MEGAWIDE CONSTRUCTION CORPORATION


20 N. Domingo Street,
Barangay Valencia
Quezon City

655-1111

SECURITIES AND EXCHANGE COMMISSION

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

September 30, 2019

CS200411461

232-715-069-000

Megawide Construction Corporation

Philippines

No. 20 N. Domingo Street, Barangay Valencia, Quezon City 1112

(02) 655-1111

Not Applicable

| Title of Each Class | Number of Shares Outstanding | Amount of Debt Outstanding (₱) |
|---|---|---|
| | 2,075 | |
| | | |

9

Philippine Stock Exchange - Common and Preferred Shares

Terminal Operations

Terminal operations, which accounted 1% of the remaining consolidated revenues, posted revenue of P207 million, representing cost recovery of terminal operations-related expenses in compliance with IFRIC 12, Service Concessionaire Arrangement, and lease income from commercial and office space.

Since its opening last November 2018, passenger foot traffic in the terminal grew to an average of 51,000 passengers daily as of September 2019 from less than 5,000 at the start of operations. In addition, the number of trips originating from the terminal increased from less than 500 daily in November 2018, which were limited only to buses, to almost 3,500 trips daily as of September 2019, now comprised of city, provincial and long-haul buses, modern and traditional jeepneys, and domestic shuttle services.

COSTS AND EXPENSES

*Direct Costs increased by 14% or P1.3 billion*

The movement in direct costs was consistent with the movement in revenue across all three segments taking in consideration full year impact on the take up of depreciation on the opening R I 0&,$·V WHUPLQDO and additional cost to operate it

*Gross Profit is at 24% or P3.3 billion*

Consolidated gross profit amounted to P3.

## B. FINANCIAL CONDITION

Review of financial conditions as of September 30, 2019 as compared with financial conditions as of December 31, 2018

ASSETS

*Current Assets increased by 20% or by P4.8 billion*

The following discussion provides a detailed analysis of the increase in current assets:

*Concession Assets increased by 4% or by P1.1 billion*
The increase is due to capital investments of GMCAC related to the rehabilitation of the Terminal 1 of MCIA.

*Property, Plant and Equipment increased by 10% or by P571 million*
The Group procured certain construction equipment in 2019 that will support specification requirement of the ongoing projects.

*Investment Properties increased by 29% or by*



b.408 Tc[(in)] TJ ET Q q F2 12 Tf 1m02 Tm 2 n Bo2 0 841.92 re W* n BT /F 0 0.3333 1 265.25 651.46 Tm

*Non-Current Liabilities Increased by 10% or by P3.3 billion*

The following discussion provides a detailed analysis of the increase in non-current liabilities:

*Interest-Bearing Loans and Borrowings-Non*

F. KEY PERFORMANCE INDICATORS

0 H J D Z top KPIs are as follows

| Amounts in PhP Billion, except Ratios and Earnings per Share | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Construction Order Backlog | P 52.23 | P 50.09* |
| Current Ratio[1] | 1.37 | 1.93 |
| Book Value Per Share[2] | 5.21 | 5.70 |
| Earnings per Share[3] | .21 | .52 |
| Return on Assets[4] | .01 | .03 |
| Return on Equity[5] | .05 | .09 |
| Gross Profit Margin[6] | .24 | .28 |

*December 31, 2018

7KH .3,V ZHUH FKRVHQ WR SURYLGH PDQDJHPHQW ZLWK revenue growth (Construction Orders Backlog) financial strength (Current Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit Margin).

Construction Orders Backlog corresponds to the value of any unfinished project phases. This provides a basis for near-term future source of production and revenues for Megawide. Construction Order Backlog tends to increase when booked construction contracts or orders increase. A larger Construction Order Backlog is indicative of higher profits in the future.

PART II – OTHER INFORMATION

There are no any information not previously reported in a report on SEC Form 17-C.

[1] Current Assets/Current Liabilities
[2] Total Equity/Issued and Outstanding Shares
[3] Net Profit/Issued and Outstanding Shares
[4] Net Profit/Average Shares
[5] Net Profit / Average Equity
[6] Gross Profit / Revenue

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code this report is signed ...

ANTHON...

...ecretary

SUBSCRIBED AND SWOR...

| NAMES | VALID ... | DATE OF ... | PLACE OF ISSUE |
| --- | --- | --- | --- |
| [illegible] | [illegible] | [illegible] | [illegible] |

Doc. No. 102

Commission No. M-...

Notary Public for Makati City

Until December 31, ...

6th Floor Don Pablo Building

114 Amorsolo St., Legaspi Village, Makati City

PTR No. .../01.11.2019/Makati City

MCLE No. VI-0017048/12.28.2019/Pasig City

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| 1RWHV | 8QDXGLWHG | $XGLWHG |
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MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
*(A Subsidiary of Citicore Holdings Investment, Inc.)*
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
*(Amounts in Philippine Pesos)*

## 1. CORPORATE INFORMATION

### *1.1 Incorporation and Operations*

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities ExET Qpo9595.44 8

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Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City

*1.2 Subsidiaries, Associates and Joint Arrangements*

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to DV WKH ´*URXSµ ZKLFK DUH DOO LQFRUSRUDWHG L

| Subsidiaries/Associates/Joint Operations Joint Ventures | Notes | Percentage of Effective Ownership September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| *Subsidiaries* | | | |
| GMR Megawide Cebu Airport Corporation (GMCAC) | a | 60% | 60% |
| Megawatt Clean Energy, Inc. (MCEI) | b | 70% | 70% |
| GMI, Inc. (GMI) | c | 50% | 50% |
| Megawide Land, Inc. (MLI) | d | 100% | 100% |
| Megawide Construction (BVI) Corporation (MCBVI) | e | 100% | 100% |
| MWM Terminals, Inc. (MWMTI) | i | 100% | 100% |
| Megawide Terminals, Inc. (MTI) | h | 100% | 100% |
| Accounted for as Asset Acquisition | | | |

*b) MCEI*

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

*c) GMI*

GMI was incorporated in the Philippines in 2016, primarily engaged in general merchandise operations. GMI registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). On December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale transaction because major decisions involving entering and *g) MWCCI and CMCI*

## 2.2 *Adoption of New and Amended PFRS*

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following new standard, amendments, interpretations, and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

| | | |
|---|---|---|
| PAS 19 (Amendments) | : | Employee Benefits – Plan Amendment, Curtailment or Settlement |
| PAS 28 (Amendments) | : | Investment in Associates – Long-term Interest in Associates and Joint Ventures |
| PFRS 9 (Amendments) | : | Financial Instruments – Prepayment Features with Negative Compensation |
| PFRS 16 | : | Leases |
| International Financial Reporting Interpretations Committee (IFRIC) 23 | : | Uncertainty over Tax Treatments |
| Annual Improvements to PFRS (2015-2017 Cycle) | | |
| PAS 12 (Amendments) | : | Income Taxes – Tax Consequences of Dividends |
| PAS 23 (Amendments) | : | Borrowing Costs – Eligibility for Capitalization |
| PFRS 3 and PFRS 11 (Amendments) | : | Business Combinations, Joint Arrangements, Remeasurements of Previously Held Interests in a Joint Operations. |

Discussed below and in the succeeding pages are the relevant information about these standards, interpretation and improvements.

(i) PAS 19 (Amendments), Employee Benefits –

compensation may still be classified at amortized cost or at FVOCI. The DGRSWLRQ RI WKLV VWDQGDUG GLG QRW UHVX interim condensed consolidated financial statements.

(iv) PFRS 16, *Leases*. The new standard replaces PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. )RU OHVVHHV LW UHTXLUHV on-balance sheet DFFRXQW IRU UHFRJQL]LQJ D 'right-of-use' DVVHW DQG D lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension LV UHDVRQDEO\ FHUWDLQ. In subsequent XVH' DVVHW LV DFFRXQWHG IRU VLPLODUO\ W depreciation or amortization. The lease liability is accounted for similarly to

*3.3 Analysis of Segment Information*

Presented below are the relevant operating segment information about the results of operations of the GRXS·V EXVLQHVV segments for the period ending September 30, 2019 and 2018 DQG ILQDQFLDO SRVLWLRQ RI WKH *URXS·V EXVLQHVV September 30, 2019 and December 31, 2018 (amounts in thousands).

| | Construction | Airport Operations & Merchandising | Terminal Operations | Total |
|---|---|---|---|---|
| (Unaudited) | | | | |

### 3.4 Reconciliation

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

| | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|

## 6. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

| | Note | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|---|
| Investments in: | | | |
| Associates | 6.1 | P 811,757,868 | P 807,345,146 |
| Joint venture | 6.2 | 137,151,585 | 119,486,966 |
| | | P 948,909,453 | P 926,832,112 |

The Parent Company has also investment in SSPI which are accounted for as financial asset at fair value through other comprehensive income as the Parent Company neither exercises control or significant influence over SSPI.

### *6.1 Equity Advances and Investments in Associates*

The components of the carrying values of this account are as follows:

| | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| Acquisition cost: | | |
| MWCCI | P 580,890,000 | P 580,890,000 |
| CMCI | 200,000,000 | 200,000,000 |
| | 780,890,000 | 780,890,000 |

*6.2 Interest in Joint Venture*

This account includes the carrying values of the following components:

| | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| Acquisition costs: | | |
| MTRGC | P 58,324,000 | P 58,324,000 |
| SSPPC | 58,324,000 | 58,324,000 |
| | 116,648,000 | 116,648,000 |
| Equity share in net profit: | | |
| Balance at beginning of period | 2,838,96 | - |
| Equity in net profit for the period | 17,664,619 | 2,838,966 |
| Balance at end of period | 20,503,585 | |

Before After

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

| | |
|---|---|
| Cash in bank | P 486,426 |
| Bond deposits | 1,500,958 |
| Land | 303,468,569 |
| Accrued expenses | ( 100,000) |
| | P305,355,953 |

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity.

## 7. OTHER ASSETS

This account is composed of the following:

| | Note | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|---|
| Current: | | | |
| Advances to contractors and suppliers | 7.1 | P 2,059,884,845 | P 1,776,206,219 |
| Deferred fulfilment costs | | 1,633,328,066 | 1,633,221,503 |
| Input VAT | 7.2 | 1,007,290,918 | 880,640,102 |
| Prepaid taxes | 7.4 | 464,107,969 | 227,029,354 |
| Refundable security and bond deposits | | 189,986,658 | 125,313,438 |
| Prepaid subscription | | 50,743,621 | 7,347,069 |
| Prepaid rent | | 19,556,901 | 3,560,596 |
| Prepaid insurance | | 16,640,948 | 128,646,584 |
| Development costs | | 1,840,006 | l6 1,840,006 |
| Miscellaneous | | 23,222,226 | 107,736,031 |
| | | 5,466,603,194 | 4,891,540,848 |
| Non-current: | | | |
| Deferred input VAT | 7.2 | 2,111,026,266 | 2,097,455,330 |
| Investment in trust fund | 7.6 | 1,651,035,006 | 680,421,727 |
| Advances to suppliers | | 140,842,687 | - |
| Deposits for condominium units | | | |

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the interim condensed consolidated statements of income.

*7.6 Investment in Trust Fund*

2Q 1RYHPEHU *0&$&·V %2' DXWKRUL]HG *0&$& operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; DQG Y 'LVWULEXWLRQ $FFRXQWV FROOHFWLYHO\ and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

*7.7 Deferred Transaction Cost*

Deferred transaction cost represents legal and documentary stamp taxes paid attributable to the amount of undrawn borrowing facility scheduled for drawdown in the subsequent reporting periods. Upon drawdown, the deferred transaction cost will be accounted for as debt issuance cost which is treated as a discount on the related debt and amortized using the effective interest rate method over the term of the related debt.

*7.8 Right of Use of Assets – net*

The details of this account are presented below.

| | | September 30, 2019 (Unaudited) |
|---|---|---|
| Cost | P | 71,909,328 |

8. CONCESSION ASSETS

b. Infrastructure

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred cost necessary to construct the facility. The separately identified accumulated costs incurred in the development of the Paranaque Integrated Terminal Exchange Project are allocated based on development and implementation plan for the terminal and commercial areas. Any change in the allocation arising from the necessary revisions in the implementation plan is accounted for prospectively in the condensed consolidated financial statements. The allocation of cost as of the end of the period is as follows:

| | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| Terminal area | P 456,867,131 | P 456,867,131 |
| Commercial area | 4,280,158,060 | 3,332,115,588 |

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## 11. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

| | Notes | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|---|
| Current: | | | |
| Bank loans | 11.2 (b) | P 8,812,212,163 | P 5,651,033,174 |
| Notes payable | 11.1 | 693,711,204 | 693,711,241 |
| Obligations under finance lease | | 180,734,780 | 63,829,078 |
| | | 9,686,658,183 | 6,408,573,493 |
| Non-current: | | | |
| Bank loans | 11.2 (a) | 28,279,202,041 | 25,124,805,081 |
| Notes payable | 11.1 | 5,119,291,231 | 5,152,791,231 |
| Obligations under finance le | | | |

(b) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements. The notes are issued with the following details:

| Date Issued | Principal | Term in years | Interest Rate |
|---|---|---|---|
| September 16, 2016 | P 650,000,000 | 10 | 5.50% |
| December 5, 2016 | 350,000,000 | 10 | 6.37% (b) |
| December 16, 2016 | 1,000,000,000 | 10 | 6.37% |
| | P 2,000,000,000 | | |

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus certain spread. The Parent Company has to maintain debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreements as the transactions during the intervening periods are under the ordinary course of business.

*11.2 Bank Loans*

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*13.3 Airport Merchandising Operations Revenues*

The details of this account are composed of the revenues from:

| | September 30, 2019 (Unaudited) | September 30, 2018 (Unaudited) |
|---|---|---|
| Food revenues | P 134,312,947 | P 117,596,720 |
| Non-food revenues | 113,230,876 | 97,274,112 |
| | P 247,543,823 | P 214,870,832 |

*13.4 Terminal Operations Revenue*

The details of this account for nine months ended September 30, 2019 (nil for September 30, 2018) are composed of the revenues from:

| | |
|---|---|
| Rental revenues: | |
| Office towers | P 93,085,685 |
| Concessionaires | 37,200,971 |
| | 130,286,656 |
| Contract revenue | 76,708,369 |
| | P 206,995,025 |

The Paranaque Integrated Terminal Exchange (PITX) Project undertaken by the Group with the DOTr gives the Group the control over the terminal area and the right to collect concessionaire revenue. Contract assets include unbilled receivable which pertains to the cost of the terminal area which is to be recovered through the Grantor payments.

The revenue recognized by the Group relating to contract revenue on terminal operations is also the amount of cost incurred since its recognition is based on cost recovery method.

14. DIRECT COSTS

*14.1 Contract Costs*

The following is the breakdown of contract costs for the period ended September 30:

| | September 30, 2019 (Unaudited) | September 30, 2018 (Unaudited) |
|---|---|---|
| Outside services | P 3,912,781,642 | P 3,826,490,925 |
| Materials | 3,492,894,272 | 3,280,874,240 |
| Salaries and employee benefits | 524,860,534 | 461,754,667 |
| Project overhead | 629,350,533 | 619,901,242 |
| Depreciation and amortization | 492,443,887 | 429,374,825 |
| | P 9,052,330,868 | P 8,618,395,899 |

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

*14.2 Costs of Airport Operations*

The following is the breakdown of cost of services:

| | September 30, 2019 (Unaudited) | September 30, 2018 (Unaudited) |
|---|---|---|
| Amortization of concession asset | P 533,077,100 | P 220,488,274 |
| Utilities | 210,551,239 | 109,183,396 |
| Outside service | 107,621,215 | - |
| Repairs and maintenance | 101,353,747 | - |
| Salaries and other benefits | 50,835,612 | 38,497,143 |
| $LUSRUW RSHUDWRU·V IHH | 34,133,657 | 25,895,575 |
| Airline collection charges | 26,307,871 | 20,583,285 |
| Insurance | 25,338,987 | 17,277,846 |
| Technical service charges | 21,043,226 | - |
| Others | 19,385,194 | 26,914,493 |
| | P 1,129,647,848 | P 458,840,012 |

*14.3 Costs of Airport Merchandising Operations*

The following is the breakdown of cost of trading

| | September 30, 2019 (Unaudited) | September 30, 2018 (Unaudited) |
|---|---|---|
| Cost of goods sold: | | |
| Cost of food | P 33,938,284 | P 27,552,721 |
| Cost of non-food | 27,594,996 | 23,181,513 |
| Freight-in | 254,849 | - |
| Spoilage and pilferages | - | 335,079 |
| Purchase discounts | ( 31,940) | ( 67,065) |
| | P 61,756,189 | P 51,002,248 |

## 15. EQUITY

### *15.1 Dividends*

In 2019 and 2018, WKH 3DUHQW &RPSDQ\·V %2' DSSURYHG WKH P1.76 per share or equivalent to P70.3 million per quarter to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2018 and 2017, respectively. The series of record dates and payments are as follows:

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| 2019: | | | | |
| Approval dates | January 8, 2019 | April 3, 2019 | July 8, 2019 | |
| Record dates | February 13, 2019 | May 16, 2019 | August 14, 2019 | |
| Payment dates | March 3, 2019 | June 3, 2019 | September 3, 2019 | |

16. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

| | September 30, 2019 (Unaudited) | September 30, 2018 (Unaudited) |
|---|---|---|

*17.2 Rental of Land and Building*

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In September 30, 2019 and 2018, the Group recognized rent expense amounting to P0.75 million and P2.0 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan), DQ HQWLW\ RZQHG E\ WK stockholders and their close family members, for the land where the Group·V EXLOGLQJ L located. The Group has no outstanding payables from the rental transaction with Megapolitan as of September 30, 2019 and 2018.

*17.3 Advances to Officers and Employees*

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables (see Note 5).

No impairment losses were recognized in September 30, 2019 and 2018 for these advances.

*17.4 Advances to and from Related Parties*

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables

(b) Trade and Other Receivables

Of the gross carrying amount of trade and other receivables, a substantial portion is due from various related parties as of September 30, 2019 and December 31, 2018. The Group mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from the related parties and ensuring that collections are received within the agreed credit period. Moreover, the related advances from customers will be offset against the trade and other receivables.

Contract receivables are usually due within 45 to 60 days and do not bear any interest.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The contract receivables that are past due but not impaired are shown in the succeeding page.

As of September 30, 2019 and December 31, 2018, none of the outstanding receivables and contract assets were found to be impaired using the provision matrix determined by the management; hence, no amount of allowance for impairment have been recognized.

The Group's management considers that the financial assets which are past due but not impaired for each reporting period are of good credit quality based on historical default rates. The balance of such receivables relates to reputable companies that have a good track record with the Group.

(c) Investment in Trust Fund

As of September 30, 2019 and December 31, 2018, the Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) Refundable Security and Bond Deposits

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due.

*22.3 Liquidity Risk*

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

| | September 30, 2019 (Unaudited) | | |
|---|---|---|---|
| | Current | | Non-current |
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years |
| Interest-bearing loans and borrowing | | | |

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