets held for sale reclassified to property, plant and equipment, we tested management's calculation on the adjustments to depreciation and amortization, that would have been recognized had the asset not been reclassified as held for sale. For the noncurrent assets held for sale which were reclassified to investment properties carried at fair value, we involved our internal specialist in the review of the methodology and assumptions used by an external appraiser in determining the fair value. We evaluated the competence, capabilities and objectivity of the external appraiser. We compared the assumptions used, specifically the sales price of comparable properties and adjusted benchmark construction costs, against relevant external information. We inquired from the external appraiser the basis of adjustments made.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

May 3, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017 (As restated, Notes 5 and 31)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**$17,443,001**	$37,222,737
Trade and other receivables (Note 7)	**14,725,878**	13,035,433
Inventories (Note 8)	**28,303,005**	38,996,592
Amounts owed by related parties (Note 20)	**57,004,906**	50,383,831
Other current assets (Note 9)	**2,617,509**	2,523,380
	120,094,299	142,161,973
Noncurrent assets held for sale (Note 12)	**–**	11,408,611
Total Current Assets	**120,094,299**	153,570,584
Noncurrent Assets		
Available-for-sale (AFS) financial asset (Note 10)	**–**	1,667,000
Other financial asset at amortized cost (Note 11)	**469,588**	–
Held-to-maturity (HTM) investment (Note 11)	**–**	480,563
Investment properties (Note 13)	**10,605,040**	–
Property, plant and equipment (Note 14)	**38,160,729**	31,293,890
Intangible assets (Note 15)	**93,083,644**	92,856,336
Deferred income tax assets - net (Note 27)	**205,074**	207,375
Other noncurrent assets (Note 16)	**1,950,980**	2,002,376
Total Noncurrent Assets	**144,475,055**	128,507,540
TOTAL ASSETS	**$264,569,354**	$282,078,124
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 17)	**$16,810,575**	$39,998,617
Short-term loans (Note 18)	**53,710,000**	64,040,088
Current portion of long-term debt (Note 19)	**11,045,751**	4,253,270
Amounts owed to related parties (Note 20)	**601,193**	543,203
Dividend payable (Notes 20 and 31)	**20,601**	–
Income tax payable	**458,785**	235,000
Total Current Liabilities	**82,646,905**	109,070,178
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**62,300,920**	33,624,575
Deposit for future stock subscriptions (Notes 20 and 31)	**189,107**	–
Retirement benefit obligation (Note 25)	**1,555,062**	1,890,149
Deferred income tax liabilities - net (Note 27)	**4,090,991**	3,510,136
Total Noncurrent Liabilities	**68,136,080**	39,024,860
Total Liabilities	**150,782,985**	148,095,038
Equity (Note 31)		
Common stock	**9,594,321**	9,594,321
Preferred stock	**2,615,995**	2,037,113
Additional paid-in capital	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income (loss)	**(1,255,830)**	196,292
Retained earnings	**25,144,690**	24,672,847
	140,599,049	141,000,446
Parent company shares held by a subsidiary	**(26,812,680)**	(7,017,360)
Total Equity	**113,786,369**	133,983,086
TOTAL LIABILITIES AND EQUITY	**$264,569,354**	$282,078,124

Securities and Exchange Commission
ICTD MAY 07 2019 3

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017 (As restated, Notes 5 and 31)	2016
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 21)	**$106,474,833**	**$–**	**$–**
NET SALES	–	88,709,634	74,322,312
COST OF SALES (Note 22)	(84,624,337)	(70,430,440)	(61,566,107)
GROSS PROFIT	21,850,496	18,279,194	12,756,205
OPERATING EXPENSES (Note 23)	(15,587,401)	(12,214,355)	(4,353,603)
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 6, 9 and 11)	42,204	84,463	380,095
Interest expense (Notes 18 and 19)	(4,847,519)	(3,404,730)	(1,375,227)
	(4,805,315)	(3,320,267)	(995,132)
OTHER INCOME - Net (Note 26)	8,328,056	506,256	747,890
INCOME BEFORE INCOME TAX	9,785,836	3,250,828	8,155,360
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	884,352	521,332	559,457
Deferred	567,239	(420,537)	(12,125)
	1,451,591	100,795	547,332
NET INCOME	8,334,245	3,150,033	7,608,028
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 25)	214,878	155,963	(486,091)
TOTAL COMPREHENSIVE INCOME	$8,549,123	$3,305,996	$7,121,937
Basic/Diluted Earnings Per Share (Note 28)	$0.011	$0.008	$0.018

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

					Other Comprehensive Income (Loss)					
	Common Stock (Note 31)	Preferred Stock (Note 31)	Additional Paid-in Capital (Note 31)	Equity Reserve	Remeasurement gains (losses) on retirement benefit (Note 25)	Change in Fair Value of Equity Investments at FVTOCI (Note 10)	Subtotal	Retained Earnings (Note 31)	Parent Company Shares Held by a Subsidiary (Note 31)	Total
BALANCES AT DECEMBER 31, 2015	₱9,594,321	₱221,239	₱35,896,893	₱4,138,375	₱526,430	₱–	₱526,430	₱20,896,548	₱–	₱71,273,796
Net income	–	–	–	–	–	–	–	7,608,026	–	7,608,026
Other comprehensive income (loss)	–	–	–	–	(486,091)	–	(486,091)	–	–	(486,091)
Total comprehensive income (loss)	–	–	–	–	(486,091)	–	(486,091)	7,608,026	–	7,121,935
Cash dividends declared	–	–	–	–	–	–	–	(3,620,000)	–	(3,620,000)
Acquisition by subsidiary of parent company's shares	–	–	–	–	–	–	–	–	(49,566,535)	(49,566,535)
BALANCES AT DECEMBER 31, 2016	9,594,321	221,239	35,896,893	4,138,375	40,339	–	40,339	24,884,574	(49,566,535)	25,209,198
Net income, as previously reported	–	–	–	–	–	–	–	4,296,210	–	4,296,210
Effect of restatements (Note 5)	–	–		–	–	–	–	(1,166,177)	–	(1,166,177)
Net income, as adjusted	–	–	–	–	–	–	–	3,130,033	–	3,130,033
Other comprehensive income	–	–	–	–	155,963	–	155,963	–	–	155,963
Total comprehensive income	–	–	–	–	155,963	–	155,963	3,130,033	–	3,285,996
Issuance of capital stock (Note 31)	–	1,815,874	65,873,267	–	–	–				67,689,141
Stock issue costs (Note 31)	–	–	(1,305,501)	–	–	–	–	–	–	(1,305,501)
Cash dividends declared (Note 31)		–		–	–	–	–	(3,361,762)	–	(3,361,762)
Sale by subsidiary of parent company's shares, as previously reported	–	–	–	(108,161)	–	–	–	–	47,007,228	46,899,067
Effect of restatements (Note 31)					–	–	–	–	(4,518,053)	(4,518,053)
Sale by subsidiary of parent company's shares, as restated				(108,161)					42,549,175	42,441,014
BALANCES AT DECEMBER 31, 2017, AS RESTATED	₱9,594,321	₱2,037,113	₱100,469,659	₱4,030,214	₱196,292	₱–	₱196,292	₱24,672,847	(₱7,017,360)	₱133,983,086
BALANCES AT DECEMBER 31, 2017, AS PREVIOUSLY REPORTED	₱9,594,321	₱2,037,113	₱100,469,659	₱4,030,214	₱196,292	₱–	₱196,292	₱25,819,024	(₱2,499,307)	₱139,647,316
Effect of restatements (Notes 5 and 31)	–	–	–	–	–	–	–	(1,146,177)	(4,518,053)	(5,664,230)
BALANCES AT DECEMBER 31, 2017, AS RESTATED	₱9,594,321	₱2,037,113	₱100,469,659	₱4,030,214	₱196,292	₱–	₱196,292	₱24,672,847	(₱7,017,360)	₱133,983,086

	Common Stock (Note 31)	Preferred Stock (Note 31)	Additional Paid-in Capital (Note 31)	Equity Reserve	Other Comprehensive Income (Loss): Remeasurement gains (losses) on retirement benefit (Note 25)	Other Comprehensive Income (Loss): Change in Fair Value of Equity Investments at FVTOCI (Note 10)	Other Comprehensive Income (Loss): Subtotal	Retained Earnings (Note 31)	Treasury Company Shares Held by a Subsidiary (Note 31)	Total
BALANCES AT JANUARY 1, 2018	₱9,594,321	₱2,637,183	₱108,469,650	₱4,030,214	₱196,292	₱–	₱196,292	₱24,672,847	(₱7,017,360)	₱133,083,086
Effect of PFRS 9 (Note 2)	–	–	–	–	–	(1,667,000)	(1,667,000)	–	–	(1,667,000)
BALANCES AT JANUARY 1, 2018, AS ADJUSTED	9,594,321	2,637,183	108,469,650	4,030,214	196,292	(1,667,000)	(1,470,708)	24,672,847	(7,017,360)	131,416,086
Net income	–	–	–	–	–	–	–	8,334,245	–	8,334,245
Other comprehensive income	–	–	–	–	214,878	–	214,878	–	–	214,878
Total comprehensive income	–	–	–	–	214,878	–	214,878	8,334,245	–	8,549,123
Issuance of preferred stock (Note 31)	–	578,882	–	–	–	–	–	–	–	578,882
Cash dividends declared (Note 31)	–	–	–	–	–	–	–	(7,862,402)	–	(7,862,402)
Acquisition by subsidiary of parent company's shares (Note 31)	–	–	–	–	–	–	–	–	(19,795,320)	(19,795,320)
BALANCES AT DECEMBER 31, 2018	₱9,594,321	₱2,616,065	₱108,469,650	₱4,030,214	₱411,170	(₱1,667,000)	(₱1,255,830)	₱25,144,690	(₱26,812,680)	₱113,786,369

See accompanying Notes to Consolidated Financial Statements

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017 (As restated, Note 31)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱9,785,836**	₱3,250,828	**₱8,155,360**
Adjustments for:			
Depreciation and amortization (Notes 14 and 15)	**5,860,524**	4,126,018	**2,906,520**
Interest expense (Notes 18 and 19)	**4,847,519**	3,404,730	**1,375,227**
Net gain on changes in fair value of investment properties (Notes 13 and 26)	**(2,042,656)**	–	
Interest income (Notes 6, 9 and 11)	**(42,204)**	**(84,463)**	(380,095)
Movement in net retirement benefit obligation (Note 25)	**(16,361)**	245,263	34,812
Net unrealized foreign exchange gains	**(31,798)**	(48,619)	(19,282)
Loss on disposal of property, plant and equipment	**10,389**	–	–
Gain on disposal of financial assets at FVTPL (Notes 9 and 26)	–	–	(262,332)
Operating income before working capital changes	**18,371,249**	10,893,757	**11,810,210**
Decrease (increase) in:			
Trade and other receivables	**10,693,587**	14,063,141	(9,508,529)
Inventories	**(1,685,925)**	(13,685,238)	(9,544,825)
Other current assets	**(166,056)**	472,975	(79,881)
Increase (decrease) in trade and other payables	**(23,614,099)**	**(183,095)**	5,628,543
Cash generated from (used in) operations	**3,598,756**	11,561,542	(1,694,482)
Interest received	**48,659**	**78,888**	465,984
Income taxes paid	**(656,080)**	(616,191)	(353,536)
Net cash from (used in) operating activities	**2,991,335**	11,024,239	(1,582,034)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 14)	**(8,501,832)**	(5,553,216)	(7,546,010)
Product development costs (Note 15)	**(1,617,261)**	–	
A subsidiary, net of cash acquired (Note 5)	–	(81,303,212)	–
HTM investment (Note 12)	–	(480,563)	–
Proceeds from disposal of:			
Property, plant and equipment	**280**	–	–
Financial assets at FVTPL (Note 9)	–	–	19,709,049
Redemption of HTM investments (Note 11)		371,520	518,269
Increase (decrease) in other noncurrent assets	**44,804**	(754,094)	(1,291,781)
Net cash from (used in) investing activities	**(10,074,029)**	(87,719,565)	11,389,527

(Forward)

	Years Ended December 31		
	2018	2017 (As restated, Note 31)	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans (Note 18)	**$39,778,000**	$94,414,857	$22,080,857
Long-term debt (Note 19)	–	–	30,000,000
Proceeds from issuance of preferred stock	–	67,489,141	–
Payments of:			
Cash dividends (Note 31)	**(7,841,801)**	(3,361,762)	(3,620,000)
Interest (Notes 18 and 19)	**(4,228,235)**	(3,823,363)	(1,271,687)
Long-term debts (Note 19)	**(4,360,000)**	(7,025,962)	(9,121,198)
Short-term loans (Note 18)	**(10,186,088)**	(62,000,714)	(1,290,000)
Debt issuance costs (Note 19)	**(388,274)**	–	(321,605)
Stock issue costs	–	(775,635)	–
Proceeds from sale by a subsidiary of parent company shares (Note 31)	–	42,441,015	–
Acquisition by subsidiary of the parent company shares (Note 31)	**(19,795,320)**	–	(49,566,535)
Collection of subscription receivables (Note 31)	**578,882**	–	–
Cash received as deposit for future stock subscription (Note 31)	**189,107**	–	–
Net movement in amounts owed by and owed to related parties (Note 20)	**(6,563,085)**	(37,924,203)	(1,805,357)
Net cash from (used in) financing activities	**(12,642,814)**	89,433,374	(14,915,525)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(54,228)**	(26,804)	(157,341)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(19,725,508)**	12,711,244	(5,265,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**37,222,737**	24,511,493	29,776,866
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**$17,443,001**	$37,222,737	$24,511,493

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

Corporate Information
Cirtek Holdings Philippines Corporation (CHPC or the "Parent Company") was incorporated under the laws of the Republic of the Philippines on February 10, 2011 to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities. The Parent Company's corporate life is 50 years starting from the date of registration with the Philippine Securities and Exchange Commission (SEC).

The Parent Company was listed in the Philippine Stock Exchange on November 18, 2011.

Prior to the listing, the Parent Company had undergone a corporate reorganization on March 1, 2011 which includes an acquisition from Cirtek Holdings, Inc. (CHI) of 155,511,952 common shares of Cirtek Electronics Corporation (CEC), and 50,000 shares of Cirtek Electronics International Corporation (CEIC), representing 100% of the outstanding capital stock of both companies. The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method.

Camerton Inc. (Camerton) is the immediate parent of CHPC, while Cametheus Holdings, Inc. is the ultimate parent company of CHPC and its subsidiaries (the "Group").

CHPC, through its subsidiaries CEC and CEIC, is primarily engaged in two major activities: (1) the manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services, and (2) the manufacture of value-added, highly integrated technology products. CEC provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users. CEIC sells integrated circuits principally in the United States of America, and assigns the production of the same to CEC. In 2014, CEIC acquired Remec Broadband Wireless Inc. (RBWI or REMEC), renamed as Cirtek Advanced Technologies and Solutions, Inc. (CATS), a manufacturer of value-added, highly integrated technology products. CATS offers complete "box build" turnkey manufacturing solutions to radio frequency, microwave and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

The Parent Company's registered address is 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

Incorporation of Cirtek Corporation and Cirtek Cayman Ltd. (CCL, Merger Subsidiary)
Cirtek Corporation was incorporated on July 7, 2017 under the laws of Delaware, USA, to engage in lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware. Cirtek Corporation is a wholly owned subsidiary of CEIC.

In the same period, CCL was incorporated in the Cayman Islands. CCL is a wholly owned subsidiary of Cirtek Corporation and was merged with Quintel Cayman Ltd. (Quintel) in accordance with the Agreement and Plan of Merger ("Agreement") between the Group and the previous stockholders of Quintel.

Acquisition of Quintel
On July 28, 2017, the Parent Company's Board of Directors, (BOD) approved the acquisition of Quintel and its subsidiaries for $83.2 million (see Note 5). Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

In accordance with the Agreement, CCL was merged with and into Quintel, with the latter as the surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from CHPC and Cintek Corporation. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished, and be converted automatically into the right to receive a portion of the purchase price.

The Group believes that Quintel's cutting edge research and development and product capabilities significantly add to and complement the Group's growing portfolio in wireless communication, and is aligned with its business focus on high-growth market segments. Furthermore, being the strategic manufacturing partner of Quintel products places the Group in a unique situation to achieve significant synergies through value engineering, research and development collaboration as well as cost reduction, resulting in high-quality, reliable and cost-competitive products.

On August 4, 2017, the Assistant Registrar of Companies for the Cayman Islands issued a Certificate of Merger stating that the companies have merged effective on said date.

Authorization for Issuance of Consolidated Financial Statements
The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years ended December 31, 2018 were approved and authorized for issuance by the BOD on May 3, 2019.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements of the Group are prepared on a historical cost basis except for financial asset at fair value through profit or loss (FVTPL), certain equity instruments and investment properties, which are carried at fair value, and noncurrent assets held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. The consolidated financial statements are presented in United States (US) dollars ($), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest US dollar except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued by the Philippine Interpretations Committee.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2018 and 2017:

	Country of Incorporation	Percentage of Ownership			
		2018		2017	
		Direct	Indirect	Direct	Indirect
CBC	Philippines	100	–	100	–
CEIC	BVI	100	–	100	–
CATS	BVI	–	100	–	100
CATS - Philippine Branch	Philippines	–	100	–	100
RBW Realty and Property, Inc. (RBWRP)	Philippines	–	100	–	100
Cirtek Corporation	United States of America	–	100	–	100
Quintel	Cayman Islands	–	100	–	100
Quintel Technology, Ltd.	United Kingdom	–	100	-	100
Quintel USA	United States of America	–	100	–	100
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	100	–	100

**In the process of dissolution*

Subsidiaries are entities over which the Parent Company has control. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the stand-alone financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income,

expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 (previously PAS 39) is measured at fair value with changes in fair value recognized either in profit or loss. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Common control business combinations
Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Parent Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2018. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight. These amendments are not applicable to the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective method, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39.

The impact of the adoption is described below:

Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at FVTPL, amortized cost or FVTOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application and then applied to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets previously carried at amortized cost continue to be carried at amortized cost under PFRS 9, whereas, financial assets previously held a fair value under PAS 39, continue to be measured at fair value under PFRS 9. The following are the changes in the classification of the Group's financial assets:

The following are the changes in the classifications of the Group's financial assets.

a. Cash and cash equivalents, trade and other receivables, amounts owed by related parties, rental and security deposits, loan to employees and miscellaneous deposits previously classified as "Loans and receivables" and government securities classified as "HTM investments" qualified as held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments financial assets to be measured at amortized cost.

b. Equity investment classified as an AFS financial asset as at December 31, 2017 is classified and measured as equity instrument designated at FVTOCI beginning January 1, 2018. The Group elected to classify irrevocably its equity investment under this category at the date of initial application as it intends to hold this investment for the foreseeable future. There were no impairment losses recognized in profit or loss for this investment in prior periods.

   As the Group availed of the cost exemption under PAS 39, the equity investment is carried at cost as of December 31, 2017. The Group revalued the equity investment at its fair value as at January 1, 2018 resulting to a reduction of net changes in fair value amounting to $1.7 million.

c. The adoption of PFRS 9 did not result to changes to the classification and measurement of financial liabilities. All of the Group's financial liabilities are classified and measured at amortized cost.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018, is as follows:

		PFRS 9 measurement category		
PAS 39 measurement category	**Balances**	**FVTPL**	**FVTOCI**	**Amortized cost**
Loans and receivables:				
Cash and cash equivalents	$37,222,487	$–	$–	$37,222,487
Trade and other receivables	13,035,433	–	–	13,035,433
Amounts owed by related parties	50,383,831	–	–	50,383,831
Other current assets:		–	–	
Rental deposit	1,203,004	–	–	1,203,004
Loans to employees	312,451	–	–	312,451
Security deposit	182,510	–	–	182,510
Other noncurrent assets:		–	–	
Miscellaneous deposits	177,591		–	177,591
Loans to employees	233	–	–	233
HTM investment	480,563	–	–	480,563
Financial asset at FVTPL*	$01	501	–	–
AFS financial asset**	1,667,000	–	1,667,000	.
	$104,665,604	$501	$1,667,000	$102,998,103

**Included in 'Other current assets'*

***As discussed, the Parent Company recognized a reduction of net changes in fair value of equity investment at FVTOCI amounting to $1.7 million as at January 1, 2018.*

Impairment

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL.

For cash and cash equivalents, other receivables and amounts owed by related parties, management evaluated that these financial assets have low credit risk. Hence, the Company measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Company uses external credit ratings both to determine whether the cash and cash equivalents, other receivables and amounts owed by related parties has significantly increased in credit risk and to estimate ECL.

For the Group's trade receivables, PFRS 9's simplified approach was applied where ECLs are calculated based on lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of PFRS 9 did not have any significant impact on the Group's provision for impairment on its financial assets.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted PFRS 15 using the modified retrospective approach of adoption with January 1, 2018 as the date of initial application. Under this method, the standard can be applied either to all contracts at date of initial application or only to contracts that are not completed at the date of initial application. The Company elected to apply the standard to all contracts as of January 1, 2018.

Sale of goods
Prior to the adoption of PFRS 15, the Group recognized revenue from sale of goods when goods are delivered, title and risk of ownership have passed, the price to the buyer is fixed or determinable, and recoverability is reasonably assured.

Under PFRS 15, the Group assessed that the contracts with customers did not meet any criteria in recognizing revenue over time. Although the products created have no alternative use to the Group considering that goods manufactured are based on customer purchase order or scheduling agreement, the Group's right to payment for performance completed to date in case of termination for reasons other than the Group's failure to perform as promised do not include a reasonable profit margin. Thus, the Group assessed that the adoption of PFRS 15 did not change the timing of revenue recognition and amount of revenue to be recognized.

Furthermore, the Group reclassified "Advances from customers" to "Contract liabilities" amounting to $2.8 million as at January 1, 2018.

The Group provided new disclosures to comply with the requirements of PFRS 15 such as disaggregated revenue information, among others.

New Accounting Standards, Amendments to Existing Standards and Interpretation Effective Subsequent to December 31, 2018
The standards, amendments and interpretation which have been issued and are effective as at December 31, 2018 are disclosed below. The Group intends to adopt these standards, amendments and interpretation, if applicable, when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in consolidated statement of income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments are not expected to have any significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not expected to be relevant to the Group because there has been no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred income taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of

the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach);
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2018 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/ noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as noncurrent.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each balance sheet date. Also, the Group discloses the fair values of financial instruments measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments - Effective January 1, 2018
Financial assets
Initial recognition and measurements
Financial assets are classified as financial assets measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15 (refer to the Revenue Recognition policy).

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

- *Financial assets at amortized cost* - This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss, when the asset is derecognized, modified or impaired.

  As at December 31, 2018, this category includes the Group's cash and cash equivalents, trade and other receivables, amounts owed by related parties, investment in Philippine government securities, rental and security deposits, loans to employees and miscellaneous deposits.

- *Financial assets designated at FVTOCI (equity instruments)* - Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

  The Group elected to classify irrevocably its non-listed equity investments under this category.

  As at December 31, 2018, this category includes the Group's investment in unquoted shares.

- *Financial assets designated at FVTOCI (debt instruments)* - The Group measures debt instruments at FVTOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2018, the Group has no debt instruments classified as financial assets designated at FVTOCI.

- *Financial assets at FVTPL* - Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value presented as "Unrealized mark-to-market gain" (positive net changes in fair value) or "Unrealized mark-to-market loss" (negative net changes in fair value) in profit or loss.

  As of December 31, 2018, this category includes the Group's investment in Unit Investment Trust Fund (UITF).

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either the Group (a) has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, amounts owed to related parties, dividend payable and long-term debts.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below.

- *Financial liabilities at FVTPL* - Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized in profit or loss.

  Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVTPL.

- *Loans and borrowings* - This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the amortization process.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets - Effective January 1, 2018
Beginning January 1, 2018, upon adoption of PFRS 9, the Group recognizes an allowance for ECLs for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables that do not contain significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

For financial assets at amortized costs being individually assessed for ECLs, the Group applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments - Effective Prior to January 1, 2018

Financial assets

Initial recognition

Financial assets within the scope of PAS 39 are classified as either financial assets at FVTPL, loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, financial assets at FVTPL, HTM investments, AFS financial asset, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent

assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or purchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with gains or losses recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL.

Financial assets designated as FVTPL are designated by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2017, the Group designated its investment in UITF as financial asset at FVTPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method, less impairment. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Assets in this category are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As of December 31, 2017, the Group has designated as loans and receivables its cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to

employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

HTM investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold it to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017, the Group has HTM investments in Philippine government securities.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or change in market conditions.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in OCI until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in profit or loss.

As of December 31, 2017, the Group's AFS financial asset pertains to investment in unquoted equity shares.

Financial liabilities
Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities not at FVTPL, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, long-term debt and amounts owed to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in profit or loss.

The Group does not have a financial liability at FVTPL as of December 31, 2017.

Other financial liabilities
Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2017, the Group's other financial liabilities includes trade and other payables, short-term loans, amounts owed to related parties and long-term debt.

Impairment of Financial Assets - Effective Prior to January 1, 2018
The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in profit or loss.

Financial assets carried at amortized cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials, spare parts, supplies and others	- purchase cost on a first-in, first-out (FIFO) basis;
Finished goods and work-in-process inventories	- cost of direct materials and labor and a proportion of manufacturing overhead cost. Costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. They are regularly reviewed and, if necessary, revised in light of current conditions.

NRV of finished goods and work-in-process inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts, supplies and others is the current replacement cost.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing cost when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in profit or loss as incurred. Land is carried at cost less any impairment in value.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents property under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	Number of Years
Machinery and equipment	7-15
Buildings and improvements	5-25
Facility and production tools	5-8
Furniture, fixtures and equipment	2-5
Transportation equipment	5-7

Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts until these are no longer in use. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Noncurrent Assets Held for Sale

Property, plant and equipment are classified as held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year from the date of classification, rather than through continuing use. Noncurrent assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification, unless the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

The Group shall measure a noncurrent asset that ceases to be classified as held for sale at the lower of its:

a. carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been classified as held for sale; and
b. recoverable amount at the date of the subsequent decision not to sell or distribute.

If the Group has classified an asset as held for sale, but the criteria for held for sale classification are no longer met, the Group shall cease to classify the asset as held for sale.

The Group shall recognize any required adjustment to the carrying amount of a noncurrent asset that ceases to be classified as held for sale in profit or loss in the period in which the criteria are no longer met.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee (IVSC).

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Foreign currency exchange differences are included in the determination of borrowing costs to be capitalized, but only to the extent that they are an adjustment to the interest cost on the borrowing.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible asset with finite life is amortized over its economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each balance sheet date. Changes in the expected useful life or the expected

pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment can be supported. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset as identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contractual-legal" criterion).

The Group's intangible assets recognized from business combination pertain to customer relationship, trademark and technology. Trademark and customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing. The Group estimates that technology will have an economic life of 10 years.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit, which is estimated to be five (5) to ten (10) years. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. The Group has designated as nonfinancial assets its prepaid expenses, advances to suppliers, property, plant and equipment, intangible assets, project development costs and other assets. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial asset's or CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset,

unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its estimated recoverable amount, the nonfinancial asset is considered impaired and is written down to its estimated recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock
Capital stock, which consists of common stock and preferred stock, is measured at par value for all shares issued. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

Subscription Receivable
The unpaid portion of the subscribed shares is deducted from capital stock and is measured at subscription price for all shares subscribed.

Deposit for Future Stock Subscription
Deposit for future stock subscription represent the amount received that will be applied as payment in exchange for a fixed number of the Parent Company's own shares of stock. When the Parent Company does not have sufficient unissued authorized capital stock but the BOD and stockholders have approved for a proposed increase in authorized capital stock that has been presented for filing or has been filed with the Philippine SEC as of the balance sheet date, the deposit for future stock subscription is presented in the equity section of the consolidated balance sheet. Otherwise, this is presented in the liability section of the consolidated balance sheet.

Retained Earnings
The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

The Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Equity Reserve
Equity reserve represents the effect of the application of the pooling-of-interests method and the difference of carrying amount and consideration of reissued Parent Company shares held by a subsidiary.

Parent Company Shares Held by a Subsidiary
These shares represent the Parent Company's common shares acquired by its subsidiary. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the consideration, if reissued, is charged or credited to Equity Reserve.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group includes net changes in fair values of financial assets at FVTOCI and AFS financial assets, and remeasurements on retirement benefit obligation.

Revenue Recognition - Effective January 1, 2018
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of goods
Revenue from sale of goods is recognized at the point in time when the goods have been transferred to the customer (i.e., upon delivery). The Group's normal credit term is 30 to 120 days upon delivery.

Revenue is measured based on the transaction price the Group expects to be entitled to. The Group's contracts with customers generally provide customers with discounts. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Variable considerations include discounts and right of return. Discounts and returns are not significant to the Group.

Contract balances
- *Contract assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

- *Trade receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under Financial Assets and Financial Liabilities - Financial assets at amortized cost (debt instruments).

- *Contract liability.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is

due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue Recognition - Effective Prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns, rebates and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from the sale of goods (including scrap) is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, net of discounts and returns. Discounts and returns are not significant to the Group.

Interest Income
Interest income is recognized as it accrues using the effective interest method.

Costs and Expenses Recognition
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of sales
Cost of sales is recognized when the related sale has met the criteria for recognition.

Operating expenses
Operating expenses are recognized in the period in which they are incurred.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangements is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Retirement Benefits Costs
Defined benefit plans
CEC and CATS are covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when, reimbursement is virtually certain.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group has a defined contribution plan covering substantially all employees of Quintel USA and Quintel Technology, Inc.

Foreign Currency-denominated Transactions
The consolidated financial statements are presented in US dollars, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Income Taxes
Current income tax
Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial reporting date. Current income tax for the current and prior periods, shall, to the extent unpaid, be recognized as a liability in the consolidated balance sheet. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and be presented as part of "Other current assets" in the consolidated balance sheet.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to offset current tax assets against current tax liabilities exist and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered. Subsidiaries file income tax returns on an individual basis. Thus, the deferred income tax assets and deferred income tax liabilities are offset on a per entity basis.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, adjusted for the effects of shares held by subsidiaries and with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Operating Segments
The Group operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses. The segments are segregated as follows: (a) manufacture and sale of semiconductor packages based in the Philippines through CEC, (b) manufacture and sale of radio frequency, microwave, and millimeter-wave products based in the Philippines through CATS - Philippine Branch, and (c) sale of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks based in the U.S. through Quintel. Information with respect to these subsidiaries are disclosed in Note 4. The Group operates and derives its revenue from its domestic operation and from its operation in the U.S. through Quintel.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies
Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, if any, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of functional currency

The functional currencies of the entities under the Group are the currencies of the primary economic environment in which the entities operate. It is the currency that mainly influences the sales prices of goods and cost of goods sold. Based on the economic substance of the underlying circumstances, the functional currency of the Parent Company and its subsidiaries is the US dollar.

Determination of operating segments

Determination of operating segments is based on the information about components of the Group that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Management assessed that the Group's operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses (see Note 4).

Reclassification from noncurrent assets as held for sale to investment properties and property, plant and equipment

When CEIC acquired RBWRP and CATS, the manufacturing activities of CATS had been transferred to CEC facility for operational efficiency measures. As a result, the investment properties, machineries and building improvements owned by RBWRP and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose the said aforementioned assets to interested buyers. PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, requires entities to classify a noncurrent asset held for sale if its carrying amount will be recovered mainly through selling rather than through usage.

In 2017, the Group made a judgment that the noncurrent assets are held for sale since the Group's management was committed to selling the assets and was actively looking for interested buyers. During the one-year period, circumstances arose that were previously considered unlikely and, as a result, the noncurrent assets held for sale were not sold by the end of the one-year period. Furthermore, management took the necessary actions to respond to the change in circumstances and ensured that the noncurrent assets are being actively marketed at a price that is reasonable, given the change in circumstances. The properties were still classified as noncurrent assets held for sale as of December 31, 2017.

During the subsequent periods, the assets have not been sold by the end of those periods. Despite the Group's efforts to market the properties for sale as evidenced by a published advertisement form, the management does not expect the sale of the assets to be a "completed sale" within one year from December 31, 2018. As a result, the Group made the following plans in 2018:

- the land will be held for a currently undetermined future use. As per PAS 40, If an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation;
- the building will remain vacant but is held to be leased out under operating leases;
- machineries and building improvements will be held for administrative purposes and are expected to be used over a period of one year.

The Group reclassified land and building to investment properties and machineries and building improvements to property, plant and equipment. Land and building qualify as investment properties under PAS 40.

Deferred income tax liability on a subsidiary's undistributed profits
CEIC has undistributed profits as of December 31, 2018 and 2017 that will become taxable when distributed to the Parent Company. PAS 12 requires the recognition of deferred income tax liability on taxable temporary difference associated with investments in subsidiaries and interests in joint ventures, unless the Group has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has made a judgment that it is probable that the temporary difference will not reverse in the foreseeable future based on management's plan that the Group will not be declaring dividends from CEIC in the foreseeable future. Accordingly, the Parent Company did not recognize deferred income tax liability on CEIC's undistributed earnings amounting to $6.9 million and $7.2 million as of December 31, 2018 and 2017, respectively.

Impairment of nonfinancial assets (excluding goodwill and intangible assets with indefinite useful lives)
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount which is the higher of an asset's fair value less costs to sell and VIU. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Based on management's evaluation, no indication of impairment was noted on the Group's nonfinancial assets as of December 31, 2018 and 2017.

Estimation of useful life of intangible assets acquired as part of business combination
The assigned useful lives of intangibles assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset.

The Group estimates that technology will have an economic life of 5 years. Customer relationships and trademarks are estimated to have an indefinite useful lives, and will be subjected to annual impairment testing.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determination of final fair values in business combination
In 2018, the Group finalized the fair values of the net assets and liabilities acquired from its acquisition of Quintel on July 28, 2017. PFRS 3 allows the fair values of assets acquired and liabilities assumed to be refined continually for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date.

The fair values of Quintel are disclosed in Note 5 to the consolidated financial statements (see Notes 5 and 15).

Impairment testing of goodwill and intangible assets with indefinite useful life
The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. The Group performs impairment test of trademark and goodwill annually every reporting period.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGU's to which the goodwill and intangible assets relate, which in this case was determined to be Quintel. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience and are consistent with external sources of information. Key assumptions on which management has based its cash flow projections include sales volume and price, variable costs, terminal growth rate and discount rate. Cash flows beyond the forecast period are extrapolated into perpetuity assuming 1.50% growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used is 10.7%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill, customer relationships and trademark to exceed its recoverable amount. Based on management's assessment, the recoverable amount of the goodwill and intangible assets with indefinite useful life is higher than the carrying value, thus no impairment loss was recorded. As of December 31, 2018 and 2017, the carrying value of the goodwill, customer relationships and trademark subjected to impairment testing amounted to $55.5 million, $23.7 million and $7.5 million, respectively (see Note 15).

Estimation of fair value less cost to sell of noncurrent assets held for sale - December 31, 2017
The determination of the fair value less cost to sell of noncurrent assets held for sale is made with reference to the selling price of the asset in the market and other factors such as the local market conditions and the asking price of the potential buyers. As of December 31, 2017, the Group carries its noncurrent assets held for sale at lower of carrying amount and fair value less cost to sell of $11.4 million (see Note 12).

Estimation of fair value of investment properties - December 31, 2018
The fair value of the Company's investment properties, consisting of land, and building and improvements, is based on a valuation made by professionally qualified independent appraisers who hold a recognized and relevant valuation license. The fair value was arrived at using Cost Approach. In this approach, the fair values of land and improvements are estimated separately. The value of the land is computed using the Market Approach and the value of the improvements is arrived at by computing the estimated replacement cost less estimated accrued depreciation. Based on the appraisal study on April 22, 2019 effective December 31, 2018, the fair value of these properties amounted to $10.6 million (see Note 13).

Fair values of financial instruments
The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, fair values are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The fair values of the financial instruments of the Group are disclosed in Note 30 to the consolidated financial statements.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. There were no changes in the useful lives of property, plant and equipment in 2018 and 2017.

Depreciation charged in the consolidated statements of comprehensive income amounted to $4.5 million, $3.4 million and $2.7 million in 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Group's property, plant and equipment have a net book value of $38.2 million and $31.3 million, respectively (see Note 14).

Estimating allowance for inventory obsolescence
The Group recognizes allowance for inventory obsolescence when the inventory items are no longer marketable and diminishes in value. Obsolescence is based on the physical and internal condition of inventory items. The Group reviews on a monthly basis the condition of its stocks. The assessment of the condition of the inventory goods either increase or decrease the expenses or total inventory.

In 2018, the Group's obsolete inventories written off amounted to $0.7 million. The estimated allowance for inventory obsolescence amounted $0.9 million and $1.6 million as of December 31, 2018 and 2017, respectively. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to $28.3 million and $39.0 million as of December 31, 2018 and 2017, respectively (see Note 8).

Provision for ECL on financial assets at amortized cost (expected credit loss model) - Effective starting January 1, 2018
For cash in banks and cash equivalents, other receivables, amounts owed by related parties, various deposits and loans to employees, management evaluated that these financial assets have low credit risk. Hence, the Group measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Group uses external credit ratings to determine whether the cash and cash equivalents, other receivables, amounts owed by related parties, various deposits and loans to employees have significantly increased in credit risk and to estimate ECL.

The Group uses a simplified approach to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

In its ECL model, the Group relies on a broad range of forward looking information as economic inputs such as gross domestic product and inflation. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's allowance for ECL on trade receivables as at December 31, 2018 amounted to $0.5 million. The carrying amount of cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, various deposits, loans to employees and other financial assets at amortized cost amounted to $92.6 million as at December 31, 2018 (see Notes 6, 7, 9, 11 and 16).

Estimating of impairment of loans and receivables (incurred loss model) – Effective prior to January 1, 2018

The Group maintains allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this impairment allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of receivable, and identifies accounts that are to be provided with allowance on a continuous basis either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded expenses and decrease current assets.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing the impairment is the inability to collect from the counterparty based on the contractual terms of the receivables.

For collective assessment, allowance is assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

The Group recognized allowance for impairment loss on trade and other receivables amounting to $0.2 million for the year ended December 31, 2017. Allowance for impairment losses on trade receivables as of December 31, 2017 amounted to $0.2 million. The carrying amount of loans and receivables, which include cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to employees and deposits amounted to $107.0 million as of December 31, 2017, respectively (see Notes 6, 7, 9, 11 and 16).

Estimating retirement benefit cost and liability (defined benefit plans)

The determination of the obligation for retirement benefits is dependent on the selection by management of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 25 and include among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While management believes that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement obligation.

The Group's retirement benefits costs arising from its defined benefit plans amounted to $0.3 million, $0.6 million and $0.2 million in 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Group's retirement benefit obligation amounted to $1.6 million and $1.9 million, respectively (see Note 25).

Estimating useful life of software costs and capitalized product development costs

The estimated useful lives of amortizing software costs and capitalized product development cost were determined on the basis of management's assessment of the period within which the benefits of these costs are expected to be realized by the Group.

As of December 31, 2018 and 2017, software with a total cost of $39,278 has been fully amortized. The carrying amount of capitalized development costs amounted to $2.1 million and $0.7 million as of December 31, 2018 and 2017, respectively. The amortization of capitalized development cost amounted to $0.2 million in 2018, 2017 and 2016 (see Note 15).

Recoverability of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has recognized gross deferred income tax assets amounting to $0.2 million as of December 31, 2018 and 2017 (see Note 27).

The Group did not recognize deferred income tax assets amounting to $2.3 million and $2.8 million on the deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT as of December 31, 2018 and 2017, respectively.

Determining provision for warranty
The Group estimates the total warranty reserve to be recognized on the total internal and external sales for the period using a predetermined percentage rate. Assumptions made by the Group such as percentage used is based on their cumulative and industry experience on approximate inventory returns made by the customers.

The provision for warranty amounted to $1.1 million and $2.3 million as of December 31, 2018 and 2017, respectively (see Note 17).

Provision and contingencies
The Group is currently involved in various litigations and possible claims with third parties that are normal to its business. The estimate of probable costs for the resolution of these litigations and possible claims has been developed in consultation with outside legal counsel handling these matters and is based on an analysis of potential results. The Group currently does not believe that these litigations and possible claims will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Provisions recognized as of and for the year ended December 31, 2018 amounted to $0.2 million (see Notes 17 and 34).

4. **Operating Segments**

Financial information on the Group's business segments as of and for the years ended December 31 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the year ended December 31, 2018:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers:					
External customers	$44,240,950	$7,599,796	$54,634,087	$–	$106,474,833
Inter-segment	–	35,366,017	–	(35,366,017)	–
Total revenue from contracts with customers	$44,240,950	$42,965,813	$54,634,087	($35,366,017)	$106,474,833
Segment depreciation and amortization	$3,206,711	$1,165,693	$1,488,120	$–	$5,860,524
Segment interest income	29,064	13,140	–	–	42,204
Segment interest expense	4,786,379	–	61,140	–	4,847,519
Segment profit (loss) before income tax	$11,096,097	$8,189,893	($684,778)	($8,815,376)	$9,785,836
Segment provision for (benefit from) income tax	703,210	680,066	37,821	30,494	1,451,591
Segment profit (loss) after income tax	$10,392,887	$7,509,827	($722,599)	($8,845,870)	$8,334,245

Other financial information of the operating segments as of December 31, 2018 is as follows:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$124,850,608	$46,770,966	$17,004,639	($68,531,914)	$120,094,299
Noncurrent assets	39,417,569	18,590,653	2,971,351	83,495,482	144,475,055
	$164,268,177	$65,361,619	$19,975,990	$14,963,568	$264,569,354
Liabilities:					
Current liabilities	$73,965,589	$44,637,894	$29,539,870	($65,307,341)	$82,836,012
Noncurrent liabilities	63,352,537	693,806	360,000	3,540,630	67,946,973
	$137,318,126	$45,331,700	$29,899,870	($61,766,711)	$150,782,985

For the year ended December 31, 2017 (As restated, Note 5):

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$43,282,904	$26,695,362	$18,731,368	$-	$88,709,634
Inter-segment	-	18,972,071	-	(18,972,071)	-
Total net sales	$43,282,904	$45,667,433	$18,731,368	($18,972,071)	$88,709,634
Segment depreciation and amortization	$2,896,683	$616,010	$123,775	$489,550	$4,126,018
Segment interest income	47,941	36,464	58	-	84,463
Segment interest expense	3,320,940	-	83,790	-	3,404,730
Segment profit (loss) before income tax	$2,952,150	$8,065,901	($4,230,097)	($3,537,125)	$3,250,829
Segment provision for (benefit from) income tax	441,476	36,213	9,675	(386,570)	100,794
Segment profit (loss) after income tax	$2,510,674	$8,029,688	($4,239,772)	($3,140,555)	$3,150,035

Other financial information of the operating segments as of December 31, 2017 (As restated, Notes 5 and 31) are as follows :

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$117,099,488	$63,013,402	$24,158,971	($50,701,277)	$153,570,584
Noncurrent assets	29,389,777	6,407,924	574,332	92,135,507	128,507,540
	$146,489,265	$69,421,326	$24,733,303	$41,434,230	$282,078,124
Liabilities:					
Current liabilities	$74,354,747	$47,913,288	$33,394,679	($46,592,536)	$109,070,178
Noncurrent liabilities	34,862,589	112,135	540,000	3,510,336	39,024,860
	$109,217,336	$48,025,423	$33,934,679	($43,082,400)	$148,095,038

Prior to the Group's acquisition of Quintel, the Group has reported only one operating segment primarily because the Group operates out of one geographical location and the Group has previously reported information on an entity-wide basis.

For the year ended December 31, 2016:

	CEC	CATS - Philippine Branch	Eliminations and Consolidation Adjustments	Consolidated
Net sales	$43,685,317	$30,636,995	$–	74,322,312
Segment depreciation and amortization	2,438,874	467,646	–	2,906,520
Segment interest income	371,733	8,362	–	380,095
Segment interest expense	1,288,209	87,018	–	1,375,227
Segment profit before income tax	$6,921,946	$1,233,414	$–	$8,155,360
Segment provision for income tax	437,561	109,771		547,332
Segment profit after income tax	$6,484,385	$1,123,643	$–	$7,608,028

Inter-segment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The operating income and profit before and after income tax for each operating segment includes net profit from inter-segment revenues aggregating to $35.4 million and $19.0 million in 2018 and 2017, respectively (nil in 2016), intersegment cost of sales of $33.4 million and $15.9 million in 2018 and 2017 (nil in 2016), and intersegment operating expenses aggregating to $0.5 million, $0.6 million and $0.6 million in 2018, 2017 and 2016, respectively.

The Group's external customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the USA. Following shows the distribution of external customers by revenue contribution (amounts in thousands):

	2018	2017	2016
USA	$51,728	$55,801	$41,144
Europe	35,336	22,307	19,390
Asia	19,411	10,602	13,788
	$106,475	$88,710	$74,322

5. Business Combination

Acquisition of Quintel Cayman, Ltd. and Subsidiaries (Quintel Group)
As discussed in Note 1, the Group acquired 100% of Quintel Group effective on August 4, 2017. The amount of all-cash consideration transferred for the acquisition was $83.2 million.

The fair values of the identifiable assets and liabilities acquired as at the date of the acquisition are as follows:

	Provisional fair value	Final fair value recognized on acquisition date
Assets		
Current Assets		
Cash	$1,849,741	$1,849,741
Accounts receivable - net	3,920,576	3,920,576
Inventories - net	10,029,461	10,029,461
Prepayments and other current assets	306,517	306,517
Noncurrent Assets		
Intangible assets	30,900,000	37,083,900
Property and equipment	499,842	499,842
Total Assets	47,506,137	53,690,037
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	21,209,518	21,255,573
Current portion of long-term debt	300,000	300,000

(Forward)

	Provisional fair value	Final fair value recognized on acquisition date
Noncurrent Liabilities		
Long-term debt - net of current portion	$625,962	$625,962
Deferred income tax liabilities - net	4,158,315	3,896,706
Total Liabilities	26,293,795	26,078,241
Fair Value of Net Identifiable Assets	21,212,342	27,611,796
Acquisition cost	83,152,953	83,152,953
Goodwill	$61,940,611	$55,541,157

As allowed under PFRS 3, the Group has applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date.

On August 4, 2018, the Group's valuation was completed and the fair values of the net identifiable assets as at acquisition date was finalized at $27.6 million, or an increase of $6.4 million from the provisional amount.

The 2017 comparative information was restated to reflect the adjustments to the provisional amounts below:

- *Intangible assets*
  The fair value of intangible assets acquired has been estimated based on the following assumptions:
  - Discount rate of 10.0%
  - Royalty rates of 1.1% to 3.3%
  - Terminal growth rate of 1.5%
  - Revenue and costs assumptions

  Adjustments to intangible assets mainly pertain to the inclusion of new products and innovations that Quintel will introduce subsequent to acquisition. Details of intangible assets acquired as at acquisition date are as follows:

	Provisional amount	Final fair value recognized on acquisition date
Customer relationships	$17,800,000	$23,736,500
Trademarks	5,100,000	7,472,800
Technology	8,000,000	5,874,600
	$30,900,000	$37,083,900

- *Deferred income tax liabilities - net*
  As a result of the above fair value adjustments, net deferred income tax liabilities decreased by $0.3 million.

In 2018, the Group received refund from the previous stockholders of Quintel amounting to $0.7 million. The refund was from the adjustments on the consideration in accordance with the Agreement which was received and finalized after the one-year provisional accounting for the purchase price allocation. The refund was recorded as part of "Others" account in "Other income - net" in the consolidated statement of comprehensive income (see Note 26).

The goodwill represents the expected synergies through value engineering, research and development collaboration, as well as cost reduction, resulting in high-quality, reliable and cost competitive products. None of the goodwill recognized will be deductible for tax purposes.

As a result of the restatements, the following financial statement line items have been restated as follows:

	December 31, 2017
Decrease (increase) in:	
Consolidated balance sheet	
Asset	
Intangible assets	$371,771
Liabilities	
Trade and other payables	($46,055)
Deferred income tax liabilities	(728,351)
Equity	
Retained earnings	$1,146,177

	2017
Consolidated statement of comprehensive income	
Cost of sales	$156,217
Provision for income tax	989,960
Net income	1,146,177
Total comprehensive income	1,146,177

The change did not have significant impact on the 2017 consolidated statement of cash flows and earnings per share.

The consolidated statement of comprehensive income for the year ended December 31, 2017 include the results of operations of Quintel from the date of acquisition to December 31, 2017, before elimination, as follows:

Net sales	$18,731,368
Cost of sales	(16,904,277)
Gross income	1,827,091
Operating expenses	(6,508,884)
Other income - net	88,055
Financial expense - net	(83,733)
Loss before income tax	(4,677,471)
Provision for income tax	(9,675)
Net loss	($4,687,146)

The table below shows the analysis of cash flow on acquisition:

Cash consideration transferred	$83,152,953
Net cash acquired with the subsidiary	(1,849,741)
Net cash flow on acquisition	$81,303,212

Transaction costs of $1.4 million were expensed and included as part of operating expenses in 2017 (see Note 23).

If the business combination had taken place at the beginning of 2017, the revenue of the Group would have been $95.1 million and net loss incurred would have been $5.2 million.

6. Cash and Cash Equivalents

	2018	2017
Cash on hand	$245	$250
Cash in banks	17,439,717	37,219,322
Cash equivalents	3,039	3,165
	$17,443,001	$37,222,737

Cash in banks earns interest at prevailing bank deposit rates. Cash equivalents are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to $30,581, $49,564 and $172,196 in 2018, 2017 and 2016, respectively.

7. Trade and Other Receivables

	2018	2017
Trade receivables	$14,940,815	$12,728,285
Others	276,075	548,160
	15,216,890	13,276,445
Less allowance for expected credit loss/impairment loss on trade receivables	491,012	241,012
	$14,725,878	$13,035,433

Trade receivables are noninterest-bearing and are generally on 30-120 days' terms.

The movements in the allowance for expected credit loss/impairment loss on trade receivables as at December 31, are as follows:

	2018	2017
Beginning of year	$241,012	$41,012
Provisions (Note 23)	250,000	200,000
End of year	$491,012	$241,012

In 2018 and 2017, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer to a financial institution. In 2018 and 2017, Quintel USA sold its receivables amounting to $13.3 million and $11.7 million, respectively. Sale of receivables under this arrangement convey all rights to the financial institution without recourse at a discount of LIBOR plus 1.05%. Quintel USA incurred discounting fees and charges amounting to $81,800 and $71,963 pertaining to this arrangement in 2018 and 2017, respectively. These were recorded as part of "Others" under "Operating expenses" account in the consolidated statement of comprehensive income.

Other receivables include accrued interest receivable from short-term deposits and nontrade receivable from suppliers which are expected to be collected within one year.

8. Inventories

	2018	2017
At cost:		
Finished goods	**$11,985,157**	$15,492,661
Work-in-process	**4,901,773**	5,338,381
Raw materials	**9,814,321**	16,781,199
Spare parts and others	**847,330**	739,631
Supplies and others	**754,424**	644,720
	28,303,005	38,996,592
At NRV:		
Finished goods	**827,378**	1,517,145
Supplies and others	**96,884**	96,884
Allowance for inventory obsolescence	**(924,262)**	(1,614,029)
	–	–
	$28,303,005	$38,996,592

Certain inventories have been provided with allowance to reflect valuation for non-movement and obsolescence. A reconciliation of the allowance for inventory obsolescence for the years ended December 31 are as follows:

	2018	2017
Beginning of year	**$1,614,029**	$1,614,029
Write-off	**(689,767)**	–
End of year	**$924,262**	$1,614,029

The cost of inventories recognized as cost of sales amounted to $54.0 million, $44.3 million and $42.4 million in 2018, 2017 and 2016, respectively (see Note 22).

9. Other Current Assets

	2018	2017
Rental deposit (Note 20)	**$1,142,374**	$1,203,004
Loans to employees	**612,792**	312,451
Prepaid expenses	**389,399**	208,786
Advances to suppliers	**288,767**	564,519
Security deposit	**182,409**	182,510
Others	**1,768**	52,110
	$2,617,509	$2,523,380

Loans to employees include loans extended to key management personnel in 2018 (see Note 20).

The Group has investment classified as financial asset at FVTPL. In 2016, the Group disposed the significant portion of these investments. Gain on disposal recognized amounted to $0.2 million.

Advances to suppliers pertain mainly to down payments for production materials and services that are still to be delivered.

10. Equity Investment at FVTOCI/AFS Financial Asset

The Group's equity investment at FVTOCI (classified as AFS financial asset prior to January 1, 2018) pertains to its investment in unquoted equity shares acquired at a cost of $1.7 million in 2015. The equity investment is carried at cost amounting to $1.7 million as of December 31, 2017 but has been revalued at its fair value as of January 1, 2018 amounting to nil. The fair value of the equity investment is obtained through market comparable approach (Level 3).

The table below shows the rollforward of the equity investment at FVTOCI (classified as AFS financial asset in 2017) during the years ended December 31:

	2018	2017
Beginning of year, as previously reported	$1,667,000	$1,667,000
Fair value changes recognized directly in equity upon adoption of PFRS 9	(1,667,000)	–
Beginning of year, as adjusted	–	1,667,000
Fair value changes during the year recognized in other comprehensive income	–	–
End of year	$–	$1,667,000

There were no disposals of equity investment at FVTOCI in 2018 and 2017.

11. Other Financial Asset at Amortized Cost/HTM Investment

The movement of other financial asset at amortized cost/HTM investments are as follows:

	2018	2017
Beginning of year	$480,563	$371,520
Acquisition	–	487,030
Maturity	–	(366,827)
Amortization of premium	(10,975)	(11,160)
End of year	$469,588	$480,563

In compliance with the Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with market values equivalent to a certain percentage of the amount by which CATS - Philippine Branch's gross income exceeds $0.1 million (₱5.0 million).

The Philippine SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

The Group's other financial asset at amortized cost (previously classified as HTM investment) pertains to a government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation.

In 2017, other financial asset at amortized cost (previously classified as HTM investment) with a face value of $0.4 million matured. In the same year, the Group acquired a new HTM investment amounting to $0.5 million. The remaining bond will mature in 2021 and bears an effective interest rate of 1.948% per annum.

Interest income in 2018, 2017 and 2016 amounting to $11,625, $34,899 and $8,362, respectively, are presented as part of "Interest income" account in profit or loss.

12. Noncurrent Assets Held for Sale

Prior to reclassification of the Group's investment properties into noncurrent assets held for sale, the carrying value of investment properties amounted to $8,788,538, which was net of accumulated depreciation amounting to $1,079,896. The Group's investment properties consist of land, and building and improvements, costing $3,698,601 and $6,169,833, respectively.

On December 9, 2014, the Parent Company's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS - Philippine Branch's operations. An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of $11.4 million were classified as noncurrent assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

The fair value of the noncurrent assets held for sale was determined as the sum of:

- Fair value of land computed using the Market Approach (Level 3); and
- Fair value of building and building improvements, and machinery and equipment computed as Replacement Cost New less estimated accrued depreciation (Level 3).

The valuations were performed by a Philippine SEC-accredited independent appraiser as of December 31, 2017.

Market Approach is a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparables range from $125 to $150. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

Replacement Cost New is estimated as follows:

- For building and improvements, the appraiser used the Comparative Unit Method. This method is derived by dividing the total known cost of similar buildings or structures by the total construction floor area of those structures, combining all the costs of a particular type and quality of structure into one value as a cost per square meter. The resulting benchmark costs are then adjusted to reflect the difference between the benchmark building and structures to the subject property in terms of market conditions, location and/or physical characteristics.

  Construction cost per square meter range from $308 to $411. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence.

- For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising

from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history, is also considered.

Costs to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive at the amount of fair value less costs to sell.

In 2018, land and building with a total carrying value of $8.6 million were reclassified to investment properties (see Note 13) and building plant and machineries with a total carrying value of $2.8 million were reclassified to property, plant and equipment. Management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5 (see Notes 12, 13 and 14). Depreciation recognized had the properties not been reclassified as noncurrent asset held for sale amounted to $0.5 million presented under "Operating expenses" in the consolidated statement of comprehensive income (see Note 23).

As of December 31, 2017, the carrying value of noncurrent assets held for sale amounting to $11.4 million is lower than fair value less costs to sell.

Land and building owned by RBWRP with carrying value of $8.6 million as of December 31, 2015 were used as collateral for an interest-bearing loan with a local commercial bank. The Group prepaid the balance of the loan in 2016 (see Note 19).

13. Investment Properties

As at December 31, 2018, the Group's investment properties (see Note 12) amounted to $10.6 million. In 2018, net gain on fair value measurement amounted to $2.0 million presented under "Other income (charges)" account in profit or loss.

As at December 31, 2018, the fair values of land and building are based on valuations performed by a Philippine SEC-accredited independent appraiser. The valuation model in accordance with that recommended by the IVSC has been applied.

Market Approach is a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparable range from $130 to $240. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis (Level 2).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements as at December 31, 2018.

In 2018, there were no expenses incurred and income generated from the investment properties.

14. Property, Plant and Equipment

	2018						
	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost:							
Beginning of year	$55,071,722	$8,347,402	$9,979,138	$1,320,217	$171,177	$–	$74,889,656
Additions	5,319,447	870,622	1,848,015	117,049	–	346,699	8,501,832
Reclassification from noncurrent assets held for sale (Note 12)	3,590,462	–	–	–	–	–	3,590,452
Reclassification due to change of use	(10,436)	–	–	10,436	–	–	–
Disposals	(15,030)	(5,827)	(86,436)	(124,149)	–	–	(233,612)
End of year	63,956,185	9,310,197	11,740,517	1,323,553	171,177	346,699	86,748,328
Accumulated depreciation:							
Beginning of year	31,371,775	5,314,809	5,643,127	1,146,300	119,755	–	43,595,766
Reclassification from noncurrent assets held for sale (Note 12)	744,225	–	–	–	–	–	744,225
Depreciation (Notes 22 and 23)	2,895,780	489,642	899,879	163,310	16,940	–	4,470,551
Reclassification due to change of use	(1,186)	–	–	1,186	–	–	–
Disposals	(13,593)	(7,827)	(77,374)	(124,149)	–	–	(233,943)
End of year	34,997,001	5,796,624	6,465,632	1,191,647	136,695	–	48,587,599
Net book values	$28,959,184	$3,413,573	$5,274,885	$131,906	$34,482	$346,699	$38,160,729

	2017					
	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:						
Beginning of year	$51,161,319	$8,199,425	$8,192,044	$1,242,741	$171,177	$68,966,702
Additions from acquisition of Quintel (Note 5)	122,351	–	375,826	1,665	–	499,842
Additions	3,918,156	147,982	1,411,268	75,810	–	5,553,216
Disposals	(130,104)	–	–	–	–	(130,104)
End of year	55,071,722	8,347,402	9,979,138	1,320,217	171,177	74,889,656
Accumulated depreciation:						
Beginning of year	29,444,959	4,829,503	4,842,275	1,074,525	99,524	40,290,792
Depreciation (Notes 22 and 23)	2,056,920	485,301	800,852	71,775	20,231	3,415,078
Disposals	(130,104)	–	–	–	–	(130,104)
End of year	31,371,775	5,314,809	5,643,127	1,146,300	119,755	43,595,766
Net book values	$23,699,947	$3,032,593	$4,336,011	$173,917	$51,422	$31,293,890

15. Intangible Assets

	2018	2017, (As restated, Note 5)
Goodwill	$55,541,157	$55,541,157
Customer relationships	23,736,500	23,736,500
Trademark	7,472,800	7,472,800
Technology	4,210,130	5,385,050
Product development costs	2,123,057	720,829
	$93,083,644	$92,856,336

Goodwill
The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition discussed in Note 5, the Group recognized goodwill amounting to $55.5 million (see Note 5).

Customer relationships
Customer relationships represent Quintel's established relationships with two of the largest telecom companies in the US. Such relationships are deemed valuable given the length of their relationships (from as far back as 2008) and the difficulty in establishing connections. Management strongly believes that the relationships with their current customers will drive Quintel's business in the long run.

The fair value of customer relationships is determined based on discounted excess earnings, which is the difference between the post-tax cash flows attributable to the sales made to Quintel's current customers and the contributory asset charges used to generate the cash flows (i.e., multi-period excess earnings method). Customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Technology and trademark
The fair values of Quintel's technology and registered trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the acquired assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of 5 years, which will result in yearly amortization of $1.2 million. Details of technology as follows:

	2018	2017 (As restated, Note 5)
Cost		
Beginning of year	**$5,874,600**	$–
Additions from Quintel acquisition	**–**	5,874,600
End of year	**5,874,600**	5,874,600
Accumulated Amortization		
Beginning of year	**489,550**	–
Amortization (Note 22)	**1,174,920**	489,550
End of year	**1,664,470**	489,550
Net Book Value	**$4,210,130**	$5,385,050

On the other hand, trademark is estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Product development costs
Product development costs pertain to the capitalized cost of developing certain packages or products for specific customers. The development costs met the requirements of PAS 38 for capitalization.

	2018	2017
Cost		
Beginning of year	$1,327,019	$1,327,019
Additions	1,617,281	–
End of year	2,944,300	1,327,019
Accumulated Amortization		
Beginning of year	606,190	404,799
Amortization (Note 22)	215,053	201,391
End of year	821,243	606,190
Net Book Value	$2,123,057	$720,829

Software
As of December 31, 2018 and 2017, CBC has software with a total cost of $39,278 which are fully amortized but are still used in operations.

Impairment testing of goodwill, customer relationship and trademark
Goodwill acquired through business combinations have been allocated to only one (1) CGU, which is the Group's Quintel business. The recoverable amount of the CGU has been determined based on value-in-use calculations using cash flow projections from financial budgets covering a five-year period.

Key assumptions with respect to the calculation of value-in-use of the CGU as at December 31, 2018 and 2017 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2018	2017
Discount rate	10.7%	13.0%
Terminal growth rate	1.5%	1.9%
Revenue growth rates	30.0% to 38.0%	10.0% to 15.0%

a. Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group's Quintel business, derived from weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).

b. Terminal growth rate is the sustainable growth rate computed based on Quintel's comparable.

c. Revenue growth rates are based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment losses were recognized for goodwill, customer relationships and trademark for the years ended December 31, 2018 and 2017.

16. Other Noncurrent Assets

	2018	2017
Loans to employees (Note 20)	5982,161	$233
Advances to suppliers	875,662	1,818,041
Miscellaneous deposits	166,646	177,591
Others	6,511	6,511
	$1,950,980	$2,002,376

Loans to employees includes loans extended to key management personnel in 2018 (see Note 20).

Advances to suppliers pertain to down payments for the acquisition of software and building expansion.

Miscellaneous deposits pertain to refundable deposits with MERALCO for the installation of CEC's electrical meters and bill deposit equivalent to one month energy consumption.

17. Trade and Other Payables

	2018	2017 (As restated, Note 5)
Trade	$18,835,308	$29,464,198
Accruals:		
Payroll	630,701	1,919,657
Utilities	355,676	355,164
Interest (Notes 18 and 19)	755,977	257,793
Others	628,723	2,433,654
Contract liabilities (Note 21)	2,041,270	–
Provisions (Note 34)	1,272,860	2,302,670
Advances from customers	–	2,762,953
Others	290,060	502,528
	$16,810,575	$39,998,617

Trade payables are noninterest-bearing and are generally on 60-90 days' terms.

Other accruals comprise mainly of accruals for communication, security, shuttle services and professional services.

Provisions pertain to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications and potential liability for legal and other claims. The reconciliation of the carrying amounts of provisions follows:

	2018	2017 (As restated, Note 5)
Beginning of year	**$2,302,670**	$1,419,257
Provisions for (reversal of) warranty claims (Note 22)	**(1,181,650)**	479,513
Provision for legal and other claims (Note 34)	**151,840**	–
Additions from acquisition of Quintel	–	403,900
End of year	**$1,272,860**	$2,302,670

Other payables pertain to statutory liabilities and are generally payable within 12 months from the balance sheet date.

18. Short-term Loans

		2018	2017
Rizal Commercial Banking Corporation (RCBC)	(a)	**$25,610,000**	$29,872,000
China Banking Corporation (CBC)	(b)	**11,000,000**	–
Security Bank Corporation (SBC)	(c)	**10,000,000**	10,000,000
BDO Unibank, Inc. (BDO)	(d)	**5,400,000**	–
Metropolitan Bank and Trust Company (MBTC)	(e)	**1,700,000**	1,900,000
Bank of the Philippine Islands (BPI)	(f)	--	22,268,088
		$53,710,000	$64,040,088

a. Revolving loan facilities with RCBC, which have payment terms of 60 to 360 days, are unsecured and charged interest of 2.80% to 4.00% and 2.25% to 4.00% per annum in 2018 and 2017, respectively.

b. Revolving loan facilities with CBC, which have payment terms of 180 days, are unsecured and charged interest of 5.00% per annum in 2018.

c. Revolving loan facilities with SBC, which have payment terms ranging from 90 to 180 days, are unsecured and charged interest of 2.54% to 5.00% and 1.95% to 2.54% per annum in 2018 and 2017, respectively.

d. Revolving loan facilities with BDO, which have payment terms ranging from 160 to 180 days, are unsecured and charged interest of 2.75% to 3.50% per annum in 2018.

e. Revolving loan facilities with MBTC, which have payment terms of 180 days, are unsecured and charged interest of 3.00% to 3.50% per annum in 2018.

f. Revolving loan facilities with BPI, which have payment terms ranging from 180 to 360 days, are unsecured and charged interest of 1.80% per annum in 2017.

Interest expense incurred from these short-term loan facilities amounted to $2.1 million, $1.6 million and $0.2 million in 2018, 2017 and 2016, respectively.

19. **Long-term Debt**

As of December 31, 2018 and 2017, the details of long-term debts are as follows:

	2018	2017
Principal	**$73,790,000**	$38,150,000
Less deferred financing costs	**443,329**	272,155
	73,346,671	37,877,845
Less current portion – net of deferred financing costs amounting to $134,249 and $106,730 as of December 31, 2018 and 2017, respectively	**11,045,751**	4,253,270
	$62,300,920	$33,624,575

Movement in deferred financing costs follow:

	2018	2017
Beginning of year	**$272,155**	$390,029
Transaction costs recognized during the year	**300,274**	–
Less amortization	**(129,100)**	(117,874)
End of year	**$443,329**	$272,155

Parent Company

2012 Note Facility Agreement (NFA)

On July 25, 2012, the Parent Company entered into a $10.0 million NFA with MBTC (Initial Note Holder), MBTC - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue Date. The remaining 70% of the loan outstanding on issue date is payable in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not, at any time, be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement as the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments owing, scheduled repayments of principal, interest expenses (including capitalized interest expenses) and fees payable, whether or not actually paid, in respect of any debt, whether or not actually paid.

The loan was fully paid in 2017.

2014 NFA
On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue date. The remaining 70% of the loan outstanding on issue date is payable in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

The 2014 NFA follows the same definition and calculation of financial ratios as the 2012 NFA.

The Parent Company is in compliance with the debt covenants as of December 31, 2018.

The carrying amount of the loan from the 2014 NFA as of December 31, 2018 and 2017 amounted to $7.0 million and $8.0 million, respectively.

2016 NFA
On September 20, 2016, the Parent Company entered into a $30.0 million NFA with BPI (Initial Note Holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 4.0% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used for capital expenditures, including production facilities and to refinance existing debt obligation and for working capital requirement.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until the end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000, the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9/PAS 39.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Group to pay or repay including, without limitation: (i) all obligations of the Group for borrowed money evidenced by promissory notes or other instruments, (ii) all financial obligations of any other person guaranteed by the Group, (iii) all financial obligations of any other person secured by a security upon or in property owned by the Group, whether or not the Group have assumed or become liable for the payment of such financial

obligations, and (iv) capitalized lease obligations of the Group which are capitalized in accordance with PFRS.

The carrying amount of the loan from the 2016 NFA as of December 31, 2018 and 2017 amounted to $26.1 million and $29.0 million, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2018 and 2017.

2018 NFA
On April 12, 2018, the Parent Company entered into a $40.0 million NFA with BPI and RCBC (each a "Noteholder" and collectively, the "Noteholders"), RCBC Trust and Investments Group (Facility and Paying Agent) and RCBC Capital Corporation (Issue Manager). The NFA provided for the conversion of the outstanding balance of the Parent Company's short-term bridge loan facilities with the Noteholders amounting to $20.0 million each Noteholder into long term credit facilities. The NFA provided for the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used to refinance the bridge loan facilities used to acquire the 100% ownership of Quintel.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in 24 equal consecutive quarterly commencing at the end of the 1st year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding on issue date shall be paid in a single balloon payment at maturity date.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem, in whole or in part, equivalent to an amount not less than and in multiples of $5,000,000 on any interest payment date beginning on the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption was made on a non-interest payment date. The prepayment penalty shall not apply if the redemption is due to: (i) interest costs or (ii) illegality. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 70:30;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.15; and
- current ratio shall not, at any time, be less than 1.10

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Group. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the result obtained by dividing (i) EBITDA and (ii) the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments for: (a) interest and principal payments due under the Agreement in the next twelve (12) months; (b) the principal and interest payments due in the next twelve (12) months of all interest-bearing debt with tenor of more than twelve (12) months, and (c) netting obligations of the Issuer due in the next twelve (12) months under permitted hedging arrangements, if applicable.

The carrying amount of the loan from the 2018 NPA amounted to $39.7 million as of December 31, 2018.

The Parent Company is in compliance with the debt covenants as of December 31, 2018.

CATS
In 2012, CATS obtained a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in 28 quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park I, Brgy. Canlubang, Calamba City, Laguna and registered in the name of REWRP. The land and building owned by REWRP were used as collateral for the secured interest-bearing loan (see Note 14). The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

The loan contract gives the Group an option to prepay the loan in part or in full, subject to the Group giving the creditor at least 30 days advance notice of its intention to make such prepayment counted from the date of receipt by the creditor of such written notice.

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4.7 million.

Quintel USA
Long-term debt amounting to $540,000 and $900,000 as of December 31, 2018 and 2017 pertains to a term note payable to a state development corporation accruing interest monthly through July 2021. The agreement includes a Convertible Loan Principal Reduction feature providing that if Quintel achieves annual minimum full-time permanent employment targets through 2021, as defined in the loan agreement, the principal is reduced by 20% at each annual measurement date. The first measurement date was amended to June 30, 2015. The note bears interest at 3.0% per annum.

The loan agreement does not require Quintel USA to maintain any financial ratio, but instead comply with certain financial reporting requirements.

Quintel USA is in compliance with the financial reporting requirements as of December 31, 2018 and 2017.

Interest Expense
Total interest expense (including amortization of deferred financing costs) recognized in the consolidated statements of comprehensive income amounted to $2.7 million, $1.8 million, and $1.2 million in 2018, 2017 and 2016, respectively.

20. Related Party Disclosures

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships.

In the normal course of business, the Group has entered into transactions with affiliates. The significant transactions consist of the following:

a. Advances for operating requirements of CIH, former parent of CEC and CEIC;
b. Rental of land and lease deposit with Cirtek Land Corporation (CLC), an affiliate, where the manufacturing building 1 and administrative building is situated;
c. Payments and /or reimbursements of expenses made or in behalf of the affiliates; and
d. Rental of land with Cayon Holdings, Inc. (Cayon), an affiliate, where the building 2 of the Group is situated;
e. Collections made by Camerton Inc. (Camerton) in behalf of the Group;
f. Advances to officers and stockholders.

The consolidated balance sheets and consolidated statements of comprehensive income include the following significant account balances resulting from the above transactions with related parties:

a. Amounts owed by related parties

		Transactions		Balances as of			
		2018	2017 (As restated, Note 31)	2018	2017 (As restated, Note 31)	Terms	Conditions
Parent							
Camerton	Assignment of liabilities	$54,888,948	$–	$54,960,866	$71,118	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
	Reimbursements of expenses	18,809	–	18,809	–	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
Entities under common control							
CIH	Advances	–	–	1,809,256	1,809,256	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
Cayon	Reimbursement of expenses	2,548	7,943	216,775	214,227	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
Stockholders	Assignment of liabilities/ Advances	54,960,066	37,930,190	–	46,239,210	Due on demand; noninterest-bearing	Unsecured; no impairment; to be settled in cash
				$57,004,906	$50,333,801		

b. Amounts owed to related parties

		Transactions		Balances as of			
		2018	2017	2018	2017	Terms	Conditions
Entities under common control							
CLC	Rental	$11,689	$12,078	$470,607	$459,048	Due on demand; noninterest-bearing	Unsecured
Cayon	Rental	10,508	10,973	94,658	84,155	Due on demand; noninterest-bearing	Unsecured
Stockholders	Payments made on behalf of the Group	35,928	–	38,928	–	Due on demand; noninterest-bearing	Unsecured
				$601,193	$543,203		

c. Others

		Transactions		Balances as of			
		2018	2017	2018	2017	Terms	Conditions
Entities under common control of							
CLC	Rental deposit	$-	$-	$1,342,374	$1,203,440	Due on demand; noninterest-bearing	Unsecured
Camerton	Deposit for future stock subscription	189,167	-	189,167	-	Due on demand; noninterest-bearing	Unsecured
	Dividend payable	20,601	-	20,601	-	Due on demand; noninterest-bearing	Unsecured

The above related parties, except the stockholders, are entities under common control of the ultimate parent company.

Transactions with individual stockholders, Camerton
As of December 31, 2017, advances to individual stockholders, which are due and demandable and noninterest-bearing, amounted to $48.3 million. In 2018, additional advances amounted to $7.1 million, net of collections amounting to $17.1 million.

On December 27, 2018, the Group and Camerton executed a Sworn Corporate Undertaking, whereby Camerton undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. Camerton undertakes to repay portion of the outstanding advances amounting to $5.0 million on or before May 31, 2019 and the remaining balance in 2019. Loan agreements between Camerton and the Group were executed on the same day which indicates the terms and conditions disclosed in the table.

Transactions with CHI, Charmview Enterprises Ltd (CEL)
The amount owed by an officer amounting to $7.7 million as of December 31, 2010 was transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, the parent of CHPC.

The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.

For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling $3.6 million representing unpaid advances of $2.3 million and dividends of $1.3 million as of March 17, 2011.

Thereafter, on March 18, 2011, the Parent Company and CHI, in view of being creditors and debtors to each other as a result of the assignment agreements above, entered into a set-off agreement for the value of the Group's liability aggregating $6.8 million. The amount represents the above mentioned total liability of $3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to $3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of December 31, 2018 and 2017 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

Transactions with CLC and Cayon
CLC is an entity under common control of the ultimate parent company. CEC had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another 25 years at the option of CEC. The lease agreement provided for an annual rental of $151,682, subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to ₱60.1 million ($1.1 million and $1.2 million as of December 31, 2018 and 2017, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to $11,559, $12,713 and $12,777 in 2018, 2017 and 2016, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to $10,503, $11,551 and $11,690 in 2018, 2017 and 2016, respectively.

Future minimum rental payables under these operating leases are as follows:

	2018	2017
Within one year	$23,257	$24,491
After one year but not more than five years	23,257	48,983
	$46,514	$73,474

Key management personnel
The compensation of key management personnel of the Group are as follows:

	2018	2017	2016
Short-term	$2,017,640	$2,598,525	$1,963,109
Long-term	6,850	2,045	4,107
	$2,024,490	$2,600,570	$1,967,216

On May 17, 2018, the Group extended loans to two key management personnel totaling to $1.5 million. The loans bear interest of 2.69% per annum. Provided the executive is employed on August 4th of each year during the term of the note, 1/5th of the note is forgiven, including the proportionate accrued interest. If the executive is terminated for anything other than cause, as defined in the agreement, the remaining balance and accrued but unpaid interest is forgiven.

The carrying amount of the loan as of December 31, 2018 amounted to $1.2 million (see Notes 9 and 16). No interest income was recognized in 2018 and 2017.

21. Revenue from Contracts with Customers

Disaggregated Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2018:

8 port antennas	$28,874,102
12 port antennas	19,124,028
Multichips	11,043,990
Discrete	10,667,990
Integrated circuits	7,569,714
New product	6,808,873
Dual and quad flat no-leads	6,385,914
6 Port antennas	5,356,743
Remec manufacturing services	4,122,599
Hermetics	1,764,468
Outdoor unit	1,667,913
Indoor radio frequency unit	1,191,608
Brackets	1,034,534
Bridgewave	345,598
10 port antennas	244,681
Cougar	142,754
Others	129,324
	$106,474,833

Contract Balances

The Group's trade receivables amounted to $14.9 million and $12.7 million as at December 31, 2018 and January 1, 2018, respectively.

The Group has no contract assets as at December 31, 2018 and January 1, 2018.

The Group's contract liabilities pertain to advanced payments from customers amounting to $2.0 million and $2.8 million as at December 31, 2018 and January 1, 2018, respectively, which are included in "Trade and other payables" account (see Note 17). Contract liabilities as at January 1, 2018 were recognized as revenue in 2018.

22. Cost of Sales

	2018	2017 (As restated, Note 5)	2016
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 8)	$53,980,162	$44,347,102	$42,434,652
Salaries, wages and employees' benefits (Note 24)	12,817,903	12,691,030	10,535,487
Inward freight and duties and others	8,148,510	5,397,161	2,283,854
Depreciation and amortization (Notes 14 and 15)	5,209,430	4,032,434	2,821,637
Utilities	4,468,332	3,962,713	3,490,477
	$84,624,337	$70,430,440	$61,566,107

23. Operating Expenses

	2018	2017	2016
Salaries, wages and employees' benefits (Note 24)	**₱7,579,136**	₱5,181,761	₱2,563,292
Professional fees	**2,308,451**	2,965,595	191,305
Commissions	**1,324,413**	1,050,523	152,020
Transportation and travel	**752,810**	601,944	304,568
Depreciation and amortization (Notes 15 and 16)	**651,094**	93,584	84,883
Utilities	**485,756**	630,039	349,377
Taxes and licenses	**417,298**	676,068	84,242
Supplies	**346,036**	274,472	47,688
Provision for ECL/bad debts (Note 7)	**250,000**	200,000	–
Entertainment, amusement and recreation	**198,932**	186,020	192,109
Insurance premiums	**154,756**	122,041	71,871
Provision for probable losses (Note 17)	**151,840**	–	–
Others	**966,879**	232,308	312,248
	₱15,587,401	₱12,214,355	₱4,353,603

Others mainly consist of repairs and maintenance, bank and other individually immaterial charges.

24. Salaries and Wages and Employees' Benefits

	2018	2017	2016
Salaries and wages	**₱16,755,724**	₱15,174,955	₱10,480,573
Retirement benefits costs (Note 25)	**153,291**	639,583	216,687
Other employee benefits	**3,388,024**	2,058,253	2,401,519
	₱20,397,039	₱17,872,791	₱13,098,779

Other employee benefits consist of statutory contributions and other allowances.

25. Retirement Benefit Obligation

Defined Benefit Plans

CEC has a funded, noncontributory defined benefit retirement plan administered by the Board of Directors while CATS - Philippine Branch has an unfunded and non-contributory defined benefit retirement plan, with both entities covering all regular employees. Retirement benefits costs are determined in accordance with an actuarial study and are based on the employees' years of service and monthly basic salary. CEIC has not established a retirement plan while the Parent Company and RBWRP have no employees.

Under the existing regulatory framework, R.A. No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The below tables summarize the components of retirement benefits cost recognized in consolidated statement of comprehensive income and amounts recognized in the consolidated balance sheets:

a. Retirement benefits costs recognized in the consolidated statements of comprehensive income are as follows:

For the year ended December 31, 2018:

	CEC	CATS - Philippine Branch	Total
Current service cost	$156,742	$47,681	$204,423
Net interest cost	96,549	6,132	102,681
Effect of asset ceiling	–	22,381	22,381
	$253,291	$76,194	$329,485

For the year ended December 31, 2017:

	CEC	CATS - Philippine Branch	Total
Current service cost	$142,990	$39,068	$182,058
Net interest cost	88,768	3,290	92,058
Past service cost	310,331	55,136	365,467
	$542,089	$97,494	$639,583

For the year ended December 31, 2016:

	CEC	CATS - Philippine Branch	Total
Current service cost	$98,124	$50,189	$148,313
Net interest cost	66,294	2,080	68,374
	$164,418	$52,269	$216,687

b. The amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

December 31, 2018:

	CEC	CATS - Philippine Branch	Total
Present value of defined benefit obligation	$1,852,493	$143,445	$1,995,938
Fair value of plan assets	(440,876)	–	(440,876)
	$1,411,617	$143,445	$1,555,062

December 31, 2017:

	CEC	CATS - Philippine Branch	Total
Present value of defined benefit obligation	$2,204,062	$112,135	$2,316,197
Fair value of plan assets	(426,048)	–	(426,048)
	$1,778,014	$112,135	$1,890,149

c. Changes in the present value of the defined benefit obligations are as follows:

December 31, 2018

	CEC	CATS - Philippine Branch	Total
Opening present value defined benefit obligation	$2,204,062	$112,135	$2,316,197
Current service cost	156,742	47,681	204,423
Interest cost	119,684	6,132	125,816
Effect of asset ceiling	–	22,381	22,381
Remeasurement gains	(360,756)	4,168	(356,588)
Benefits paid from working capital	(160,152)	(39,806)	(199,958)
Transfer of employees	4,486	(4,486)	–
Translation difference	(111,573)	(4,760)	(116,333)
	$1,852,493	$143,445	$1,995,938

December 31, 2017

	CEC	CATS - Philippine Branch	Total
Opening present value defined benefit obligation	$2,020,158	$60,124	$2,080,282
Current service cost	142,990	39,068	182,058
Past service cost	310,331	55,136	365,467
Interest cost	99,261	3,290	102,551
Remeasurement gains	(139,287)	(45,747)	(185,034)
Benefits paid	(222,700)	–	(222,700)
Translation difference	(6,691)	264	(6,427)
	$2,204,062	$112,135	$2,316,197

d. Changes in the fair value of plan assets of CEC are as follows:

	2018	2017
Opening fair value of plan assets	$426,048	$272,435
Interest income included in net interest cost	23,190	10,493
Remeasurement losses	(124,032)	(20,863)
Contributions	139,214	169,054
Benefits paid	(2,058)	(5,378)
Translation difference	(21,486)	307
	$440,876	$426,048

CEC has an agreement with an insurance company to fund the retirement benefits of its employees. CEC believes that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to pay or fund the retirement benefits.

e. The details of the remeasurement losses (gains) in other comprehensive income follow:

For the year ended December 31, 2018:

	CEC	CATS - Philippine Branch	Total
Remeasurement losses (gains) on defined benefits obligation arising from:			
Changes in assumptions	($320,676)	($21,657)	($343,090)
Experience adjustments	(100,479)	18,771	(84,004)
Changes in demographic assumptions	62,453	7,054	69,655
Remeasurement losses on plan assets	128,226	–	124,032
	($230,476)	$4,168	($233,407)

For the year ended December 31, 2017:

	CEC	CATS - Philippine Branch	Total
Remeasurement losses (gains) on defined benefits obligation arising from:			
Changes in assumptions	($177,175)	($2,797)	($179,972)
Experience adjustments	51,035	(39,632)	11,403
Changes in demographic assumptions	(13,147)	(3,318)	(16,465)
Remeasurement losses on plan assets	20,863	–	20,863
	($118,424)	($45,747)	($164,171)

For the year ended December 31, 2016:

	CEC	CATS - Philippine Branch	Total
Remeasurement losses (gains) on defined benefits obligation arising from:			
Changes in assumptions	($177,175)	($2,797)	($179,972)
Experience adjustments	51,035	(39,632)	11,403
Remeasurement losses on plan assets	(13,147)	(3,318)	(16,465)
	($139,287)	($45,747)	($185,034)

f. The principal actuarial assumptions used to determine retirement obligations for the Group's retirement plan as of December 31 are as follows:

	2018		2017	
	CEC	CATS - Philippine Branch	CEC	CATS - Philippine Branch
Discount rate	7.60%	7.40%	5.73%	5.70%
Future salary increase rate	3.00%	2.00%	3.00%	2.00%

g. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2018 and 2017, assuming all other assumptions were held constant:

	2018		2017	
	Change in variables	Impact on present value of defined benefits obligations Increase (Decrease)	Change in variables	Impact on present value of defined benefits obligations Increase (Decrease)
CEC				
Discount rate	+1.00%	($148,203)	-1.00%	($183,983)
	-1.00%	172,759	+1.00%	216,046
Salary increase rate	+1.00%	179,239	+1.00%	232,015
	-1.00%	(155,715)	-1.00%	(200,825)
CATS - Philippine Branch				
Discount rate	+1.00%	(8,554)	+1.00%	(12,708)
	-1.00%	9,731	-1.00%	14,281
Salary increase rate	+1.00%	10,176	+1.00%	15,598
	-1.00%	(9,061)	-1.00%	(12,329)

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

h. The latest actuarial valuation reports of the Group is as of December 31, 2018. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years. Shown below is the maturity analysis of the undiscounted benefit payments:

	2018		2017	
	CEC	CATS - Philippine Branch	CEC	CATS - Philippine Branch
1 year or less	$475,353	$171,902	$392,288	$–
More than 1 year to 5 years	555,796	558,211	627,983	52,910
More than 5 years	8,990,306	451,188	8,437,157	1,879,547

Defined Contribution Plans

Quintel USA has a retirement savings plan under Section 401(k) of the United States Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. Quintel USA makes a matching contribution of 100% of each employee's contributions up to 4% of such employee's compensation. Quintel USA made matching contributions amounting to $0.2 million and $0.1 million in for the year ended December 31, 2018 and from the date of acquisition to December 31, 2017.

Quintel Technology, Ltd. has a defined contribution plan covering substantially all UK employees. In 2018 and from the date of acquisition to December 31, 2017, Quintel Technology, Ltd. made $94,530 and $6,915 in contributions.

26. Other Income - Net

	2018	2017	2016
Net gain on fair value changes on investment properties (Note 13)	$2,042,656	$–	$–
Sale of scrap	239,473	258,610	231,552
Foreign exchange gains (losses) - net	(117,472)	178,456	(3,222)
Gain on disposal of financial assets at FVTPL (Note 9)	–	–	262,332
Others (Notes 5 and 34)	6,163,399	69,190	257,228
	$8,328,056	$506,256	$747,890

27. Income Taxes

CEC

On March 24, 1998, the Philippine Economic Zone Authority (PEZA) approved CEC's registration as an ecozone export enterprise at the Laguna Technopark for the manufacture of standard integrated circuits, discrete, hybrid and potential new packages.

Beginning October 30, 2002, the manufacture and export of integrated circuits, discrete and hybrid transferred to PEZA from Board of Investments (where originally registered) and became subject to the 5% gross income tax incentive, as defined under R.A. No. 7916, the law creating the PEZA.

CATS - Philippine Branch
CATS - Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeterwave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ) and Laguna Technopark in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

As a PEZA-registered entities, CEC and CATS - Philippine Branch are entitled to tax incentives equivalent to 5% of the gross income earned on its registered activities after the income tax holiday (ITH) of four years.

Details of provision for (benefit from) income tax are as follows:

	2018	2017 (As restated, Note 5)	2016
Current	**$884,352**	$521,332	$559,457
Deferred	**567,239**	(420,538)	(12,125)
	$1,451,591	$100,794	$547,332

The provision for current income tax in 2018, 2017 and 2016 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

Based on the National Internal Revenue Code Sec. 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Parent Company is subject to MCIT beginning 2015.

A reconciliation of provision for income tax computed at the statutory income tax rate to provision for (benefit from) income tax shown in the consolidated statements of comprehensive income follows:

	2018	2017 (As restated, Note 5)	2016
Income tax at applicable statutory rate	**$1,092,525**	$913,960	$637,810
Additions to (reduction in) income tax:			
Effect of change in tax rates arising from the Tax Act	--	(713,215)	–
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	**548,958**	245,928	(12,125)
Taxable income subject to ITH	**(230,729)**	(275,165)	(19,665)
Nontaxable income	**(45,420)**	(123,161)	(139,433)
Income subject to higher tax rate	**64,450**	29,000	33,356
Other taxable income subject to 5%	**(3,947)**	12,930	–
Nondeductible expenses	**9,551**	8,926	34,930
Translation difference and others	**16,203**	1,591	12,459
Provision for income tax	**$1,451,591**	$100,794	$547,332

In 2018, 2017 and 2016, CATS - Philippine Branch has availed ITH for certain product lines. Total gross income for the registered activities of CATS - Philippine Branch under ITH in 2018, 2017, and 2016 amounted to $4.6 million, $8.9 million and $0.4 million, respectively.

The components of the net deferred income tax assets and liabilities of the Group as at December 31 are as follows:

Net deferred income tax assets

	2018	2017
Deferred income tax assets recognized in profit or loss:		
Fair value adjustment on nonfinancial assets	$127,849	$127,849
Retirement benefit obligation	114,618	114,997
HTM investments	1,408	1,408
	243,875	244,254
Deferred income tax liabilities on recognized in profit or loss:		
Effect of foreign exchange differences between tax base and financial reporting base	(1,351)	(19,773)
Unrealized foreign exchange gains	(13,192)	(8,765)
	(14,543)	(28,538)
Deferred income tax liability related to retirement benefit obligation recognized under other comprehensive income	(24,258)	(8,341)
	$205,074	$207,375

Net deferred income tax liabilities

	2018	2017 (As restated, Note 5)
Deferred income tax assets (liabilities) acquired in business combination:		
Intangible assets	($7,204,421)	($7,427,656)
NOLCO	3,528,204	3,528,204
Accrued expenses	135,587	389,316
	(3,540,630)	(3,510,136)
Deferred income tax assets (liabilities) recognized in profit or loss:		
Net fair value gain on change in fair market value of investment properties	(551,038)	-
Unrealized foreign exchange loss	677	-
	(550,361)	-
	($4,090,991)	($3,510,136)

The following are the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income tax assets have been recognized as management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized:

	2018	2017
NOLCO	$7,681,943	$7,203,027
Unrealized gross profit	1,896,262	3,047,575
MCIT	201,584	–
Unrealized foreign exchange losses	66,667	–

Deferred income tax asset on MCIT amounting to $0.2 million is not recognized in 2018 because management believed it is not probable that sufficient future taxable profits will be available against which the MCIT may be applied. MCIT incurred in 2018 can be utilized until 2021.

The undistributed retained earnings of foreign subsidiaries for which no deferred income tax liability was recognized amounted to $24.4 million and $36.0 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Parent Company and RBWRP incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year incurred	Balances as of December 31, 2017	Additions	Applied	Expired	Balance as of December 31, 2018	Tax effect	Available until
2015	$1,006,718	$–	$1,006,718	$–	$–	$–	2018
2016	1,329,752	–	1,329,752	–	–	–	2019
2017	4,783,563	–	3,587,271	–	1,196,292	358,888	2020
	$7,120,033	$	$5,923,741	$–	$1,196,292	$358,888	

RBWRP

Year incurred	Balances as of December 31, 2017	Additions	Applied	Expired	Balance as of December 31, 2018	Tax effect	Available until
2016	$79,712	$–	$–	$–	379,712	$23,914	2019
2017	3,282	–	–	–	3,282	984	2020
2018	–	1,759	–	–	1,759	528	2021
	$82,994	$1,759	$–	$–	$84,753	$25,426	

Quintel USA

As of December 31, 2018, Quintel USA incurred NOLCO that can be claimed as deduction from future taxable income amounting to $23.2 million.

	NOLCO	Deferred income tax asset recognized	Expiration
Quintel USA	$23,201,869	$3,528,204	2027 to 2037

CEIC and CATS are exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

Changes in Legislation

United States of America (U.S.)

The Group is subject to income taxes in the U.S. owing to Quintel USA. The Tax Act was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

Philippines

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax laws and includes several provisions that will generally affect businesses on a prospective basis, management assessed that the same did not have any significant impact on the consolidated financial statement balances as of balance sheet date.

28. Earnings Per Share (EPS)

The following table presents information necessary to calculate EPS on net income.

	2018	2017 (As restated, Note 5)	2016
Net income	**$8,334,245**	$3,150,033	$7,608,208
Adjustments on dividends declared:			
Preferred A shares	**(8,400)**	(8,400)	(11,200)
Preferred B-1 shares	**(81,377)**	(21,280)	–
Preferred B-2 shares	**(4,103,750)**	(341,979)	–
Net income attributable to common shareholders of the Parent Company	**4,140,718**	2,778,378	7,596,408
Divided by:			
Weighted average number of common shares outstanding	**392,979,673**	367,502,711	416,827,328
Basic and diluted EPS	**$0.011**	$0.008	$0.018

As of December 31, 2018, 2017 and 2016, the Parent Company has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Parent Company as adjusted with the effects of shares held by a subsidiary.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial instruments such as trade and other receivables, amounts owed by related parties, rental deposits and loans to employees (presented as part of other current assets), miscellaneous deposits (presented under other noncurrent assets), trade and other payables, amounts owed to related parties and derivative liability which generally arise directly from its operations.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and foreign currency risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For cash in bank and cash equivalents, other receivables, amounts owed by related parties, rental deposits, loans to employees and miscellaneous deposits, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other counterparties to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers its cash in banks and cash equivalents as high grade since these are placed in financial institutions of high credit standing. For other receivables, amounts owed by related parties various deposits, loans to employees, the Group considers this as high to medium grade as the counterparties are of high credit standing. Accordingly, ECLs relating to these debt instruments rounds to nil.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross domestic products
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

On the other hand, the Group considers its amounts owed by related parties as medium grade due to assured collectability through information from the related parties' sources of funding. No ECLs relating to these debt instruments was recognized.

The aging per class of financial assets and the expected credit loss as of December 31, 2018 follows:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents*	**$17,442,756**	**$-**	**$-**	**$-**	**$17,442,756**
Trade and other receivables	-	-	**491,012**	**14,725,877**	**15,216,889**
Amounts owed by related parties	**56,641,388**	-	-	-	**56,641,388**
Other current assets:					
Rental deposits	**1,142,374**	-	-	-	**1,142,374**
Loans to employees	**612,792**	-	-	-	**612,792**
Security deposit	**182,409**	-	-	-	**182,409**
Other financial assets at amortized cost	**469,588**	-	-	-	**469,588**
Miscellaneous deposits	**166,646**	-	-	-	**166,646**
	$76,657,953	**$-**	**$491,012**	**$14,725,877**	**$91,874,842**

Excludes cash on hand

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2018:

	Trade receivables and other receivables						
		Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	22%	
Estimated total gross carrying amount at default	$7,918,628	$2,047,259	$443,573	$138,429	$2,409,282	$2,259,719	$13,216,889
Expected credit loss	$-	$-	$-	$-	$-	$491,012	$491,012

Expected credit loss rate on the Group's cash on hand and cash equivalents approaches zero.

December 31, 2018:

		Past due					
	Current	< 30 days	30< 60 days	60-90 days	> 90 days	ECL	Net of ECL
Cash and cash equivalents*	$17,442,756	$-	$-	$-	$-	$-	$17,442,756
Trade and other receivables	7,918,628	2,047,259	443,572	138,429	4,669,001	(491,012)	14,725,877
Amounts owed by related parties	57,004,906	-	-	-	-	-	57,004,906
Other current assets:							
Financial assets at FVTPL	475	-	-	-	-	-	475
Rental deposit	1,142,374	-	-	-	-	-	1,142,374
Loans to employees	612,792	-	-	-	-	-	612,792
Security deposit	182,409	-	-	-	-	-	182,409
HTM investments	469,588	-	-	-	-	-	469,588
Other noncurrent assets:							
Loans to employees	902,161	-	-	-	-	-	902,161
Miscellaneous deposits	166,646	-	-	-	-		166,646
	$86,842,735	$2,047,259	$443,572	$138,429	$4,669,001	($491,012)	$93,649,984

*Excluding cash on hand amounting to $245.

December 31, 2017:

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30< 60 days	60-90 days	> 90 days		
Cash and cash equivalents*	$37,222,487	$-	$-	$-	$-	$-	$37,222,487
Trade and other receivables	8,935,352	1,213,089	102,510	2,548,579	235,905	241,012	13,276,445
Amounts owed by related parties	50,383,831	-	-	-	-	-	50,383,831
Other current assets:							
Financial assets at FVTPL	501	-	-	-	-	-	501
Rental deposit	1,203,004	-	-	-	-	-	1,203,004
Security deposit	312,451	-	-	-	-	-	312,451
Loans to employees	182,510	-	-	-	-	-	182,510
AFS financial asset	1,667,000	-	-	-	-	-	1,667,000
HTM investments	480,563	-			-	-	480,563
Other noncurrent assets							
Loans to employees	233	-	-	-	-		233
Miscellaneous deposits	177,591	-	-	-	-	-	177,591
	$100,565,523	$1,213,089	$102,510	$2,548,579	$235,905	$241,012	$104,906,616

*Excluding cash on hand amounting to $250.

The tables below summarize the credit quality per class of the Group's financial assets that are neither past due nor impaired:

December 31, 2018

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents*	₱17,442,756	₱–	₱–	₱17,442,756
Trade and other receivables	7,918,628	–	–	7,918,628
Amounts owed by related parties	–	57,004,906	–	57,004,906
Other current assets:				
Rental deposit	1,142,374	–	–	1,142,374
Loans to employees	612,792	–	–	612,792
Security deposit	182,409	–	–	182,409
Other financial assets at amortized cost	469,588	–	–	469,588
Other noncurrent assets				
Loans to employees	902,161	–	–	902,161
Miscellaneous deposits	166,646	–	–	166,646
	₱28,837,354	₱57,004,906	₱–	₱85,842,260

* *Excluding cash on hand*

December 31, 2017

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents*	₱37,222,487	₱–	₱–	₱37,222,487
Trade and other receivables	8,935,352	–	–	8,935,352
Amounts owed by related parties	–	50,383,831	–	54,901,882
Other current assets:				
Financial assets at FVTPL	501	–	–	501
Rental deposit	1,203,004	–	–	1,203,004
Loans to employees	312,451	–	–	312,451
Security deposit	182,510	–	–	182,510
HTM investments	480,563	–	–	480,563
AFS financial asset	–	1,667,000	–	1,667,000
Other noncurrent assets:				
Loans to employees	233	–	–	233
Miscellaneous deposits	177,591	–	–	177,591
	₱48,514,692	₱56,568,882	₱–	₱105,083,574

* *Excluding cash on hand*

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Medium grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay and that have history of sliding beyond the credit terms but pay within 60 days.

Low grade - These are receivables where the counterparty's capability of honoring its financial obligation is doubtful.

Liquidity risk
Liquidity risk is the risk that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risk may result from a counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financing, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The tables below summarize the maturity analysis of the Group's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

December 31, 2018

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$17,443,081	$–	$–	$–	$17,443,081
Trade and other receivables	7,918,628	6,807,249	–	–	14,725,877
Amounts owed by related parties	57,004,906	–	–	–	57,004,906
	$82,366,535	$6,807,249	$–	$–	$89,173,784
Financial Liabilities					
Trade and other payables					
Trade payables	$10,154,088	$–	$–	$–	$10,154,088
Accrued expenses	–	1,740,376	–	–	1,740,376
Short-term loans*	–	54,783,580	–	–	54,783,580
Amounts owed to related parties	930,745	–	–	–	930,745
Dividend payable	20,601	–	–	–	20,601
Long-term debts*	–	15,132,560	13,416,991	63,359,019	91,908,570
	$11,105,354	$71,656,516	$13,416,991	$63,359,019	$159,537,880

**Includes future interest payments*

December 31, 2017

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$37,222,737	$–	$	$–	$37,222,737
Trade and other receivables	8,935,352	4,100,081	–	–	13,035,433
Amounts owed by related parties	$50,383,831	–	–	–	50,383,831
	$96,541,920	$4,100,081	$–	$–	$100,642,001
Financial Liabilities					
Trade and other payables					
Trade payables	$30,631,478	$–	$–	$–	$30,631,478
Accrued expenses*	–	3,738,037	–	–	3,738,037
Short-term loans**	–	65,133,176	–	–	65,133,176
Amounts owed to related parties	543,203	–	–	–	543,203
Long-term debts**		5,421,181	18,987,590	16,009,000	40,417,771
	$31,174,681	$74,312,394	$18,987,590	$16,009,000	$140,483,665

**Excluding statutory liabilities*
***Includes future interest payments*

Foreign currency risk
The Group uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2018 and 2017:

US Dollars

	December 31, 2018	
	Original Currency in Php[1]	Total Dollar Equivalent
Financial Assets		
Cash and cash equivalents	₱140,431,688	$2,670,819
HTM investments	24,690,937	469,588
Other current assets	76,095,393	1,447,229
Other noncurrent assets	6,427,708	122,246
Total Financial Assets	247,645,726	$4,709,882
Financial Liability		
Trade and other payables	115,680,925	2,200,094
Net Financial Assets	₱131,964,721	$2,509,788

[1]₱1 = $0.0190

	December 31, 2017	
	Original Currency in Php[1]	Total Dollar Equivalent
Financial Assets		
Cash and cash equivalents	₱272,996,324	$5,467,581
HTM investments	23,994,511	480,563
Amounts owed by related parties	25,000	501
Other current assets	72,744,455	1,454,929
Other noncurrent assets	6,418,252	128,545
Total Financial Assets	376,178,542	7,532,119
Financial Liabilities		
Trade and other payables	88,901,769	1,780,528
Net Financial Assets	₱287,276,773	$5,751,591

[1]₱1 = $0.0200

British Pounds

	December 31, 2018	
	Original Currency in GPB[1]	Total Dollar Equivalent
Financial Assets		
Cash and cash equivalents	£58,901	$75,111
Other current assets	36,791	46,916
	£95,692	$122,027

[1]£1 – $1.2752

	December 31, 2017	
	Original Currency in GPB[1]	Total Dollar Equivalent
Financial Asset		
Cash and cash equivalents	£197,511	$266,502

[1]£1 = $1.3493

US Dollars

	December 31, 2018			
	Foreign Currency Appreciates by	**Effect on Income Before Tax**	**Foreign Currency Depreciates by**	**Effect on Income Before tax**
Peso denominated assets	**+5%**	**($235,494)**	**-5%**	**$235,494**
Peso denominated liabilities	**+5%**	**125,489**	**-5%**	**(125,489)**
		($110,005)		**$110,005**

	December 31, 2017			
	Foreign Currency Appreciates by	Effect on Income Before Tax	Foreign Currency Depreciates by	Effect on Income Before tax
Peso denominated assets	+1%	($75,321)	-1%	$75,321
Peso denominated liabilities	+1%	17,805	-1%	(17,805)
		($57,516)		$57,516

British Pounds

	December 31, 2018			
	Foreign Currency Appreciates by	**Effect on Income Before Tax**	**Foreign Currency Depreciates by**	**Effect on Income Before tax**
Peso denominated assets	**+5%**	**$6,101**	-5%	**($6,101)**

	December 31, 2017			
	Foreign Currency Appreciates by	Effect on Income Before Tax	Foreign Currency Depreciates by	Effect on Income Before tax
Peso denominated assets	+9%	$23,985	-9%	($23,985)

The change in currency rate is based on the Group's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Group's equity other than those already affecting income before tax.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's manages its capital structure, which pertains to its equity as shown in the consolidated balance sheet, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2018 and 2017.

The Company considers the following as capital:

	2018	2017
Common stock	$9,594,321	$9,594,321
Preferred stock	2,615,995	2,037,113
Additional paid-in capital	100,469,659	100,469,659
Equity reserve	4,030,214	4,030,214
Other comprehensive income (loss)	(1,225,830)	196,292
Retained earnings	25,144,690	24,672,847
Parent company shares held by a subsidiary	(26,812,680)	(7,017,360)
	$113,816,369	$133,983,086

As of December 31, 2018 and 2017, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of December 31, 2018 and 2017, the Group was able to meet its capital requirements and management objectives.

30. Fair Values

As of December 31, 2018 and 2017, the carrying values of the Group's financial assets and liabilities, excluding AFS financial asset carried at cost because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables, short-term loans, dividend payables, amounts owed by and owed to related parties and deposits
The carrying amounts approximate fair value since these are mostly short-term in nature or due and demandable.

Financial assets at FVTPL - UITF
The investments in Unit Investment Trust Fund classified as financial asset at FVTPL are stated at their fair value based on lowest level input (Level 2).

Investment properties
The fair value of the investment properties are determined by a Philippine SEC-accredited independent appraiser using the market data approach, a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors.

HTM investments/Other financial statements at amortized cost
The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date or last trading day as applicable (Level 1).

Miscellaneous deposits and loans to employees
The miscellaneous deposits are carried at cost since the timing and related amounts of future cash flows cannot be reasonably and reliably estimated for purposes of establishing its fair value using an alternative valuation technique.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 4.19% to 6.37% and 4.19% to 4.29% in 2018 and 2017, respectively (Level 3).

Fair Value Hierarchy

	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial asset measured at fair value				
Financial asset at FVTPL	**$475**	**$–**	**$475**	**$–**
Investment properties	**10,605,040**	**–**	**10,605,040**	**–**
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	**469,588**	**469,588**	**–**	**–**
Long-term debt	**74,119113**	**–**	**–**	**74,119113**

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial asset measured at fair value				
Financial asset at FVTPL	$501	$–	$501	$–
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	480,563	480,563	–	–
Long-term debt	38,210,093	–	–	38,210,093

31. **Equity**

a. Common Shares

	2018	2017
Number of shares		
Authorized – common shares (₱1.00 par value)	520,000,000	520,000,000
Issued		
Beginning and end of year	419,063,353	419,063,353
Amount		
Issued - 419,063,353 shares	$9,594,321	$9,594,321

On November 18, 2011, the Parent Company listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million ($6.8 million). The Parent Company incurred transaction costs incidental to the IPO amounting to ₱47.3 million ($1.1 million), which was charged against "Additional paid-in capital" in the 2011 consolidated balance sheets. As of December 31, 2011, the Parent Company's has 162,163,000 issued common shares.

On May 25, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved and ratified the stock dividend payable to stockholders as of record as of June 8, 2012, to be distributed on June 29, 2012.

On September 14, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders of record as of December 21, 2012, to be distributed on January 10, 2013. On December 7, 2012, the stockholders approved the twenty percent (20%) stock dividend.

On January 16, 2013, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved the stock dividend payable to stockholders of record as of March 15, 2013, to be distributed on April 5, 2013.

On January 29, 2014, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting on July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014, to be distributed on August 20, 2014.

On March 24, 2015, the BOD also declared a ten (10%) stock dividend. On May 12, 2015, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of May 26, 2015, to be distributed on June 18, 2015.

On March 24, 2015, the Parent Company's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of ₱1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share.

The BOD also authorized the Parent Company to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

On July 22, 2015, the Philippine SEC approved the Company's application to increase its authorized capital stock.

On November 4, 2015, the Parent Company's FOO was completed. The Parent Company issued 80,000,000 new shares at issue price of ₱20 per share for a total amount of $34.2 million. The Parent Company incurred transactions costs incidental to FOO amounting to $1.2 million which was charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

On October 24, 2016, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱1,440,000,000 or from ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share ("Preferred A" shares), to ₱860,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 700,000,000 preferred shares classified into "Preferred A shares" with a par value of ₱0.10 per share, and ₱270,000,000 worth of new preferred shares classified into "Preferred B shares" with par value ₱1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Parent Company's BOD. On the same date, the Parent Company's BOD, by majority vote, approved the declaration of ten percent (10%) stock dividend for each of the 419,063,353 issued and fully paid common shares, and 400,000,000 issued and fully paid preferred shares of the Corporation. To date the shareholders have not approved and ratified the said declaration.

On May 26, 2017, the Parent Company's shareholders representing at least two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to: (i) determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Parent Company will be implemented; and (ii) the manner by which the increase in the authorized capital stock will be subscribed and paid for, such as, but not limited to, a private placement transaction or public offering. The BOD was also granted authority to issue in one or more series the new preferred shares and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the new preferred shares.

The Parent Company's application to increase its authorized capital stock, which was approved by Philippine SEC on September 29, 2017, did not include increase on authorized capital stock on common shares.

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱40,000,000. Furthermore, the par value of the common shares was reduced from ₱1.00 to ₱0.50 per share.

On September 7, 2018, the Parent Company's shareholders representing at least two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock as endorsed by the BOD.

As of December 31, 2018, the Parent Company's BOD is in the process of filing applications and documents as may be necessary to amend the articles of incorporation and to implement and give effect to the foregoing resolution.

As of December 31, 2018 and 2017, the Parent Company has a total number of 26 and 25 stockholders, respectively.

Parent Company Shares Held by a Subsidiary
In 2016, CEC acquired a total of 102,018,659 common shares of the Parent Company for ₱2.3 billion ($49.7 million). The shares purchased were recorded at cost and deducted from equity in the consolidated balance sheet and consolidated changes in equity.

In 2017, CEC sold 85,099,869 shares for $42.4 million. Excess of acquisition cost over proceeds amounted to $0.1 million which was offset against "Equity reserve" account.

The 2017 consolidated financial statements of the Group were restated to correct transactions related to the disposals of parent company shares held by a subsidiary, which were recognized under "Amounts owed by related parties" account. Management inadvertently included the disposals of shares held by Camerton, its immediate parent company, amounting to $4.5 million (equivalent to 11,872,668 shares).

As a result, the following financial statement line items have been restated as follows:

	December 31, 2017
Increase (decrease) in:	
Consolidated Balance Sheet	
Total current assets	
Amounts owed by related parties	($4,518,053)
Equity	
Parent company shares held by a subsidiary	4,518,053

	2017
Consolidated Statement of Changes in Equity	
Sale by subsidiary of parent company shares held by a subsidiary	$4,518,053

The restatement did not have impact on the 2017 consolidated statement of cash flows and consolidated statement of comprehensive income, except for the impact on earnings per share. As of December 31, 2017, prior to restatement, the earnings per share amounted to $0.007. After restatement, earnings per share amounted to $0.008.

In 2018, CEC acquired additional 32,152,644 parent company shares for ₱1.2 billion ($20.7 million).

As of December 31, 2018 and 2017, the carrying value of Parent Company shares held by a subsidiary amounted to $26.8 million and $2.5 million, respectively.

b. Preferred Shares

	2018	2017
Number of shares		
Authorized		
Preferred shares A (₱0.10 par value)	700,000,000	700,000,000
Preferred shares B-1 (₱1.00 par value)	70,000,000	70,000,000
Preferred shares B-2 (₱1.00 par value)	200,000,000	200,000,000
Issued and Subscribed		

	2018	2017
Issued and Subscribed		
Preferred A shares	700,000,000	700,000,000
Preferred B-1 shares	70,000,000	70,000,000
Preferred B-2 shares	67,000,000	67,000,000
Amount		
Preferred A shares - (net of subscriptions receivable amounting to $525,062 and $1,103,944 as of December 31, 2018 and 2017, respectively)	$946,863	$367,981
Preferred B-1 shares - (net of subscriptions receivable amounting to $1,027,196 as of December 31, 2017)	342,399	342,399
Preferred B-2 shares	1,326,733	1,326,733

In 2015, the 400,000,000 preferred shares at par value of ₱0.10 were subscribed by Cameron, a principal shareholder of the Parent Company.

On September 8, 2017, the Parent Company's BOD, by majority vote, approved the amendment in the Company's articles of incorporation to increase the Company's authorized capital stock by ₱300,000,000, or:

a) from ₱560,000,000, consisting of:

   i. ₱520,000,000 worth of common shares divided into 520,000,000 common shares with par value of ₱1.00 per share; and
   ii. ₱40,000,000 worth of preferred shares divided into 40,000,000 Preferred A shares with par value of ₱0.10 per share,

b) to ₱860,000,000, consisting of:

   i. ₱520,000,000 worth of common shares divided in to 520,000,000 common shares with par value of ₱1.00 per share;
   ii. ₱70,000,000 worth of preferred A shares divided into 700,000,000 preferred A shares with par value of ₱0.10 per share; and
   iii. ₱270,000,000 worth of preferred B shares with par value of ₱1.00 per share. The preferred B shares are further classified into the following series: (a) ₱70,000,000 worth of preferred B-1 shares, and (b) ₱200,000,000 worth of preferred B-2 shares, both having a par value of ₱1.00 per share.

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Cameron at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Parent Company recognized preferred stock and additional paid-in capital amounting to $0.1 million and $0.3 million, respectively, net of subscriptions receivable.

On September 29, 2017, the Philippine SEC approved the Company's application for the increase in authorized capital stock.

The features of the preferred A shares are (i) full voting rights, one vote for each share; (ii) preferred non-cumulative cash dividends at the rate of 1% of their par value per year, with no participation in further cash dividends which may be declared and paid to the common shares or any other class or series of shares; and (iii) the same stock dividends which may be declared and paid to the common shares or any other class or series of shares.

On September 15, 2017 and November 9, 2017, the Parent Company BOD approved the following features, rights and privileges of preferred B-2 shares:

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

On October 23, 2017 and November 9, 2017, the Parent Company BOD approved the following features, rights and privileges of preferred B-1 shares:

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Parent Company is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Parent Company pursuant to the Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;
f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

On November 8, 2017, the PSE BOD approved the public offering of up to ₱200,000,000 preferred B-2 shares. A total of 140,000,000 preferred B-2 shares were offered to the public during the offer period.

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2 shares with par value of ₱1.00 at issue price of ₱1.00 per share for a total amount of ₱67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to ₱1.3 million and ₱65.7 million, respectively. The Parent Company incurred transaction costs incidental to FOO amounting to ₱1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to ₱324,866 recorded under "Accrued expenses and other payables" account.

On December 8, 2017, the Parent Company listed with the PSE its 67,000,000 preferred B-2 shares.

On July 18, 2018, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱40,000,000. The Parent Company authorized the subscription by Cameron, 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, Cameron, Inc. paid 25% of the total additional subscription to preferred A shares amounting to ₱10,000,000. This amount was recorded as deposit for future stock subscription as of December 31, 2018.

As of December 31, 2018, the Parent Company's BOD is in the process of filing applications and documents as may be necessary to amend the articles of incorporation and to implement and give effect to the foregoing resolution.

As of December 31, 2018 and 2017, the Parent Company has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to ₱0.1 million and ₱0.3 million, respectively.

c. Retained Earnings

On January 28, 2016, the Parent Company's BOD approved the declaration of cash dividends of ₱0.0050 per share for each of 419,063,353 fully paid and issued common shares and ₱0.00002 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of ₱2,100,000, for payment and distribution on February 29, 2016 to shareholders of record of February 12, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On June 9, 2016, the Parent Company's BOD approved the declaration of cash dividends of $0.00362 per share for each of 419,063,353 fully paid and issued common shares and $0.000001 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,520,000, for payment and distribution on July 7, 2016 to shareholders of record of June 23, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 23, 2017 the Parent Company's BOD approved the declaration of cash dividends of $0.00432 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,820,000, for payment and distribution on February 22, 2017 to shareholders of record of February 6, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date

On September 15, 2017 the Parent Company's BOD approved the declaration of cash dividends of $0.004629 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $1,940,000, for payment and distribution on October 6, 2017 to shareholders of record of September 29, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries.
On February 2, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.004609 per share for each of 419,063,353 fully paid and issued common shares and $0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of $1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 27, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount remained unpaid as of December 31, 2018.

On the same date, the Parent Company's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.

On June 4, 2018, the Parent Company's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

(i) June 8, 2018 to shareholders of record as of June 6, 2018
(ii) September 10, 2018 to shareholders of record as of September 6, 2018
(iii) December 10, 2018 to shareholders of record as of December 6, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 3, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.0048 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

Retained earnings include undistributed earnings amounting to $21.5 million, $24.3 million and $24.4 million as of December 31, 2018, 2017 and 2016, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2018 amounted to $3.6 million.

Retained earnings are further restricted for the payment of dividends to the extent of unrealized foreign exchange gains except those attributable to cash and cash equivalents, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2018 and 2017.

32. Changes in Liabilities Arising from Financing Activities

The table below presents the changes in Group's liabilities arising from financing activities:

	2018					
	Beginning	Net cash flows	Conversion of short-term loans into long-term debt	Capitalized debt issuance costs	Amortization of deferred financing costs	Ending
Short-term loans	$64,040,088	$29,669,912	($40,000,000)	$–	$–	$53,710,000
Long-term debt	37,877,845	(4,360,000)	40,000,000	(300,274)	129,100	73,346,671
Amounts owed to related parties	543,203	57,990	–	–	–	601,193
Deposit for future stock subscription	–	189,107	–	–	–	189,107
	$102,461,136	$25,557,089	$–	($300,274)	$129,100	$127,846,971

	2017				
	Beginning	Net cash flows	Amortization of deferred financing costs	Liabilities arising from acquisition of Quintel	Ending
Short-term loans	$31,625,945	$32,414,143	$–	$–	$64,040,088
Long-term debt	43,859,971	(7,025,962)	117,874	925,962	37,877,845
Amounts owed to related parties	520,152	23,051	–	–	543,203
	$76,006,068	$25,411,232	$117,874	$925,962	$102,461,136

33. Events After the Reporting Period

On January 30, 2019, the Parent Company's BOD approved the declaration of cash dividends of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

(i) March 8, 2019 to shareholders of record as of March 6, 2019
(ii) June 10, 2019 to shareholders of record as of June 6, 2019

(iii) September 9, 2019 to shareholders of record as of September 5, 2019
(iv) December 9, 2019 to shareholders of record as of December 5, 2019

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

34. Contingencies and Commitments

The following are the significant commitments and contingencies involving the Group:

Outsourcing Manufacturing Agreement (OMA)
On July 30, 2014, CATS entered into an OMA (hereto referred to as the "Agreement") with RBWHI in conjunction with the Share Purchase Agreement (SPA) entered into between CEIC and RBWHI. CATS will perform manufacturing services to RBWHI in accordance with the production files and specifications as provided in the Agreement. The contract term is for ten (10) years with automatic renewal of additional one (1) year period. All payments to CATS shall be made in US Dollars and shall be paid sixty (60) days after the receipt of the invoice.

Master Service Agreement (MSA)
CATS entered into an MSA with RBWHI on July 30, 2014 where CATS will provide to RBWHI the services of selected employees and consultants (or "Business Services") of CATS. CATS shall be responsible for and shall timely pay any and all compensation and benefits payable to the employees of and consultants of CATS who perform Business Services. MSA has a ten (10) year term with automatic renewal of additional one year period.

Contingencies

a. In 2019, the Parent Company received a letter from a regulatory agency about transactions involving the Parent Company's shares. The Parent Company is currently discussing with the regulators, thus timing of the cash flows is uncertain as it depends upon the outcome of these discussions. Disclosure on additional details beyond the present disclosures may seriously prejudice the said discussions. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

b. In accordance with the settlement agreement between the Group and a third party, the Group received a total amount of $5.5 million as payment for the Group's legal case for patent infringement. The amount was recorded as part of "Others - net" account (see Note 26).

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Cirtek Holdings Philippines Corporation
116 East Main Avenue
Phase V-SEZ
Laguna Technopark
Binan, Laguna

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Cirtek Holdings Philippines Corporation and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A, and have issued our report thereon dated May 3, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules I to III and A to H listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 253-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

May 3, 2019

A member firm of Ernst & Young Global Limited

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

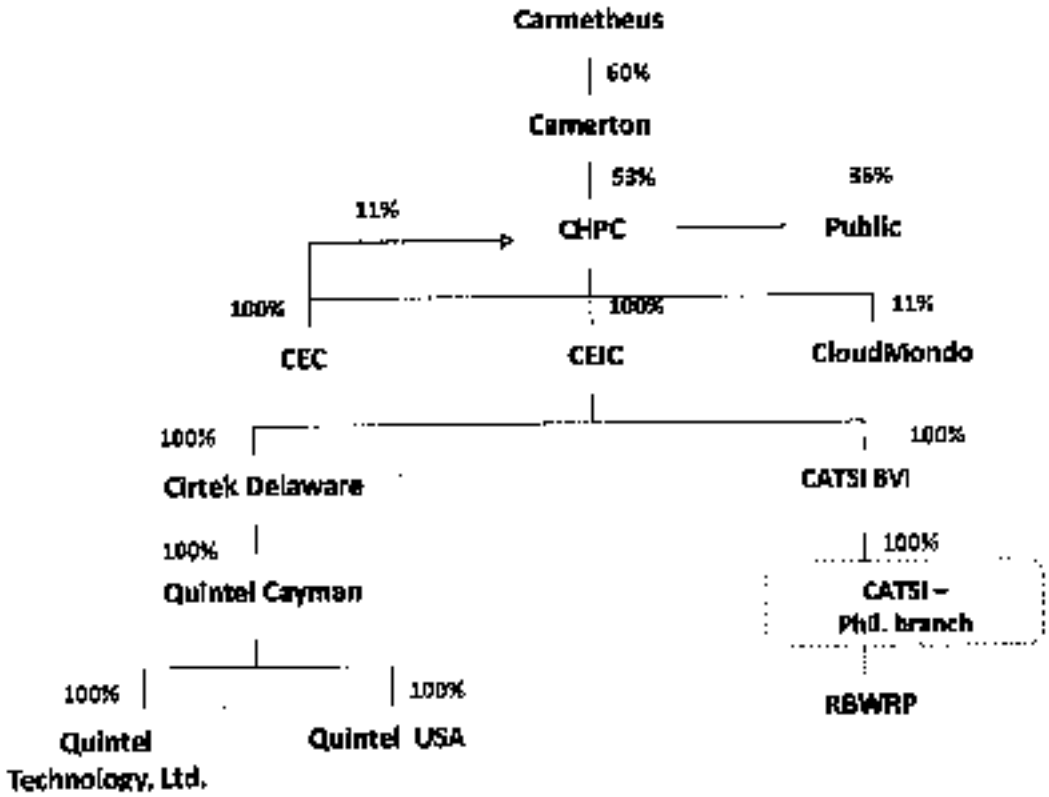
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule	Contents
Index to the Consolidated Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2018



CIRTEK HOLDINGS PHILIPPINES CORPORATION

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non - cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases - Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2018

Unappropriated retained earnings, beginning	**$407,956**
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	11,274,805
Less: Unrealized foreign exchange gain, net of tax (except for those attributable to cash)	401
Net income actually earned during the period	**11,274,404**
Less: Cash dividends declared	8,073,734
Retained earnings available for dividend declaration	**$3,608,626**

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

	Name of issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotation at the end of reporting period	Income received or accrued
Cash in banks and cash equivalents	N/A	$17,442,756	$17,442,756	$30,581
Trade and other receivables	N/A	14,725,877	14,725,877	–
Amounts owed by related parties	N/A	57,004,906	57,004,906	–
Other current assets:				
Financial asset at FVTPL	N/A	475	475	–
Rental deposit	N/A	1,142,374	1,142,374	–
Security deposit	N/A	612,792	612,792	–
Loan to employees	N/A	182,409	182,409	–
Equity investment at FVTOCI	N/A	–	–	–
Other financial asset at amortized	N/A	469,588	469,588	11,625
Other noncurrent assets:				
Loans to employees	N/A	902,161	902,161	–
Miscellaneous deposits	N/A	166,646	166,646	–
		$92,649,984	$92,649,984	$42,206

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Amounts Receivable from Officers, Employees and Related Parties under Trade and Other Receivables

Name and designation of debtor	Balance at beginning of period	Additions	Payments	Assignment of liabilities to related parties	Current	Not Current	Balance at the end of the period
Stockholders							
Jerry Liu	$39,227,358	$-	($4,326,878)	($20,900,480)	$-	$-	$-
Bryan Liu	19,061,572	14,997,714	(14,059,586)	(14,059,586)	-	-	-
	$58,289,230	$14,997,714	($42,386,464)	($34,960,066)	$-	$-	$-

Amounts owed by Related Parties

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company	$					
Cameron Inc.	371,118	$54,974,875	($71,118)	$54,978,875	$-	$54,978,875
Related parties under common control						
Cirtek Holdings, Inc.	1,809,256	-	-	1,809,256	-	1,809,256
Cirtek Holdings, Inc.	214,227	2,548	-	216,775	-	216,775
TOTAL	$2,094,601	$54,981,423	($71,118)	$57,004,906	$-	$57,004,906

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Receivables from related parties which are eliminated during the consolidation (under Trade and Other Receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel USA*	21,329,466	3,553,958	-	-	24,883,424	-	24,883,424

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$81,336,790	$-	$-	$-	$81,336,790	$-	$81,336,790
CEIC	9,000,000	-	-	-	8,325,739	-	8,325,739
Subtotal	90,336,790	-	(674,261)	-	89,661,529	-	89,661,529
Cirtek Electronics Corporation from:							
CHPC	49,735,570	-	(11,492,535)	-	38,243,035	-	38,243,035
CATS	26,319,609	5,267,844	-	-	31,587,453	-	31,587,453
Subtotal	76,055,183	5,267,844	(11,492,535)	-	69,830,489	-	69,830,489
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	-	-	-	2,339,865		2,339,865
CEC	22,789,503	-	(1722,611)		21,066,892	-	21,066,892
Cirtek Corporation	83,152,953	-	(674,261)	-	82,478,692	-	82,478,692
Subtotal	108,282,321		(2,396,872)	-	105,885,449	-	105,885,449
Cirtek Advanced Technologies and Solutions, Inc from:							
CEIC	4,628	-	-	-	4,628	-	4,628
REWRP	34,424	1,760	-	-	36,184	-	36,184
Cameron Inc.	-	18,809	-	-	18,809	-	18,809
Subtotal	21,268,518	3,574,527	-	-	24,943,045	-	24,943,045
REW Realty and Property, Inc from:							
CATS	18,389	-	-	-	18,389	-	18,389
TOTAL	$296,060,201	$8,842,371	($9,095,656)	$-	$287,338,901	$-	$287,338,901

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS OF DECEMBER 31, 2018

Intangible Assets - Other Assets						
Description	Beginning Balance	Additions at cost	Charged to cost and Expenses	Charged to other Accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$55,541,157	$-	$-	$-	$-	$55,541,157
Customer relationship	23,736,500	-		-	-	23,736,500
Trademark	7,472,800	-	-	-	-	7,472,800
Technology	5,385,050	-	(1,174,920)	-	-	4,210,130
Product development costs	720,829	1,617,281	(215,053)	-	-	2,123,057
Total	$92,856,336	$1,617,281	($1,389,973)	$-	$-	$93,083,644

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS OF DECEMBER 31, 2018

	Long-term Debt		
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	₱73,346,671	₱11,045,751	₱62,300,920

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS OF DECEMBER 31, 2018

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
Not Applicable		

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF DECEMBER 31, 2018

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
Not Applicable				

SCHEDULE II

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS OF DECEMBER 31, 2018

	Capital Stock					
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common Stock	520,000,000	419,063,353	–	320,907,217	9	–
Preferred A Shares	700,000,000	700,000,000	–	700,000,000	–	–
Preferred B-1 Shares	70,000,000	70,000,000	–	70,000,000	–	–
Preferred B-2 Shares	200,000,000	67,000,000	–		–	–

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2018

Ratios	Formula	December 31, 2018	December 31, 2017
(i) Current Ratio	Current Assets/Current Liabilities	**1.45**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**1.12**	0.73
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.96**	0.46
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.33**	2.06
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**4.22**	3.21
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.21**	0.21
Net Profit Margin	Net Income/Revenues	**0.08**	0.06
EBITDA Margin	EBITDA/Revenues	**0.19**	0.12
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.02
Return on Equity	Net Income/Total Equity[3]	**0.07**	0.04

[1] Sum of short-term loans and long-term debts

[2] EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

[3] Based on balances as at December 31, 2018 and 2017

REGISTERED HEAD OFFICE OF THE COMPANY

Cirtek Holdings Philippines Corporation
116 East Main Avenue, Phase V-SEZ
Laguna Technopark
Biñan, Laguna

SOLE ISSUE MANAGER, LEAD UNDERWRITER AND SOLE BOOKRUNNER

PNB Capital and Investment Corporation
9/F PNB Financial Center
Diosdado Macapagal Blvd.
Pasay City

LEGAL ADVISORS

To the Company
Tolosa Javier Lim & Chua Law Firm
1002-A East Tower Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

To the Sole Issue Manager, Lead Underwriter and Sole Bookrunner
Romulo Mabanta Buenaventura Sayoc & de los Angeles
21/F, Philamlife Tower
8767 Paseo de Roxas
Makati City

STOCK TRANSFER AND DIVIDEND PAYING AGENT

BDO Unibank, Inc. – Trust and Investments Group
15th to 17th Floors, South Tower, BDO Corporate Center
Makati Avenue
Makati City

RECEIVING AGENT

Professional Stock Transfer Inc.
10th Fl., Telecom Plaza 1200,
316 Sen. Gil J. Puyat Ave, Makati, Kalakhang Maynila

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

R.S. Bernaldo & Associates
18th Floor Cityland Condominium 10 Tower 1
Ayala Avenue cor. H.V. Dela Costa St.
Makati City