

**THIS PRELIMINARY PROSPECTUS AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT WITHOUT NOTICE. THE OFFER SHARES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THAT THE PRELIMINARY PROSPECTUS IS ISSUED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OFFER SHARES NOR SHALL THERE BE ANY OFFER SOLICITATION OR SALE OF THE OFFER SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.**

PRELIMINARY PROSPECTUS As of March 17, 2022



**CTS GLOBAL EQUITY GROUP, INC.**  
(Republic of the Philippines)

Prospectus Relating to the  
Primary Offering of 1,375,000,000 Common Shares  
with par value of ₱0.10 per Common Share  
through an Initial Public Offering  
at an Offer Price of up to ₱1.00 per Offer Share

To be listed and traded on the SME Board of  
The Philippine Stock Exchange, Inc.

Issue Manager, Underwriter and Bookrunner



Selling Agents

The Trading Participants of the Philippine Stock Exchange, Inc.

The date of this Preliminary Prospectus is March 17, 2022

**THE 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.**



**CTS GLOBAL EQUITY GROUP, INC.**

**A corporation duly organized under the laws of the Republic of the Philippines  
27F, East Tower, Tektite Towers (formerly PSE Centre), Ortigas Center, Pasig City  
Telephone Number: (+632) 8635-5735  
<https://www.ctsglobalgroup.com/>**

This Prospectus relates to the initial public offering (“IPO”) on a primary basis of CTS Global Equity Group, Inc. (“CTS Global”, the “Company” or the “Issuer”) of One Billion Three Hundred Seventy Five Million (1,375,000,000) Common Shares (the “Offer Shares”) with par value of Ten Centavos (₱0.10) per share. An application is made for the listing of the Offer Shares (as defined below), together with the rest of the Shares of the Company, on the SME Board of the Philippine Stock Exchange, Inc. (“PSE”). The Offer Shares will be listed and traded on the SME Board of the PSE under the trading symbol “CTS”.

The offer price is up to ₱1.00 per share (the “Offer Price”) or an aggregate Offer Price of up to One Billion Three Hundred Seventy Five Million Pesos (₱ 1,375,000,000.00) (the “Offer” or the “Offering”). The Offer Price was determined by the Company in consultation with SB Capital Investment Corporation (“SB Capital”), the Company’s Issue Manager, Underwriter, and Bookrunner. See “Determination of Offer Price” on page 69 of this Prospectus. The Offer Shares will represent 20% of the issued and outstanding Common Shares of the Company after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing unissued authorized capital stock of the Company. No secondary shares shall form part of the Offer.

The Offer Shares will be issued out of the existing unissued authorized capital stock of the Company of Two Hundred Fifty Million Pesos (₱250,000,000.00) divided into Two Billion Five Hundred Million (2,500,000,000) Common Shares with par value of Ten Centavos (₱0.10) per share. At present, there are Five Billion Five Hundred Million (5,500,000,000) Common Shares that are fully paid, subscribed, issued, and outstanding. Immediately after the completion of the Offer, the fully paid, subscribed, issued, and outstanding Common Shares of the Company shall be Six Billion Eight Hundred Seventy Five Million (6,875,000,000) Common Shares. Upon listing, the market capitalization of the Company will be up to Six Billion Eight Hundred Seventy Five Million Pesos (₱6,875,000,000.00).

The Company shall cause its existing non-public stockholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of such shares. For this purpose, the non-public shareholders shall enter into an escrow agreement with an escrow agent to ensure that they will not sell, assign, or in any manner dispose of their shares for a period of one (1) year commencing on the listing date. Furthermore, shares that were issued or transferred and fully paid within six (6) months prior to the start of the Offer Period with a transaction price lower than that of the Offer Price shall likewise be locked up for at least one (1) year from the listing of said shares. Certain stockholders of the Company are subject to the lock-up requirement. See the subsection “Ownership Structure - Lock-Up” starting on page 79 of this Prospectus.

All Common Shares of the Company issued or to be issued pursuant to the Offer have, or upon issuance will have, identical rights and privileges. Please refer to subsection “Description of Securities - Rights Relating to the Common Shares” starting on page 59 of this Prospectus.

The Common Shares may be subscribed by eligible subscribers regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership in certain types of domestic companies. Please see the sections “Terms of the Offer” starting on page 28 of this Prospectus and “Philippine Foreign Investment, Exchange Controls, and Foreign Ownership” on page 171 of this Prospectus.

The Company expects to raise gross proceeds of up to One Billion Three Hundred Seventy-Five Million Pesos (₱1,375,000,000.00) from the Offer. The Company estimates net proceeds, after deducting the issue management and underwriting fees, registration and licensing fees, listing fees, taxes, and other related fees and expenses from the gross

proceeds, will amount to up to ₱1,353,271,534.61. The net proceeds from the Offer will be used to: (a) scale global trading operations, (b) expand the client account management segment, and (c) for general corporate purposes.

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid, in the form of cash or property, are subject to approval by the board of directors of the Company (“Board of Directors” or the “Board”). Dividends paid in the form of additional Common Shares are subject to the approval of the Board of Directors and stockholders who own at least two-thirds ( $\frac{2}{3}$ ) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Common Shares. The Company has not declared any kind of dividend to its shareholders in the past. On 5 November 2021, the Board of Directors approved its dividend policy that as much as practicable, whenever unrestricted retained earnings are available, dividends in an amount not exceeding twenty percent (20%) of the prior year’s net income after tax based on the Company’s audited financial statements as of such year shall be declared for distribution to all shareholders, subject to compliance with provisions of applicable laws and regulations. Refer to the section “Dividends and Dividend Policy” on pages 67 to 68 of this Prospectus.

The information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Offer. Unless otherwise stated, the information contained in this Prospectus is as of 03 December 2021. All information contained in this Prospectus has been supplied by the Company, which accepts full responsibility for the accuracy and completeness of the information contained herein. The Company confirms that, after having made all reasonable inquiries, and to the best of its knowledge and belief, there are no other material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

SB Capital will receive a transaction fee from the Company based on a 0.84% of the total amounts raised for the issue management, underwriting and selling commission. Any Offer Share left unsubscribed after the Offer Period will be underwritten by the Underwriter. For a more detailed discussion, see “Plan of Distribution” in this Prospectus. Please refer to the section “Plan of Distribution” on pages 73 to 77 of this Prospectus.

Up to 962,500,000 Offer Shares (or up to 70% of the Offer Shares) (the “Institutional Offer Shares”) are being offered and sold to qualified institutional buyers (the “QIBs”) and to the general public by the Underwriter (the “Institutional Offer”).

Up to 412,500,000 Offer Shares (or 30% of the Offer Shares) (the “Trading Participants and Retail Offer Shares”) are being offered and sold to (i) 124 trading participants of the PSE (the “PSE Trading Participants”)<sup>1</sup> and (ii) local small investors (the “LSIs”) under the Local Small Investors Program (the “Trading Participants and Retail Offer”). The amount of Offer Shares to be made available to the Trading Participants and LSIs will be 275,000,000 and 137,500,000 Offer Shares, or 20% and 10%, respectively, of the Offer Shares.

Prospective investors to the Offer Shares must conduct their own evaluation of the Company and the terms and conditions of the Offer, including the merits and risks involved. Please refer to the section entitled “Investment Considerations and Risk Factors” starting on page 40 of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Offer Shares described herein.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. 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 the information contained in this Prospectus is correct, and that there is no material statement or omission of fact that would make any statement in this Prospectus misleading in any material respect. Except for the information pertaining to the Issue Manager, Underwriter, and Bookrunner, the Company hereby accepts responsibility for the accuracy of the information contained in this Prospectus. The Company and Issue Manager, Underwriter, and Bookrunner are expected to conduct due diligence on the Company, its documents, and the information presented on the Prospectus/Registration Statement. The Issue Manager, Underwriter, and Bookrunner, having made all reasonable enquiries, confirms that, to the best of its knowledge, this document contains all information with respect to the Company, the Issue Manager, Underwriter, and Bookrunner and the Offer Shares, which is material in the context of the issue and offering of the Offer Shares. Nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Issue Manager, Underwriter, and Bookrunner or any of its respective affiliates. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each prospective investor of the Offer Shares, by accepting the delivery of this Prospectus, agrees to the foregoing.

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<sup>1</sup> This excludes CTS Global Equity Group, Inc. which will not be participating in the Trading Participants tranche.

Certain information is based on various sources, utilized in complement with the Company's own back-tested data, analysis, and experience. These sources include surveys, market research, publicly available information, reports and industry analyses from independent providers such as Bloomberg L.P., Euromonitor International Limited, and PricewaterhouseCoopers. Market data and industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but the accuracy and completeness of such information are 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 Issue Manager and Underwriter, nor any of their respective affiliates do not make any representation as to the accuracy and completeness of such information. Neither has the Company independently verified this data nor sought the consent of any organizations to refer to their reports in this Prospectus. Investors should likewise note that market data and statistics, though inherently predictive, are subject to change and uncertainty and may not necessarily be reflective of actual market conditions.

CTS Global's financial statements are reported in Philippine Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines. The financial information included in this Prospectus has been derived from CTS Global's financial statements. Unless otherwise indicated, financial information relating to the Company in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components. CTS Global's fiscal year begins on January 1 and ends on December 31 of each year. Reyes Tacandong & Co., the external auditor of the Company, has audited the Issuer's financial statements as of and for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021 in accordance with Philippine Standards on Auditing ("PSA").

This Prospectus includes certain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The Company has based these forward-looking statements largely on its current expectations and projections about future events, and operating, market, and financial trends affecting its business. Words including, but not limited to, "believes", "may", "will", "estimates", "continues", "anticipates", "intends", "expects", "forecasts", and similar words are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to the expectations of the Company regarding:

- Future growth;
- Economic conditions in the Philippines;
- Results of operations and performance (both operational and financial);
- Business prospects;
- Business opportunities; and
- Known and unknown risks.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- Risks relating to our business;
- Risks relating to the Philippines; and
- Risks relating to the Offer and the Offer Shares.

In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The Company's actual results could differ substantially from those anticipated in the Company's forward-looking statements.

Additional factors that could cause our actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. Although the forward-looking statements contained in this Prospectus reflect the current beliefs of the Company based upon information currently available to management and what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the actual future growth, results of operations, performance, business prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements.

The Underwriter does not take responsibility for, or give any representation, warranty, or undertaking in relation to any such forward-looking statements.

This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "propose," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," "shall," "should," "is/are likely to", and similar words and the negative form of these words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the Company's opinions, beliefs and intentions accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although management gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Company's expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

Accordingly, prospective investors should not place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date of this Prospectus and the Company does not assume any obligation to update or revise them to reflect new events or circumstances. One should read this Prospectus and the documents referenced in this Prospectus and filed as exhibits to the Registration Statement, of which this Prospectus is a part, completely and with the understanding that actual future results may be materially different from what the Company expects. Forward-looking statements contained herein are qualified by these cautionary statements.

On 14 December 2021, the Company filed a Registration Statement with the Securities and Exchange Commission ("SEC") covering the Offer Shares and the issued and outstanding Common Shares of the Company not covered by the Offer in accordance with the provisions of the Securities Regulation Code ("SRC").

On 23 December 2021, the Company filed an application with the PSE for the listing of the issued and outstanding Common Shares (including the Offer Shares). The PSE Notice of Approval was received on 16 March 2022, subject to fulfillment of certain listing conditions. Such an approval is permissive only and does not constitute a recommendation or endorsement by the PSE of the Offer Shares. Furthermore, the PSE assumes no responsibility in the correctness of any statement made or opinions expressed in this Prospectus. The PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or in part on the contents of this Prospectus.

This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, salesperson, or other person has been authorized by the Company or SB Capital to issue any advertisement or to give information or make any representation in connection with the Offer other than those contained in this document, and if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by SB Capital.

This Prospectus has been authorized for circulation and distribution only in the Philippines. The distribution of this Prospectus and the Offer of the Offer Shares may be restricted by law in certain jurisdictions. The Company and SB Capital require persons into whose possession this Prospectus comes to inform them of, and observe all such restrictions. Prospective investors should also inform themselves on any taxation or legislation affecting them personally, and should consult their professional advisers with respect to the acquisition or disposition of the Offer Shares.


For investor relation matters, investors may contact the Company's Investor Relations Officer, through the email address [ir@ctsglobalgroup.com](mailto:ir@ctsglobalgroup.com) or through telephone number (02) 8635-5735.


The Offer Shares are offered subject to the receipt and acceptance of any order by the Company and subject to the Company's right to reject any order in whole or in part. The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing if any of the force majeure or fortuitous events set out under the Section "Summary of the Offer – *Withdrawal of the Offer*" of this Prospectus occur. In case of cancellation of the Offer on or after commencement of the Offer Period, the Issuer shall obtain the prior written approval of the PSE. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation (the "PDTCC") on or about April 13, 2022.

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE,**


**AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.  
CTS GLOBAL EQUITY GROUP, INC.**

By:

  
**LAWRENCE C. LEE**  
President and Chief Executive Officer

  
**CATHERINE L. ONG**  
Chief Operating Officer

  
**EDMUND C. LEE**  
Chief Finance Officer/ Comptroller

  
**REGINE Y. TAGAYLO**  
Accounting Manager

  
**STEPHANIE FAYE B. REYES**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 17 2022 at PASIG CITY, Metro Manila,  
affiants exhibiting the following:

Affiant	Type of ID and ID Number
Lawrence C. Lee	TIN 211-937-686
Catherine L. Ong	TIN 120-975-006
Edmund C. Lee	TIN 279-036-641
Regine Y. Tagaylo	PRC ID No. 0138776/ 04 Sept 2023
Stephanie Faye B. Reyes	TIN 260-391-721

Doc. No. 237 ;  
Page No. 49 ;  
Book No. I ;  
Series of 2022.

  
**ANN MARGARET K. LORENZO**  
Notary Public for the Cities of Pasig and San Juan  
and the Municipality of Pateros  
Appointment No. 131 (2021-2022)  
Commission Extended on December 31, 2022  
2704 East Tower, Teklite Towers  
(Formerly Philippine Stock Exchange Centre),  
Exchange Road, Ortigas Center, 1605 Pasig City  
PTR No. 8131863 / 01.06.2022 / Pasig  
IBP No. 171337 / 12.23.2021 / RSM  
Roll of Attorneys No. 64875  
MCLE No. VII-0010623 / 02.18.2022

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ANNEX I:

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2019, AND 2020

ANNEX II:

INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT AS OF SEPTEMBER 30, 2021

## GLOSSARY OF TERMS

*In this Prospectus, unless the context otherwise requires, the following words or expressions shall have the following meanings:*

<b>GLOSSARY OF GENERAL TERMS AND TERMS RELATED TO THE OFFER</b>	
<b>“Applicant”</b>	A person, whether natural or juridical, who seeks to subscribe to the Initial Public Offering by submitting an Application to Purchase under the terms and conditions prescribed in this Prospectus
<b>“Application to Purchase” or “Application”</b>	The application to subscribe to the Offer Shares
<b>“AOI” and “By-Laws”</b>	Articles of Incorporation and By-Laws of the Company
<b>“Banking Day”</b>	Any of the days in a week, except Saturdays, Sundays, and holidays, when banks are not required to do, or are authorized by law to close for, business in Metro Manila
<b>“BIR”</b>	Bureau of Internal Revenue
<b>“Board of Directors” or the “Board”</b>	The board of directors of the Company
<b>“Book Value per Share”</b>	The result of dividing the Total Stockholders’ Equity account of the Company by the total number of Common Shares issued and outstanding
<b>“BSP”</b>	Bangko Sentral ng Pilipinas or the Central Bank of the Philippines
<b>“Certificate of Permit to Sell”</b>	Certificate of Permit to Offer Securities for Sale, issued by the SEC, is a document certifying that the shares have already been registered with the SEC and may already be offered for sale to the public, subject to the full compliance with the provisions of the SRC and its Amended Implementing Rules and Regulations, Revised Code of Corporate Governance, and other applicable laws and orders as may be issued by the SEC.
<b>“CEO”</b>	Chief Executive Officer
<b>“CFO”</b>	Chief Finance Officer
<b>“COO”</b>	Chief Operating Officer
<b>“Common Shares” or “Shares”</b>	The shares of common stock of the Company with par value of ₱0.10 per share, including the Offer Shares
<b>“CTS,” “CTS Global,” the “Company,” or the “Issuer”</b>	CTS Global Equity Group, Inc.
<b>“DST”</b>	Documentary Stamp Tax
<b>“EBITDA”</b>	Earnings Before Interest, Taxes, Depreciation, and Amortization
<b>“Eligible Applicant”</b>	Any person of legal age or duly organized and existing corporations, partnerships, or other corporate entities applying to subscribe to the Offer Shares, regardless of nationality

<b>“Escrow Agent”</b>	Security Bank Corporation – Trust and Asset Management Group
<b>“Firm Offer”</b>	The offer for subscription of the Firm Shares to Eligible Applicants, under the terms and conditions contained in this Prospectus and the Application to Purchase
<b>“Government”</b>	The Government of the Republic of the Philippines
<b>“IPO”</b>	Initial Public Offering
<b>“Listing Date”</b>	April 13, 2022, or the date on which the Offer Shares shall be listed with the PSE
<b>“Listing Rules”</b>	Listing Rules for the Main and Small, Medium and Emerging (“SME”) Boards of the PSE
<b>“LSI”</b>	Local Small Investor, a share subscriber who is willing to subscribe a minimum board lot or whose subscription does not exceed ₱100,000.00 in value.
<b>“Manual”</b>	Manual on Corporate Governance
<b>“NOLCO”</b>	Net Operating Loss Carry-Over
<b>“Offer” or “Offering”</b>	The primary offering of 1,375,000,000 Common Shares with par value of ₱0.10 per Common Share at an Offer Price of ₱1.00 per Offer Share to Eligible Applicants, subject to the terms and conditions stated in this Prospectus and on the Application to Purchase
<b>“Offer Period”</b>	The period commencing at 9:00 a.m. on March 29, 2022 and ending at April 4, 2022 unless extended by agreement between the Company, SB Capital, and the PSE
<b>“Offer Price”</b>	Up to ₱1.00 per Share
<b>“Offer Shares”</b>	1,375,000,000 primary Common Shares to be issued out of the existing unissued authorized capital stock with a par value of Ten Centavos (₱0.10) per share, which enjoy equal rank, preference, and priority with the existing issued and outstanding Common Shares of the Company and being offered for subscription by the Issuer to Eligible Applicants
<b>“₱” or “Pesos”</b>	Philippine Peso, or lawful currency of the Republic of the Philippines
<b>“PCD Nominee”</b>	PCD Nominee Corporation, a corporation wholly-owned by PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC
<b>“PDTC”</b>	Philippine Depository and Trust Corporation
<b>“PFRS”</b>	Philippine Financial Reporting Standards
<b>“Prospectus”</b>	This offering memorandum dated _____ filed by the Company with the SEC and circulated in connection with the initial public offering of the Offer Shares
<b>“PSE”</b>	The Philippine Stock Exchange, Inc.
<b>“PSE EDGE”</b>	PSE Electronic Disclosure Generation Technology

<b>“QIB”</b>	Qualified Institutional Buyer
<b>“RA”</b>	Republic Act
<b>“Receiving Agent”</b>	Stock Transfer Service, Inc.
<b>“RTC”</b>	Reyes Tacandong & Co., the Company’s external auditor
<b>“SB Capital”</b>	SB Capital Investment Corporation, the Company’s Issue Manager, Underwriter and Bookrunner
<b>“SCCP”</b>	Securities Clearing Corporation of the Philippines
<b>“SEC”</b>	Securities and Exchange Commission of the Philippines
<b>“SRC”</b>	R. A. No. 8799, otherwise known as The Securities Regulation Code
<b>“Stock Transfer Agent”</b>	Professional Stock Transfer, Inc.
<b>“Trading Day”</b>	Any day on which trading is allowed in the PSE
<b>“Trading Participants” or “TPs”</b>	The member brokers of the PSE
<b>“\$” or “USD”</b>	United States Dollar
<b>“VAT”</b>	Value-Added Tax

## GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

“Alpha”	Excess returns earned on an investment above the benchmark, such as a stock market index
“Alternative Investments”	A financial asset that does not fall into conventional investment categories. This may include private equity, venture capital, hedge funds, commodities, or derivatives.
“AUM”	Assets Under Management, or the total market value of the assets being managed
“Basis Points”	A unit of measure to describe in percentage terms the rate of a financial instrument. This is equivalent to one hundredth of one percent, or 0.01%.
“CAGR”	Compounded annual growth rate, or the annualized average rate of growth between two definite periods
“Caylum Trading Institute”	“Caylum” or “CTI” was established in 2013 by the same proponents behind CTS Global. This is a private, financial educational institute that focuses on developing market timers in the equities markets.
“Charting Indicators”	Also called “technical indicators”, these are pattern-based signals derived from price and volume of a security used by traders who follow technical analysis.
“Circuit Breaker”	Part of CTS Global’s risk management infrastructure, a circuit breaker is an automatic measure that temporarily prevents trading activity for an individual trader.
“CTS Trade Management System”	A proprietary system developed exclusively for CTS Global, the Trade Management System or “TMS” is a portal that helps traders in automated performance analytics and trade review.
“Drawdown”	A peak-to-trough decline of a trading account, or fund, during a specific period. For CTS, this is usually measured in fiscal months, quarters, and years.
“Equities Trading”	Buying and selling of company shares of stocks, also known as equities, in the financial markets with the purpose of generating profit
“ETF”	ETF, or “exchange-traded fund” is a type of security that tracks an index, sector, commodity, or other asset that can be purchased and sold on a stock exchange like equities.
“FTSR Framework”	FTSR Framework stands for fundamentals, technicals, sentiment, and risk management, the four pillars that is the core of Caylum Trading Institute’s teachings.
“Fundamental Analysis”	A method of measuring a security’s intrinsic value by analyzing related economic and financial factors with the purpose of measuring the instrument’s intrinsic value.
“GDP”	Gross Domestic Product is one of the most common economic measures utilized by individual countries. This is the monetary value of financial goods and services produced in a country in a given period of time, usually a quarter or a year.

“HNWI / high-net worth clients”	A high-net-worth-individual, in the asset management industry, is generally an individual with at least \$1,000,000 in cash or assets to be invested.
“IBKR”	Interactive Brokers LLC, a global stock brokerage firm headquartered in Connecticut that provides a trading platform offering stocks across different exchanges in the world.
“Macroeconomics”	The branch of economics concerned with the structure, performance, behavior, and decision-making of the whole, or aggregate, economy. This mainly analyzes the long-term economic growth trends and shorter-term business cycles.
“Market Cycle”	Periods of growth and decline in a market that emerge during different business environments.
“Mutual Funds”	A type of financial vehicle made up of a pool of money from many investors to invest in securities such as stocks, bonds, or other assets
“Operating Leverage”	A cost-accounting formula that measures the degree to which a firm or project can increase operating income by increasing revenue. A high operating leverage is demonstrated in a business with high gross margins and low variable costs.
“Options”	A form of derivative financial instrument in which two parties contractually agree to transact an asset at a specified price before a future date. These are generally in the forms of call options, the right to buy an asset, or put options, the right to sell.
“Proprietary Trading”	A financial firm that generates revenues by investing or trading financial instruments using the company’s capital
“Recruitment Course”	Offered by Caylum Trading Institute, the Recruitment Course is an eight-week trader education program that also serves as CTS Global’s recruitment avenue.
“Retail Traders”	Individual traders who buy and sell, in this context equities, in order to generate trading profit
“Risk Management”	One of the four pillars of the FTSR Framework, this is the process of identifying, monitoring, and managing potential risks in order to minimize any negative impact of a transaction or a position.
“Risk-adjusted Returns”	Calculation of the profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it
“S&P 500”	The S&P 500 Index, or Standard & Poor’s 500 Index, is a market-capitalization-weighted index of 500 leading publicly-traded companies in the US.
“Sentiment”	A part of FTSR, this measures and analyzes the overall attitude of investors toward a particular security or financial market
“Standard Deviation”	A measure of how far a data is from the mean, in average terms
“Technical Analysis”	A trading discipline employed to evaluate investments and identify trading opportunities by analyzing statistical trends gathered from trading activity, in particular the price movement and volume.

“Trader Efficiency”	A key performance indicator within CTS Global that measures the revenue generated by an individual trader
“Value-at-Risk”	In connection to the risk management methodology utilized by CTS Global, this measures, in percentage terms, the portfolio value risked for every single trade.



## **PARTIES TO THE OFFER**

<b>The Issuer</b>	<b>CTS Global Equity Group, Inc.</b> 27F East Tower, Tektite Towers, Ortigas Center, Pasig City 1605
<b>Issue Manager and Underwriter</b>	<b>SB Capital Investment Corporation</b> 18 <sup>th</sup> Floor, Security Bank Centre 6776 Ayala Avenue Makati City
<b>Legal Counsel to the Underwriter</b>	<b>Tan Venturanza Valdez</b> 2704 East Tower Tektite Towers, Exchange Road, Ortigas Center Pasig City, 1605
<b>Legal Counsel to the Issuer</b>	<b>Attys. Sharon T. Lim &amp; Stephanie B. Reyes</b> 27F East Tower, Tektite Towers, Ortigas Center, Pasig City 1605
<b>Independent Auditors</b>	<b>Reyes Tacandong &amp; Co.</b> 26 <sup>th</sup> Floor Citibank Tower 8741 Paseo de Roxas Makati City 1226 Philippines
<b>Escrow Agent</b>	<b>Security Bank Corporation – Trust and Asset Management Group</b> 19th Floor, Security Bank Centre, 6776 Ayala Avenue, Makati City
<b>Receiving Agent</b>	<b>Stock Transfer Service, Incorporated</b> 6784, Unit D 34th Floor Rufino Pacific Tower, Ayala Avenue, Makati, 1200 Metro Manila
<b>Stock Transfer Agent</b>	<b>Professional Stock Transfer, Inc.</b> 10 <sup>th</sup> floor Telecom Plaza, 316 Sen. Gil Puyat Avenue, 1209 Makati City

## SUMMARY INFORMATION

*The following information is derived from, qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus, including our audited financial statements and the notes thereto, appearing elsewhere in this Prospectus.*

### **The Offer**

The Company is offering for subscription up to One Billion Three Hundred Seventy-Five Million (1,375,000,000) primary Common Shares to be issued out of the existing unissued authorized capital stock, each with par value of ₱0.10 per share. The Offer Shares shall enjoy equal rank, preference, and priority with the existing issued and outstanding Common Shares of the Company. The Offer Shares are being made available for subscription in the Philippines at an Offer Price of up to ₱1.00 per share.

The Company expects to raise gross proceeds of up to One Billion Three Hundred Seventy-Five Million Pesos (₱1,375,000,000.00) from the Offer. The net proceeds from the Offer, after deducting the issue management and underwriting fees, registration and licensing fees, listing fees, taxes, and other related fees and expenses from the gross proceeds, are estimated to amount to up to ₱1,353,271,534.61. The net proceeds from the Offer will be used to: (a) scale global trading operations, (b) expand the client account management segment, and (c) for general corporate purposes.

The Offer Shares shall represent twenty percent (20%) of the Company's total issued and outstanding capital stock after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing unissued authorized capital stock of the Company. No secondary shares shall form part of the Offer.

The Offer Shares will be underwritten by SB Capital on a firm basis. The total fees to be derived by SB Capital shall be based on a percentage of the gross proceeds from the sale of the Offer Shares and is exclusive of out of pocket expenses.

### **The Company**

#### ***Primary Purpose***

CTS Global Equity Group Inc. ("CTS Global", the "Company", or the "Issuer"), formerly Citisecurities Inc., was established to engage in the business of equities trading, as a broker-dealer for the Philippine market, but through time, shifted focus on its proprietary trading desk for global equities. It uses its expertise garnered from years of experience, and intellectual property assets, specifically on risk management, macroeconomics, fundamental, and technical analysis to capitalize on opportunities on a local and global scale through trading of equities listed in various stock exchanges. With a cumulative experience of more than a hundred years trading in the stock market, the proponents of the Company have been able to develop a robust trading system that allows its traders to consistently generate returns on proprietary capital. The Company offers its brokerage services for securities registered with the Securities and Exchange Commission, and listed or traded with the Philippine Stock Exchange.

The Company, as a licensed broker/dealer under Section 28 of the Securities Regulation Code and a corporation duly organized in the Philippines under the Revised Corporation Code, falls under the supervision of the Securities and Exchange Commission as well as the Capital Markets Integrity Corporation (CMIC) and its applicable rules.

The primary purpose of the Company is to engage in the business of a broker and dealer in securities, to wit:

“SECOND: - That the purposes for which said corporation is formed are:

That the corporation shall engage primarily in the business of stock and bond brokers and dealers in securities and in all activities directly or indirectly connected therewith or incidental thereto.”

#### ***Secondary License***

Consistent with its primary purpose, CTS Global engages in brokerage services and in the proprietary trading of global equities. The Company is a broker in securities as it buys and sells shares for and on behalf of its clients. Under Section 3.3 of the Securities Regulation Code, a broker is “a person engaged in the business of buying and selling securities for the account of others”. Through its team of traders, the Company also buys and sells shares in various markets, local and overseas, for the Company’s own account. The same is consistent with the business of a dealer which Section 3.4. of the SRC defines as “any person who buys/sells securities for his/her own account in the ordinary course of business.” The Company plans to utilize most of the proceeds from its public offering to grow its business as such dealer in securities (scaling of global trading operations).

### ***The Company is not engaged in collective investment schemes***

In operating its proprietary trading business segment, the Company is engaged in the business of being a dealer, as defined under the SRC, and not an “Investment Company” regulated under the Investment Company Act (Republic Act No. 2629). Rule 1.19 of the Investment Company Act Implementing Rules and Regulations (“ICA IRR”) defines an “Investment Company” as:

“xxx a stock corporation primarily engaged or holds itself out as being engaged primarily, or proposes to engage, in the business of investing, reinvesting and trading in securities.”

An Investment Company is a type of a “collective investment scheme”, which the ICA IRR defines as a scheme where “funds are solicited from the investing public for the purpose of investing, reinvesting and trading in securities or other assets.” A substantial majority of operating investment companies in the Philippines are “open-end investment companies” (or mutual funds), the modus operandi of which is characterized by (1) the active solicitation of funds from the investing public, and (2) use of the pooled funds from said investing public to reinvest in securities and/or other assets in accordance with the investment objective stated in its Prospectus. The investing public “invests” in the mutual fund by buying shares directly from the mutual fund company itself or through authorized fund distributors which usually impose a Sales Load and Management Fee (normally paid to a fund management company). A mutual fund’s business consists entirely of soliciting investments and reinvestment of the pooled funds in various asset classes. The investor in a mutual fund also typically does not expect to receive dividends of any kind (whether in cash, stock or property), since most mutual fund companies adopt strategies/policies of retaining surplus profits to reinvest the same, said gains/income received by the mutual fund instead just affecting the computation of the mutual fund’s Net Asset Value Per Share (NAVPS). The mutual fund investor, therefore, profits from the investment made if the NAVPS has appreciated in value (comparative to its price at investment date) and the investor sells the mutual fund shares. In an Investment Company, the investing activity of the corporation is reliant on funds pooled from the public. The investor buying shares in the mutual fund acquires an undivided interest in the pool of assets or investments held by the mutual fund company.

On the other hand, by buying shares in CTS Global, whether during public offering or anytime thereafter, an investor becomes a shareholder with the concomitant rights of a regular stockholder (i.e. voting rights, dividend rights, appraisal rights, etc.) in an enterprise, the business of which includes that of being a broker and a dealer in securities. A dealer buys and sells securities for its own account, using corporate funds. Therefore, in offering its shares to the public, CTS Global will use the proceeds from the same to expand the Corporation’s business, including deploying funds for its proprietary trading segment and continue acting as a dealer in securities. That a dealer in securities will offer its shares to the public will not convert the corporation into an investment company engaged in a collective investment scheme.

The Company’s core competency has been honed in the local bourse as well as overseas particularly in the United States, Hong Kong, and Japan stock markets. Through decades of active participation in financial markets, the Company has developed and continues to develop its intellectual property assets to be able to improve and enhance its competitive advantage. The tumultuous year of 2020 was a testament to what that commitment can bring. After successfully pivoting into the new normal with newly digitized training sessions, risk management monitoring, and fully automated analytics, the pandemic has paved the way for the Company to elevate its operations. Financial results from 2020 reflects the Company’s capability to withstand and even profit from unprecedented market conditions, making it confident in its ability to consistently perform amidst major market challenges in the future.

Currently, the Company has a pool of over 30 individual traders who actively manage a combined capital amounting to ₱550,000,000. Each trader is considered as a business unit with its own unique trading system. Though the trading strategies are inherently diverse, the development and application of every distinct trading technique still falls within the overarching trading system and rules of the FTSR Trading Framework. This framework comprises of Fundamentals Analysis, Technical Analysis, Sentiment, and Risk Management that are the main pillars of successful

active trading and works essentially as a market timing system. Developed over the course of 40 years, it acts as the core and constitution of the Company's trader ecosystem, and is still likewise being improved under the Caylum Trading Institute ("Caylum" or "CTI"), the Company's trading education partner.

The Company is essentially a trader development ecosystem and additional investments in technology have only strengthened its ability to efficiently produce and distribute valuable content and information to traders. In 2019, The Company invested in creating its own analytics portal to support the development of traders through ongoing performance analysis. Its risk management processes have also been completely digitized to provide risk managers a real-time view of respective business unit exposures. In 2020, the limitations brought about by the COVID-19 pandemic further accelerated the use of cost-effective, readily available platforms in the market today. In contrast to the experience of many, the work-from-home arrangement proved to be beneficial to the Company as it enabled it to streamline its trader training online thereby significantly improving trader performance, while materially reducing the overhead cost of maintaining a physical trading floor.

Currently, the Company is a standalone entity; however, it is open to the possibility of incorporating subsidiaries in the future.

As at September 30, 2021, the Company's total assets amounted to ₱ 856,769,035.

The Company's registered office is at 27F East Tower, Tektite Towers (formerly, PSE Centre), Ortigas Center, Pasig City.

### **Competitive Strengths**

The Company's competitive strengths include the following:

- The Company has developed intellectual property assets, including automated systems for risk management, performance analytics, trader training and monitoring.
- The Company is led by a competent and experienced management team with deep understanding of macroeconomic and market cycles.
- The Company follows a prudent risk management infrastructure.
- The Company has historically demonstrated its ability to generate alpha.
- The Company has a long-standing partnership with the Caylum Trading Institute.
- The Company has the ability to leverage on the COL Financial Group Inc. ecosystem.
- The Company operates on a global trading business model which is scalable and provides a high operating leverage

For a detailed discussion of the Company's competitive strengths, please refer to "The Company - Competitive Strengths" section starting on page 87 of this Prospectus.

### **Business Strategies**

The Company's more immediate business plans include the following:

- Capitalize on the Company's strength of trading equities.
- Promote trader development.
- Establish the Client Account Management
- Continuously refine its risk management systems and policies

For a detailed discussion of the Company's business plans, please refer to section "The Company - Business Strategies" section starting on page 91 of this Prospectus.

## **Investment Considerations and Risk Factors (Risks of Investing)**

Before making an investment decision, prospective investors are advised to carefully consider all the information contained in this Prospectus, including the following key points characterizing the potential risks associated with an investment in the Offer Shares, presented in the order of importance.

### ***Risks Relating to the Company Business***

- The Company's performance is influenced by the cyclical nature of the markets it operates in, as well as the general riskiness of equities compared to other assets since it is subject to extensive fluctuations in price and liquidity.
- The Company's trading operations are subject to technological risks from the stock brokerage platforms.
- The Company's focus on global equity markets poses a foreign exchange risk for its dollar-denominated working capital used in trading operations.
- Foreign markets are subject to political and economic factors that can affect the Company's relevant market revenues.
- The Company is exposed to risks for its investments in international markets
- The Company's unique business model requires the acquisition of specific talent that may not always be available, which may hamper the growth for the Company.
- Employee turnover can affect the operations of CTS Global.
- Deviation from the FTSR Framework by traders can affect the Company's operations
- Scaling of the global trading operations is subject to the individual traders' ability to improve their efficiency.
- The Company's growth depends heavily on the execution of its future strategic plans. The inability to execute this successfully will pose a risk to its financial performance. Global trading operations are executed electronically and therefore subject to the risk of power and internet connectivity interruption.
- The Company can be affected by potential local and foreign-based competition.
- The Company can be perceived to have a potential conflict of interest between its Brokerage Segment and Client Accounts Management Segment, and between the Company and COL Financial Group, Inc.
- The Company may be exposed to risks on Related Party Transactions
- The Company may be exposed to risks on non-compliance with Risk-Based Capital Adequacy (RBCA) Ratios requirements

### ***Risks Relating to the Philippines***

- As the Company generates a portion of its revenues in the Philippines, the local political and economic factors will affect both the Company's trading operations and the local market revenues.
- As a part of the strictly regulated financial industry, the Company will be affected by any changes and further regulations that might be imposed by the regulatory bodies in the future.
- Acts of terrorism could destabilize the country and may affect the Company's operations business, financial condition, and results of operations.
- Natural or other catastrophes, including severe weather conditions, may disrupt the Company's operations and financial conditions.
- Credit ratings of the Philippines and Philippine companies could materially and adversely affect the Company and the market or price of the Offer Shares.
- Foreign exchange regulations in the Philippines may limit the Company's access to foreign currency for service of foreign-currency denominated payment obligations.
- The continuing impacts of the COVID-19 pandemic are highly unpredictable, volatile, and uncertain, and have had, and will continue to have, some negative impacts on business operations, costs of doing business, availability of labor, the Company's financial performance, and the ability to predict future performance, among others.
- Other than COVID-19, other public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition and results of operations.

- Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

**Risks Relating to the Offer and the Offer Shares**

- Listing of the Offer Shares on the PSE may not push through.
- Trading and Liquidity cannot be guaranteed.
- The shares will be subject to market volatility.
- Future Sales of Shares in the Public Market may dilute ownership.
- Book Value per Share may be immediately and substantially diluted.
- There may be instances where there are no Dividend Declarations and/or Payouts.

Please refer to the section entitled “Investment Considerations and Risk Factors” beginning on page 40 to 54 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.

**Investor Relations Program**

The Investor Relations Program was introduced to address and attend to investors’ inquiries about the Company and its plans for its stockholders.

Ms. Sheena K. Lorenzo is the head of the Program and the Company’s Investor Relations Officer. Together with the Associated Persons of the Company, she is in-charge of submitting periodic reports and statements required to be filed on a regular basis with the SEC and the PSE, as well as current reports on material events that have occurred and are required to be disclosed to the SEC and/or the PSE within a given period from the time of their occurrence.

Please refer to the section entitled “Investor Relations Program” on page 115 of this Prospectus provides for the detailed discussion on the Company’s Investor Relations Program.

**Summary Financial Information**

The summary of the historical financial information for the period ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2021 should be read in conjunction with the accompanying audited financial statements and the related notes thereto. Reyes Tacandong & Co., the company’s external auditor, has audited the financial statements of CTS Global Equity Group, Inc. as of and for the years ended December 31, 2018, 2019 and 2020, while the nine months ended September 30, 2020 and 2021 have been reviewed in accordance with Philippine Standards on Auditing (“PSA”).

Unless otherwise stated, the Company has presented its financial results under PFRS. Potential investors should read the following data together with the more detailed information contained in “Management’s Discussion and Analysis of Historical Financial Condition and Results of Operations” and the accompanying financial statements and related notes. The following data is qualified in its entirety by reference to all that information. The information below is not necessarily indicative of the results of future operations or financial condition of the Company.

**Table 1: Statement of Comprehensive Income**

	Nine Months Ended September 30		Year Ended December 31		
	2021	2020	2020	2019	2018
<b>REVENUES</b>					
Trading gains on financial assets at FVPL - net	<b>93,483,356</b>	<b>70,999,253</b>	157,813,316	25,638,532	35,045,644
Commissions	<b>10,092,099</b>	<b>3,074,885</b>	5,958,726	6,779,289	5,533,197
Interests	<b>2,298,646</b>	<b>6,348,167</b>	7,288,079	11,259,738	12,952,951
Dividends	<b>1,868,925</b>	<b>860,555</b>	1,201,085	3,310,176	1,319,513

	<b>107,743,026</b>	<b>81,282,860</b>	172,261,206	46,987,735	54,851,305
<b>COST OF SERVICES</b>					
Commissions	<b>37,204,006</b>	<b>10,674,997</b>	26,180,455	13,289,864	13,739,096
Personnel costs	<b>19,222,077</b>	<b>16,377,473</b>	22,539,339	25,197,795	22,561,014
Transaction costs	<b>9,798,525</b>	<b>14,902,236</b>	17,835,784	4,642,060	5,301,235
Research	<b>1,694,973</b>	<b>1,913,965</b>	2,500,607	2,744,564	2,597,367
Stock exchange dues and fees	<b>1,333,966</b>	<b>596,326</b>	872,653	1,481,247	1,362,276
Central depository fees	<b>762,286</b>	<b>425,536</b>	620,772	615,984	567,673
Communications	<b>645,108</b>	<b>996,681</b>	1,170,872	1,216,508	1,192,494
	<b>70,660,941</b>	<b>45,887,214</b>	<b>71,720,482</b>	<b>49,188,022</b>	<b>47,321,155</b>
<b>GROSS PROFIT</b>	<b>37,082,085</b>	<b>35,395,646</b>	100,540,724	(2,200,287)	7,530,150
<b>OPERATING EXPENSES</b>					
Personnel costs	<b>10,119,883</b>	<b>7,018,917</b>	11,677,855	12,158,920	11,386,947
Professional fees	<b>1,326,107</b>	<b>49,000</b>	923,500	736,286	469,849
Taxes and licenses	<b>1,317,995</b>	<b>611,043</b>	782,091	923,043	1,226,920
Condominium dues, power, and water	<b>1,301,110</b>	<b>1,630,297</b>	2,053,777	2,884,031	2,583,913
Insurance and bonds	<b>1,089,685</b>	<b>1,141,797</b>	1,494,450	1,459,525	1,130,945
Communications	<b>924,981</b>	<b>1,842,421</b>	2,240,575	3,942,706	2,799,552
Security and other manpower services	<b>893,003</b>	<b>937,326</b>	1,223,156	1,217,883	1,248,724
Trainings and seminars	<b>453,287</b>	<b>21,786</b>	22,829	337,054	522,401
Office supplies	<b>245,171</b>	<b>145,035</b>	194,820	359,328	377,447
Transportation and travel	<b>38,198</b>	<b>15,786</b>	21,912	358,550	287,008
Others	<b>490,720</b>	<b>383,322</b>	588,543	515,818	5,150,435
	<b>18,200,140</b>	<b>13,796,730</b>	21,223,508	24,893,144	27,184,141
Depreciation and amortization	<b>3,311,718</b>	<b>6,957,878</b>	8,121,609	9,639,318	7,129,737
Interest expense	<b>707,508</b>	<b>1,185,365</b>	1,414,758	1,469,085	594,524
	<b>22,219,366</b>	<b>21,939,973</b>	30,759,875	36,001,547	34,908,402
<b>OTHER INCOME (EXPENSES)</b>					
Foreign exchange gains (losses) - net	<b>21,718,372</b>	<b>(12,022,431)</b>	(14,634,930)	(6,655,943)	8,499,324
Reversal of (provision for) credit losses	(193,989)	(112,239)	43,030	57,881	109,974
Other income	-	<b>784,092</b>	815,092	500	11,664,430
	<b>21,524,383</b>	<b>(11,350,578)</b>	(13,776,808)	(6,597,562)	20,273,728

<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>36,387,102</b>	<b>2,105,095</b>	<b>56,004,041</b>	<b>(44,799,396)</b>	<b>(7,104,524)</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>					
Current	2,589,117	651,511	3,440,228	-	360,961
Deferred	6,682,823	(7,364,472)	5,668,626	(12,307,514)	839,432
	<b>9,271,940</b>	<b>(6,712,961)</b>	<b>9,108,854</b>	<b>(12,307,514)</b>	<b>1,200,393</b>
<b>NET INCOME (LOSS)</b>	<b>27,115,162</b>	<b>8,818,056</b>	<b>46,895,187</b>	<b>(32,491,882)</b>	<b>(8,304,917)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<i>Not to be reclassified to profit or loss on subsequent periods</i>					
Remeasurement gains (losses) on retirement benefits	5,772,318	(2,564,863)	(3,419,817)	(5,505,378)	(2,317,487)
Deferred income tax benefit (expense)	(1,443,080)	769,459	1,025,945	1,651,613	695,246
	<b>4,329,238</b>	<b>(1,795,404)</b>	<b>(2,393,872)</b>	<b>(3,853,765)</b>	<b>(1,622,241)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>31,444,400</b>	<b>7,022,652</b>	<b>44,501,315</b>	<b>(36,345,647)</b>	<b>(9,927,158)</b>

**Table 2: Statement of Financial Position**

	Nine Months Ended September 30	Year Ended December 31	
	2021	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	329,934,578	423,021,672	469,228,089
Financial assets at fair value through profit or loss (FVPL)	60,970,444	112,755	41,180,888
Trade receivables	369,590,829	321,195,364	257,600,266
Other current assets	8,706,270	2,746,821	3,145,430
<b>Total Current Assets</b>	<b>769,202,121</b>	<b>747,076,612</b>	<b>771,154,673</b>
<b>Noncurrent Assets</b>			
Intangible assets	2,635,745	2,494,683	2,753,219
Property and equipment	11,908,819	11,945,183	27,326,577
Investment property	10,445,900	10,928,018	11,570,841
Net deferred tax assets	2,141,205	10,267,108	14,909,789
Other noncurrent assets	60,435,245	59,901,424	10,783,563
<b>Total Noncurrent Assets</b>	<b>87,566,914</b>	<b>95,536,416</b>	<b>67,343,989</b>
<b>Total Assets</b>	<b>856,769,035</b>	<b>842,613,028</b>	<b>838,498,662</b>



<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	235,497,194	291,870,158	334,277,643
Lease liabilities - current portion	1,367,527	1,211,891	4,169,736
Income tax payable	-	2,754,987	-
Other current liabilities	5,423,033	11,020,314	1,522,017
<b>Total Current Liabilities</b>	<b>242,287,754</b>	<b>306,857,350</b>	<b>339,969,396</b>
<b>Noncurrent Liabilities</b>			
Net retirement benefit liability	18,886,393	22,097,367	15,805,894
Lease liabilities - net of current portion	1,194,761	202,584	9,568,960
<b>Total Noncurrent Liabilities</b>	<b>20,081,154</b>	<b>22,299,951</b>	<b>25,374,854</b>
<b>Total Liabilities</b>	<b>262,368,908</b>	<b>329,157,301</b>	<b>365,344,250</b>
<b>EQUITY</b>			
Capital stock	550,000,000	500,000,000	200,000,000
Deposit for future stock subscription	-	-	300,000,000
Retained earnings (deficit)			
Appropriated	4,689,519	-	-
Unappropriated	37,174,935	15,249,292	(27,445,895)
Cumulative gain (loss) on remeasurement of retirement benefits (net of deferred tax)	2,535,673	(1,793,565)	600,307
<b>Total Equity</b>	<b>594,400,127</b>	<b>513,455,727</b>	<b>473,154,412</b>
<b>Total Liabilities and Equity</b>	<b>856,769,035</b>	<b>842,613,028</b>	<b>838,498,662</b>

**Table 3: Statement of Cash Flows**

	Nine Months Ended September 30			Year Ended December 31	
	2021	2020	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Income (loss) before income tax	36,387,102	2,105,095	56,004,041	(44,799,396)	(7,104,524)
Adjustments for:					
Unrealized foreign exchange losses (gains) - net	(21,718,372)	12,022,431	14,634,930	6,655,943	(5,421,110)
Depreciation and amortization	3,311,718	6,957,878	8,121,609	9,639,318	7,129,737
Interests	(2,298,646)	(6,348,167)	(7,288,079)	(11,259,738)	(12,952,951)
Retirement benefit expense	1,881,850	1,513,604	2,018,138	1,359,865	1,626,138

Dividend income	(1,868,925)	(860,555)	(1,201,085)	(3,310,176)	(1,319,513)
Unrealized losses (gains) on financial assets at FVPL - net	(1,146,159)	(1,633,353)	424	754,525	7,444,790
Interest expense	707,508	1,185,365	1,414,758	1,469,085	594,524
Provision for (reversal of) credit losses	193,989	112,239	(43,030)	(57,881)	(109,974)
Gain on cancellation of leases	-	(762,467)	(762,467)	-	-
Gain on disposal of equipment	-	(21,625)	(52,625)	-500	-
Other income					(11,495,667)
<b>Operating income (loss) before working capital changes</b>	<b>15,450,065</b>	<b>14,270,445</b>	<b>72,846,614</b>	<b>(39,548,955)</b>	<b>(21,608,550)</b>
Decrease (increase) in: Financial assets at FVPL	(57,220,595)	(126,880,939)	41,067,709	(17,152,106)	(2,196,979)
Trade receivables	(29,245,531)	65,398,176	(78,387,317)	(42,597,832)	(60,461,660)
Other current assets	(245,645)	(9,020,807)	(96,251)	(1,186,133)	165,233
Other noncurrent assets	(533,821)	943,020	882,139	(322,887)	(748,541)
Increase (decrease) in: Trade payables	(56,372,964)	(54,287,072)	(42,407,485)	(123,975,030)	(54,808,522)
Other current liabilities	(5,732,408)	507,100	9,732,043	(688,039)	(5,542,230)
<b>Net cash generated from (used for) operations</b>	<b>(133,900,899)</b>	<b>(109,070,077)</b>	<b>3,637,452</b>	<b>(225,470,982)</b>	<b>(145,201,249)</b>
Income taxes paid	(11,059,871)	(261,784)	(481,839)	(397,300)	(37,941)
Interest received	2,298,256	6,572,361	7,512,348	11,583,276	12,563,499
Dividends received	1,871,404	907,069	1,252,486	3,223,056	1,415,298
<b>Net cash provided by (used in) operating activities</b>	<b>(140,791,110)</b>	<b>(101,852,431)</b>	<b>11,920,447</b>	<b>(211,061,950)</b>	<b>(131,260,393)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisitions of:					
Intangible asset	(415,893)	(90,640)	(90,640)	(815,760)	-
Property and equipment	(328,601)	(125,968)	(125,968)	(772,323)	(546,842)
Investment in a government security	-	(50,000,000)	(50,000,000)	-	-
Proceeds from disposal of equipment	-	21,625	52,625	500	-
Contributions to plan asset		-		-	(6,487,125)
<b>Net cash used in investing activities</b>	<b>(744,494)</b>	<b>(50,194,983)</b>	<b>(50,163,983)</b>	<b>(1,587,583)</b>	<b>(7,033,967)</b>

**CASH FLOWS  
FROM FINANCING  
ACTIVITIES**

Stock issuance	50,000,000				
Payments of lease liabilities	(1,070,005)	(3,389,217)	(3,745,242)	(4,617,355)	-
Stock issuance costs	(500,000)	(4,200,000)	(4,200,000)		
Deposit for future stock subscriptions		-	-	300,000,000	-
Net cash provided by (used in) financing activities	48,429,995	(7,589,217)	(7,945,242)	295,382,645	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(93,105,609)	(159,636,631)	(46,188,778)	82,733,112	(138,294,360)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	18,515	(14,844)	(17,639)	(12,670)	22,279
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	423,021,672	469,228,089	469,228,089	386,507,647	524,779,728
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	329,934,578	309,576,614	423,021,672	469,228,089	386,507,647

**EBITDA CALCULATION**

	Nine Months Ended September 30		Year Ended December 31		
	2021	2020	2020	2019	2018
Income (Loss) before Income Tax	36,387,102	2,105,095	56,004,041	(44,799,396)	(7,104,524)
Depreciation and Amortization	3,311,718	6,957,878	8,121,609	9,639,318	7,129,737
Interest expense	707,508	1,185,365	1,414,758	1,469,085	594,524
<b>EBITDA*</b>	<b>40,406,328</b>	<b>10,248,338</b>	<b>65,540,408</b>	<b>(33,690,993)</b>	<b>619,737</b>

\*EBITDA is computed as Income before Income Tax plus Depreciation and Amortization and Interest expense.

**SELECTED OPERATING AND FINANCIAL INFORMATION**

	Nine Months Ended September 30		Year Ended December 31		
	2021	2020	2020	2019	2018
Revenues (₱)	107,743,026	81,282,860	172,261,206	46,987,735	54,851,305
Revenue Growth <sup>(1)</sup>	32.55%	137.59%	266.61%	-14.34%	-43.48%
Gross Profit (₱)	37,082,085	35,395,646	100,540,724	(2,200,287)	7,530,150
Gross Margins <sup>(2)</sup>	34.42%	43.55%	58.37%	-4.68%	13.73%

Capital Stock (₱) <sup>(3)</sup>	550,000,000	500,000,000	500,000,000	200,000,000	200,000,000
Revenue/Capital Stock Ratio <sup>(4)</sup>	19.59%	16.26%	34.45%	23.49%	27.43%
Trader Headcount <sup>(5)</sup>	32	34	34	31	30
Average Revenue per Trader (₱) <sup>(6)</sup>	3,366,969.56	2,390,672.35	5,066,506.06	1,515,733.39	1,823,376.83
Geographic Segment <sup>(7)</sup>					
Philippines	62.93%	34.90%	47.87%	82.73%	85.65%
Global	37.07%	65.10%	52.13%	17.27%	14.35%
EBITDA (₱) <sup>(8)</sup>	₱40,406,328	₱10,248,338	₱65,540,408	₱33,690,993	₱619,737
Current Ratio <sup>(9)</sup>	3.17	2.37	2.43	2.27	1.38
Asset to Equity <sup>(10)</sup>	1.44	1.64	1.64	1.77	3.24
Debt to Equity <sup>(11)</sup>	0.44	0.64	0.64	0.77	2.24
Debt to Total Assets <sup>(12)</sup>	0.31	0.39	0.39	0.44	0.69
Net Liquid Capital <sup>(13)</sup>	545,829,042	450,445,314	467,180,948	400,913,997	158,996,986
Risk Based Capital Adequacy Ratio <sup>(14)</sup>	1302%	572%	2368%	1240%	664%
Core Equity to ORR Ratio <sup>(15)</sup>	2794%	3021%	3021%	1135%	1444%

- (1) Revenue Growth is computed by dividing the current period's revenues less the prior period's revenues by the revenues for the prior period.
- (2) Gross Margins is computed by dividing Gross Profit by the Revenues.
- (3) Capital Stock refers to the capital allocated for the CTS Global traders to use in its trading operations. This serves as the liquidity for trading the markets while complying with the Risk-Based Capital Adequacy Ratios (RBCA) in accordance with the SEC Memorandum Circular No.16 (Adoption of the RBCA Requirement / Ratio for Broker Dealers) Series of 2004.
- (4) Revenue/Capital Stock Ratio is computed by dividing Revenues by the Capital Stock. This is a metric of the firm's efficiency in producing profits out of the capital allocation.
- (5) Trader Headcount is the number of traders at the end of the fiscal year.
- (6) Average Revenue per Trader is computed by dividing Revenues by Trader Headcount.
- (7) Geographic Segment refers to the proportion of revenues coming from trading the Philippine markets versus the global markets mainly comprising of the US, Hong Kong, and Japan equity markets.
- (8) EBITDA is computed as Income before Income Tax plus Depreciation and Amortization, and Interest Expense.
- (9) Current Ratio is computed by dividing the total current assets by total current liabilities.
- (10) Asset to Equity Ratio is computed by dividing the total assets by total equity.
- (11) Debt to Equity Ratio is computed by dividing the total liabilities by total equity.
- (12) Debt to Total Assets is computed by dividing the total liabilities by total assets.

- (13) *Net Liquid Capital is the Equity Eligible for Net Liquid Capital of a Broker Dealer, adjusted for non-allowable current and non-current assets. The Company is required, at all times, to have and maintain an NLC of at least ₱5.0 million or 5% of its Aggregate Indebtedness, whichever is higher.*
- (14) *RBCA Ratio is computed as Broker Dealer's NLC divided by its Total Risk Capital Requirement. The Company is required, at all times, to meet at least 1.10x RBCA.*
- (15) *Core Equity to Operational Risk Requirement Ratio is Core Equity which is the sum of paid-in common stock, common stock dividends distributable, additional paid-in capital, surplus reserves excluding revaluation reserves or appraisal capital, and opening retained earnings adjusted for all current year movements divided by the Operational Risk Requirement. Core equity shall exclude treasury shares and unbooked valuation reserves and other capital adjustments (such as unrealized gain in value of financial assets at FVOCI).*

## TERMS OF THE OFFER

*The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.*

Issuer	<p>CTS Global Equity Group, Inc.</p> <p><b><i>Primary Purpose</i></b></p> <p>The Company, as a licensed broker/dealer under Section 28 of the Securities Regulation Code and a corporation duly organised in the Philippines under the Revised Corporation Code, falls under the supervision of the Securities and Exchange Commission as well as the Capital Markets Integrity Corporation (CMIC) and its applicable rules.</p> <p>The primary purpose of the Company is to engage in the business of a broker and dealer in securities, to wit:</p> <p>“SECOND: - That the purposes for which said corporation is formed are:</p> <p>That the corporation shall engage primarily in the business of stock and bond brokers and dealers in securities and in all activities directly or indirectly connected therewith or incidental thereto.”</p> <p><b><i>Secondary License</i></b></p> <p>Consistent with its primary purpose, CTS Global engages in brokerage services and in the proprietary trading of global equities. The Company is a broker in securities as it buys and sells shares for and on behalf of its clients. Under Section 3.3 of the Securities Regulation Code, a broker is “a person engaged in the business of buying and selling securities for the account of others”. Through its team of traders, the Company also buys and sells shares in various markets, local and overseas, for the Company’s own account. The same is consistent with the business of a dealer which Section 3.4. of the SRC defines as “any person who buys/sells securities for his/her own account in the ordinary course of business.” The Company plans to utilize most of the proceeds from its public offering to grow its business as such dealer in securities (scaling of global trading operations).</p> <p><b><i>The Company is not engaged in collective investment schemes</i></b></p> <p>In operating its proprietary trading business segment, the Company is engaged in the business of being a dealer, as defined under the SRC, and not an "Investment Company" regulated under the Investment Company Act (Republic Act No. 2629). Rule 1.19 of the Investment Company Act Implementing Rules and Regulations (“ICA IRR”) defines an “Investment Company” as:</p> <p>“xxx a stock corporation primarily engaged or holds itself out as being engaged primarily, or proposes to engage, in the business of investing, reinvesting and trading in securities.”</p>
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	<p>An Investment Company is a type of a “collective investment scheme”, which the ICA IRR defines as a scheme where “funds are solicited from the investing public for the purpose of investing, reinvesting and trading in securities or other assets.” A substantial majority of operating investment companies in the Philippines are “open-end investment companies” (or mutual funds), the modus operandi of which is characterized by (1) the active solicitation of funds from the investing public, and (2) use of the pooled funds from said investing public to reinvest in securities and/or other assets in accordance with the investment objective stated in its Prospectus. The investing public “invests” in the mutual fund by buying shares directly from the mutual fund company itself or through authorized fund distributors which usually impose a Sales Load and Management Fee (normally paid to a fund management company). A mutual fund’s business consists entirely of soliciting investments and reinvestment of the pooled funds in various asset classes. The investor in a mutual fund also typically does not expect to receive dividends of any kind (whether in cash, stock or property), since most mutual fund companies adopt strategies/policies of retaining surplus profits to reinvest the same, said gains/income received by the mutual fund instead just affecting the computation of the mutual fund’s Net Asset Value Per Share (NAVPS). The mutual fund investor, therefore, profits from the investment made if the NAVPS has appreciated in value (comparative to its price at investment date) and the investor sells the mutual fund shares. In an Investment Company, the investing activity of the corporation is reliant on funds pooled from the public. The investor buying shares in the mutual fund acquires an undivided interest in the pool of assets or investments held by the mutual fund company.</p> <p>On the other hand, by buying shares in CTS Global, whether during public offering or anytime thereafter, an investor becomes a shareholder with the concomitant rights of a regular stockholder (i.e. voting rights, dividend rights, appraisal rights, etc.) in an enterprise, the business of which includes that of being a broker and a dealer in securities. A dealer buys and sells securities for its own account, using corporate funds. Therefore, in offering its shares to the public, CTS Global will use the proceeds from the same to expand the Corporation’s business, including deploying funds for its proprietary trading segment and continue acting as a dealer in securities. That a dealer in securities will offer its shares to the public will not convert the corporation into an investment company engaged in a collective investment scheme.</p>
Issue Manager, Underwriter and Bookrunner	SB Capital Investment Corporation
Selling Agents	PSE Trading Participants
The Offer	Offer of 1,375,000,000 Offer Shares consisting of new common shares, to be issued and offered by CTS Global
Offer Shares	1,375,000,000 new common shares with par value of ₱0.10 per share, from CTS Global’s authorized and unissued capital stock.
Offer Price	Up to ₱1.00 per Offer Share
Institutional Offer	Offer of up to 962,500,000 (or up to 70% of the Offer Shares) Common Shares shall be offered to QIBs and to the general public in the Philippines
Trading Participants and Retail Offer	Offer of up to 275,000,000 (or 20% of the Offer Shares) Common Shares shall be allocated to 124 PSE Trading Participants, excluding CTS Global Equity Group, Inc., at the Offer Price. Each PSE Trading Participant shall

	<p>initially be allocated approximately 2,217,700 Offer Shares and subject to reallocation as may be determined by the PSE.</p> <p>137,500,000 Common Shares shall be allocated to LSIs (or approximately 10% of the Offer Shares) through the PSE Electronic Allocation System or PSE EASy. The minimum subscription of LSIs shall be 1,000 shares or ₱1,000.00, while the maximum subscription shall be 100,000 or ₱100,000.00 There will be no discount on the Offer Price. The PSE approved the foregoing terms on March 16, 2022. Please refer to the implementing guidelines for LSIs, which may be obtained from the Underwriter. The procedure in subscribing to the Offer Shares via PSE EASy is indicated in the Company’s implementing guidelines for LSIs to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Underwriter shall allocate the Offer Shares ensuring equitable distribution by satisfying first the applications of investors with the smallest orders.</p> <p>Any Offer Shares allocated to the PSE Trading Participants and LSIs but not taken up by them will be distributed by the Underwriter to their respective clients, retail investors, or the general public. Offer Shares not taken up by the Selling Agents, the Underwriter's clients, retail investors or the general public shall be purchased by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.</p> <p>Prior to the Offer, the Company has a total of 5,500,000,000 issued and outstanding common shares. Upon listing, the Company will have 6,875,000,000 issued and outstanding common shares.</p>
Eligible Investors	<p>The Offer Shares may be purchased by any natural person of legal age, regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines and/or licensed to do business in the Philippines, regardless of nationality, subject to CTS Global’s right to reject an application or reduce the number of Offer Shares applied for subscription.</p> <p>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.</p> <p>See “Description of the Shares – Foreign Ownership Limits” in this Prospectus.</p>



Use of Proceeds	<p>The Company intends to use the net proceeds from the Offer to (i) scale the global trading operations, (ii) expand the client account management business, and (iii) for general corporate purposes.</p> <p>The proceeds will primarily be used for scaling the Company’s global trading operations, in the advancement of its dealer business segment. The Company does not need to secure an investment company license, as its business operations do not constitute the activities of an “investment company”, and its proprietary trading activities do not constitute a collective investment scheme, as contemplated under the ICA IRR. CTS Global does not come under the coverage of the ICA and the ICA IRR.</p> <p>See “Use of Proceeds” in this Prospectus for details on how the total net proceeds are expected to be applied.</p>
Minimum Subscription	Each application must be for a minimum of 1,000 Offer Shares and thereafter, in multiples of 1,000 Offer Shares.
Lock-up; Restriction on Issuance and Disposal of Shares	<p>Under the PSE Consolidated Listing and Disclosure Rules, as amended, all existing non-public shareholders of the issued and outstanding Shares as of the Listing Date and their related parties cannot sell, assign or in any manner dispose of their Shares for one (1) year after the Listing Date. In addition, if there is any issuance or transfer of shares (e.g. private placements, asset for shares swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares done and fully-paid for six (6) months prior to the start of the Offering Period at an issue or transfer price less than the price per Offer Share shall be subject to a lock-up period of at least one (1) year from the date of full payment. All other stockholders shall not be subject to the mandatory lock-up.</p> <p>A total of Four Billion Seven Hundred Three Million Two Hundred Ninety One Thousand Five Hundred (4,703,291,500) shares held by thirteen (13) shareholders will be subject to such one (1) year lock-up period.</p> <p>To implement this lock-up requirement, the PSE requires the Company to lodge the shares with the PDTC through a Philippine Central Depository (“PCD”) participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. See “Principal Shareholders” in this Prospectus.</p>
Listing and Trading	<p>CTS Global has filed an application with the SEC for the registration and an application with the PSE for the listing of all its issued and outstanding stock (including the Offer Shares). The SEC issued an Order of Effectivity and Permit to Sell on [•] and [•], respectively, and the PSE issued the Notice of Approval on 16 March 2022, subject to compliance with certain listing conditions.</p> <p>All of the Offer Shares issued or to be issued are expected to be listed on the PSE under the symbol CTS. See “Description of the Shares.” All the Offer Shares are expected to be listed on the PSE on or about April 13, 2022 or such other date that may be agreed by the Company and the Issue Manager, Underwriter and Bookrunner. Trading of the Offer Shares that are not subject to lock-up is expected to commence on April 13, 2022.</p> <p>The Offer Shares are intended to be listed at the SME Board of the PSE.</p>
Dividends	Each holder of common shares will be entitled to such dividends as may be declared by CTS Global’s Board of Directors, provided that any stock

	<p>dividend declaration requires the approval of shareholders holding at least two-thirds of its total “outstanding capital stock.” The Philippine Revised Corporation Code has defined “outstanding capital stock” as the total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid except for treasury shares. Dividends may be declared only from CTS Global’s unrestricted retained earnings.</p> <p>See “Dividends and Dividend Policy” of this Prospectus.</p>
Registration and Lodgment of Shares with PDTC	<p>The Offer Shares are required to be lodged with the PDTC. Applicants must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC on the Listing Date. The applicant may request to receive stock certificates evidencing such applicant’s investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the Applicant.</p>
Tax Considerations	<p>See “Philippine Taxation” for further information on the Philippine tax consequence of the purchase, ownership and disposal of the Offer Shares of this Prospectus.</p>
Procedures for Application of the Offer	<p>The Offer Period shall commence at 9:00 a.m., Manila time, on [29 March 2022] and end at 12:00 p.m. [4 April 2022]. CTS Global and the Underwriter reserve the right to extend or terminate the Offer Period with the approval of the Philippine SEC and the PSE.</p> <p>Applications must be received by the Receiving Agent not later than 12:00 p.m., Manila time on [4 April 2022], whether filed through a participating Selling Agent or filed directly with the Underwriter. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating Selling Agent and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application.</p> <p>For PSE Trading Participants:</p> <p>Application forms to purchase Offer Shares may be obtained from the Underwriter or from any participating PSE Trading Participant. Application forms will also be made available for download in the Company’s website.</p> <p>Applicants shall complete the application form, indicating all pertinent information such as the Applicant’s name, address, contact number, taxpayer’s identification number, citizenship, and all other information required in the application form. The Applicant shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Offer Shares. Failure to complete the application form may result in the rejection of the application.</p> <p>All applications shall be evidenced by the Application to Purchase Form, accomplished in quadruplicate, duly executed in each case by an authorized signatory of the Applicant and accompanied by required attachments as indicated in the implementing guidelines.</p> <p>The duly executed application and required documents should be submitted during the Offer Period to office of the Receiving Agent.</p> <p>If the Applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:</p>

	<ol style="list-style-type: none"> <li>1. A certified true copy of the Applicant’s latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);</li> <li>2. A certified true copy of the Applicant’s SEC certificate of registration duly certified by its corporate secretary (or managing partner in the case of a partnership);</li> <li>3. Two (2) sets of specimen signature cards signed by each of the signatories of the Applicant including the corporate secretary or managing partner, as applicable;</li> <li>4. A duly notarized corporate secretary’s certificate (or certificate of the managing partner in case of partnership) setting forth the resolution of the Applicant’s board of directors or equivalent body authorizing the purchase of the Offer Share indicated in the application or the authorization of the Trading Participant Applicant to participate in initial public offerings, as applicable, and identifying the designated signatories authorized for the purpose;</li> <li>5. A certified document indicating the percentage of the Applicant’s capital or capital stock held by Philippine nationals;</li> <li>6. Photocopy of two (2) valid and current government issued IDs of each of the Applicant’s authorized signatories including that of the certifying officer; and</li> <li>7. Such other documents as may be reasonably required upon notice by the Issue Manager, Underwriter and Bookrunner in the implementation of internal policies regarding “knowing your customer” and anti-money laundering.</li> </ol> <p>Foreign corporate and institutional Applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates to will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.</p> <p>This should be read in conjunction with the Offer Implementing Guidelines for Trading Participants which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.</p> <p>For Local Small Investors:</p> <ul style="list-style-type: none"> <li>• With respect to the LSIs, applications to subscribe for the Offer Shares must be done online through PSE EASy (<a href="https://myeasy.pse.com.ph/">https://myeasy.pse.com.ph/</a>). The system will generate a reference number and payment instruction. The application to subscribe to the Offer Shares must be settled within the Offer Period.</li> <li>• Note that LSI applications will be processed on a first-come, first-served basis and prioritized from the lowest to the highest orders; while final allocation of the Trading Participants and Retail Offer Shares will be determined pursuant to allocation mechanics.</li> </ul> <p>This should be read in conjunction with the Offer Implementing Guidelines for LSIs which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.</p>
Foreign Ownership Limitation	The Company is not subject to foreign ownership limitation.

<p>Payment Terms of the Offer</p>	<p>Payments must be received on or before 12:00 p.m. on 4 April 2022, in full, in Pesos, upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; or (ii) a manager’s or cashier’s check issued by an authorized bank; (iii) a debt-credit instruction via Real Time Gross Settlement (“RTGS”) or direct bank fund transfer in favor of the underwriter accepting the application; or (iv) any other mode of payment prescribed by the Underwriter.</p> <p>For PSE TPs and LSI applications, unless otherwise advised in the applicable Offer Implementing Guidelines, only cashier’s/manager’s, personal or corporate checks will be acceptable as valid modes of payment. Checks subject to clearing periods of over three banking days shall not be accepted. All checks should be made payable to [“CTS Global IPO”] crossed “Payee’s Account Only,” and dated the same date as the application. The application and the related payments will be received at any of the designated locations as specified in the PSE TP Guidelines and the LSI Guidelines, to be published by the PSE prior to the start of the Offer Period.</p> <p>For LSI subscriptions, the purchase price may also be paid in cash following the payment instructions generated through PSE EASy. LSI Applicants may check the status of their subscription applications through their PSE EASy investor accounts.</p>
<p>Acceptance or Rejection of Applications for the Offer</p>	<p>Application to Purchase forms are subject to confirmation by the Underwriter and the final approval of CTS Global. In the event that the Offer is oversubscribed, CTS Global and the Underwriter reserve the right to accept, reject, or scale down the number and amount of Offer Shares covered by any application. CTS Global and the Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and Application to Purchase Forms which do not comply with the terms of the Offer will be automatically rejected.</p> <p>The Commission reserves the right to act later against the Company or any person involved in the Offer, if warranted, to ensure full compliance with the provisions of the Securities Regulation Code, its implementing rules and regulations, and other pertinent laws, rules and regulations, as may be necessary and applicable under the circumstances.</p> <p>An Application, when accepted, shall constitute a binding and effective agreement between the Applicant and the Issuer for the subscription to the Offer Shares notwithstanding any provision to the contrary as may be found in the Application, Prospectus and other related documents. In any event, an Application is deemed to be accepted by the Company only during the Offer Period</p>
<p>Withdrawal of the Offer</p>	<p>The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, subject to the prior written approval of the PSE which shall not be unreasonably withheld, if there is a supervening force majeure or fortuitous event, such as:</p>

	<p>a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the Prospectus, or would have a material adverse effect<sup>2</sup> on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, or the Philippine economy or on the securities or other financial or currency markets of the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Company's or Underwriter's inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Company, the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;</p> <p>b. Issuance of an order revoking, canceling, suspending, preventing or terminating the offer, sale, distribution or listing of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter, the SEC or the PSE;</p> <p>c. Cancellation, revocation or termination of the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration or the SEC Permit to Sell;</p> <p>d. Cancellation or suspension of trading in the PSE for at least three (3) consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;</p> <p>e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Company to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Company to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by the Underwriter of its underwriting obligations hereunder;</p> <p>f. Any significant, adverse, and unforeseeable change or development in the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;</p>
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<sup>2</sup> Any event or circumstance, thereof arising or occurring which may result to a Material Adverse Effect on (i) the business, operations, properties, assets, prospects, or financial condition of the Issuer, taken as a whole; (ii) the Offer or the features or marketability of the Offer Shares; or (iii) the ability of the Issuer to perform its obligations contemplated by this Agreement, whether or not arising in the ordinary course of business.

g. The Company decides to or is compelled to stop its operations which is not remedied within five (5) Banking Days;

h. The Company shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Company shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or (iv) the Company shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Company; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Underwriter in connection with or with respect to the issuance or sale by the Company of the Offer Shares or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the Underwriter to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter or an order restraining or prohibiting the Underwriter, or directing the Underwriter to cease, from performing its underwriting obligations;

l. Any representation, warranty or statement of the Company in the Prospectus shall prove to be untrue or misleading in any material respect or the Company shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (a) was not known and could not have been known to the Underwriter on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;

m. Unavailability of PDTC and PSE facilities used for the Offer and/or Listing Date and such unavailability impacts the ability of the Company

	<p>and the Underwriter to fully comply with the listing requirements of PSE; and</p> <p>n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Company’s long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.</p> <p>The Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Company’s or Underwriter’s inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Company, the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.</p> <p>Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. The PSE issued its Notice of Approval on 16 March 2022, subject to compliance by the Company with certain conditions. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section of the Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.</p> <p>If the Offer Shares are not listed on the PSE on Listing Date, all application payments will be returned to the Applicants without interest starting on the fifth (5<sup>th</sup>) Banking Day after the end of the Offer Period or on 11 April 2022.</p>								
<p>Refunds of the Trading Participants and Retail Offer</p>	<p>In the event that the number of Retail Offer Shares to be received by an Applicant, as confirmed by the Underwriter, is less than the number covered by its application, or if an application is rejected by the Company, then the Applicant is entitled to a refund, without interest, at least five (5) banking days after the end of the Offer Period, of all or a portion of the Applicant’s payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent with whom the Applicant has filed the application, at the Applicant’s risk.</p>								
<p>Underwriter’s Firm Commitment to Purchase</p>	<p>In undertaking the Underwriter’s Firm Commitment to Purchase, the Underwriter hereby manifests its conformity to comply with and be bound by all applicable listing and disclosure rules, requirements and policies of the Exchange.</p>								
<p>Expected Timetable.....</p>	<p>The timetable of the Offer is expected to be as follows:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 40px;">Start of the Offer Period.....</td> <td style="text-align: right;">[29 March 2022]</td> </tr> <tr> <td style="padding-left: 40px;">PSE TPs’ Commitment Period.....</td> <td style="text-align: right;">[29 to 31 March 2022]</td> </tr> <tr> <td style="padding-left: 40px;">Submission of Firm Order and Commitments by PSE TPs.....</td> <td style="text-align: right;">[31 March 2022]</td> </tr> <tr> <td style="padding-left: 40px;">LSI Offer Period.....</td> <td style="text-align: right;">[29 March to 4 April 2022]</td> </tr> </table>	Start of the Offer Period.....	[29 March 2022]	PSE TPs’ Commitment Period.....	[29 to 31 March 2022]	Submission of Firm Order and Commitments by PSE TPs.....	[31 March 2022]	LSI Offer Period.....	[29 March to 4 April 2022]
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Submission of Firm Order and Commitments by PSE TPs.....	[31 March 2022]								
LSI Offer Period.....	[29 March to 4 April 2022]								

	<p>Deadline for LSI’s submission of application..... [4 April 2022]</p> <p>End of Offer Period .... [4 April 2022]</p> <p>Payment Date for LSI and PSE TPs ..... [4 April 2022]</p> <p>Listing Date and Commencement of Trading on the PSE..... [13 April 2022]</p> <p>The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.</p>
Risks of Investing	Prospective investors should carefully consider the risks associated with an investment in the Offer Shares before making an investment decision. A number of these risks are discussed in the section of this Prospectus entitled “Risk Factors.”
Legal Counsel to the Issuer	Attys. Sharon T. Lim and Stephanie Faye B. Reyes
Legal Counsel to the Issue Manager, Underwriter and Bookrunner	Tan Venturanza Valdez
Independent Auditors	Reyes, Tacandong & Co.
Stock Transfer Agent	Professional Stock Transfer, Inc.
Receiving Agent	Stock Transfer Service, Inc.
Escrow Agent	Security Bank Corporation – Trust and Asset Management Group



## INVESTMENT CONSIDERATIONS AND RISK FACTORS

*An investment in the Offer Shares involves a number of risks. The Company's past performance is neither an indication nor a guide to its future performance. An investor deals in a range of investments each of which may carry a different level of risk. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements or may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losses when securities are bought from smaller companies. There may be a big difference between the buying and selling price of these securities.*

*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 trading of securities, especially in the trading of high-risk securities. Investors should undertake independent research regarding the company and the trading of securities before commencing any trading activity and may request all publicly available information regarding the Company and the Offer Shares from the SEC. 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.*

*Investors should carefully 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 considered immaterial could have a material adverse effect on the Company's business prospects, financial condition, results of operations, the market price of the Offer Shares, and the Company's ability to make dividend distributions to its shareholders. All or part of an investment in the Offer Shares could be lost.*

*This risk factors discussion does not purport to disclose all risks and other significant aspects of investing in the Offer Shares. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of this Offer or the nature of risks involved in purchasing, holding, and trading the Shares. He/she may request information on the securities and the issuer thereof from the Commission which are available to the public.*

*The following risks are listed in the order of importance and discuss fully the factors that make the offering speculative or risky.*

## Risks Relating to the Company's Business

*The Company's performance is influenced by the cyclical nature of the markets it operates in, as well as the general riskiness of Equities compared to other assets since it is subject to extensive fluctuations in price and liquidity.*

The Company currently operates in multiple markets, namely the Philippines, United States, Japan, and Hong Kong and mainly trades equities, with related exposure to options and ETFs. Given the Company's business, it is greatly influenced by the general conditions of the respective stock markets. Equity securities may decline in value due to factors affecting securities markets in general, or particular countries, segments, economic sectors, industries, or companies within those markets. The value of a security may decline due to general economic and market conditions which are not specifically related to and not within the control of a particular issuer, such as real or perceived adverse economic conditions, changes in interest or currency rates, and political or peace and order conditions. Such declines may be unexpected and significant and may (i) adversely affect the business and financial performance of the Company and (ii) result in a significant decline in the market value of the Company's shares in the stock market, resulting in losses to its shareholders or investors. Further, such declines may persist for an indefinite period of time.

As much as the short-term nature of the firm's active trading strategy protects it from major drawdowns, these price fluctuations and trend shifts still comprise a relevant factor in the trading operations.

The Company likewise employs a number of trading strategies which may not always result in expected yields. Though the Company has booked consistent outperformance historically, this may not be indicative of future results.

The Company, however, has built an elaborate risk management infrastructure throughout the years from trader monitoring to regular portfolio performance reviews, which has allowed the firm to outperform the market with minimal drawdowns. Some of the firm's risk tools are the following: (1) VAR Methodology, wherein a trader may only risk 1% of his portfolio in a single trade, (2) Risk Platforms such as the proprietary CTS Trader Management System for improved monitoring, (3) Real-Time Monitoring of the three risk managers to implement position limits, circuit breakers and updates, and (4) Regular Trade Reviews with the senior management a monthly, quarterly and yearly basis.

Demonstrating the effectivity of these protocols is the consistent outperformance of the firm versus benchmarks such as the S&P 500 and the PSE Index. From 2015 until the present, the firm booked a growth rate of 22.9%, but also managed to have the lowest monthly standard deviation, a measure of risk, among the three. The firm's average return on positive months is at par with the benchmarks, but on negative markets it has managed to protect itself by only having an average return of -1%, lower relative to other benchmarks.

**Figure 1: Risk and Return Performance – CTS versus Benchmarks**

	<b>CTS</b>	<b>SPX</b>	<b>PSEI</b>	<b>Benchmark</b>
CAGR (2015 - 9M2021)	22.9%	13.7%	-0.7%	6.7%
Monthly Average Return	1.5%	1.0%	0.1%	0.5%
Monthly Standard Deviation	2.6%	4.1%	4.8%	3.8%
UP mos as % of total	69%	72%	53%	69%
Down mos as % of total	31%	28%	47%	31%
Ave. return on UP months (A)	2.8%	3.1%	3.5%	3.1%
Ave. loss on DOWN months (B)	-1.0%	-4.3%	-4.1%	-2.7%
Edge Ratio (A/B)	2.8	0.7	0.9	1.1
# of months >=3%	19	22	19	17
# of months <=-3%	1	11	17	13
Max monthly RETURN	10.1%	12.7%	9.3%	9.9%
Max monthly LOSS	-3.7%	-12.5%	-21.6%	-17.1%

*Notes: Benchmark stats are calculated by assuming a 50/50 portfolio of the PSEI and SPX and calculating the blended monthly returns.*

***The Company's trading operations are subject to technological risks from the stock brokerage platforms as well as from other software necessary for its trading operations.***

Like most brokerage firms the world over, the Company is heavily reliant on various technology services or platforms to carry out its trading operations, whether such services or platforms are internal to the Company or its partners, provided by external service providers or relied upon by stock exchanges or regulators. Even though brokerages and exchanges are equipped with the most advanced technological infrastructures, such brokerage firms are not exempt from the risk of technical problems, liquidity issues, and bankruptcy risk. Any disruptions to these services and platforms may severely affect the Company's trading operations, and may have a significant adverse effect on the Company's business or financial performance, and by extension the value of its shares in the stock market.

CTS Global uses Interactive Brokers LLC ("IBKR") for its global trading. IBKR is headquartered in One Pickwick Plaza, Greenwich Connecticut 06830 USA and is considered as one of the best brokers in the world, having been recognized as the #1 Software-Based Online Broker by Barrons in 2020. It is a member of the New York Stock Exchange ("NYSE"), Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). NYSE is headquartered in New York, USA while both FINRA and SIPC are headquartered in Washington D.C., USA. Additionally, IBKR is regulated by the US Securities and Exchange Commission and the Commodity Futures Trading Commission. For its Asia-Pacific regional office, IBKR has its branch Interactive Brokers Hong Kong Limited with an office address at Suite 1512, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong SAR. This is regulated by the Hong Kong Securities and Futures Commission, and is a member of the Stock Exchange of Hong Kong Limited (SEHK) and Hong Kong Futures Exchange.

For Hong Kong trading, the Company also uses COL Securities Hong Kong Limited ("COLHK"), a subsidiary of COL Financial Group Inc., headquartered in Pasig City, Philippines. COLHK is a member of Hong Kong Exchanges and Clearing Limited. In the Philippine market, CTS Global uses its own brokerage segment to execute orders. CTS Global, like any other broker-dealer in the Philippines, is subject to regulations as promulgated by the Securities and Exchange Commission ("SEC"), Anti-Money Laundering Council ("AMLC"), The Philippine Stock Exchange, Inc. ("PSE"), and the Capital Markets Integrity Corporation ("CMIC").

The bulk of CTS Global's trading operations is executed through the platform of IBKR, as it offers the best commission cost and availability of global equities across different exchanges such as NASDAQ, Tokyo, London, and New York Stock Exchange. Consequently, in utilizing the services of stock brokers in its operations, technical problems, including but not limited to, trading platform glitches, execution slowdown, or server downtime, may occur. Despite having automated buy and sell orders in place as a risk protocol, this might hinder some traders from executing their systematic trades.

Using a renowned broker such as IBKR, however, ensures enough liquidity to execute trades in the most efficient manner possible even as technical problems occur. As of end October 2020, IBKR holds \$232.6 billion in client equity and has an average of 1.76 million daily trades for the month. In addition, IBKR holds an excess regulatory capital of \$6.0 billion. Its client securities accounts at Interactive Brokers LLC are protected by the SIPC for a maximum coverage of \$500,000 (with a cash sublimit of \$250,000). SIPC is a non-profit, membership corporation funded by broker-dealers that are members of SIPC.

CTS Global continuously seeks the best broker to course its operations through; however, technical, liquidity, and bankruptcy risk are to be expected in the normal course of business. To address this, the Company currently uses three brokers for execution in different geographical markets and plans to diversify by using other brokers as it grows assets under management ("AUM").

CTS likewise makes use of its proprietary Trader Management System. This allows the Company to monitor trader performance real time and enables efficient risk management. Should the software be disabled, this may affect the Company's ability to efficiently track its traders' performance and manage the risk as soon as possible. To mitigate this risk, the Company has dedicated risk managers that may temporarily track trader performance in cases of software failure.

***The Company's focus on global equity markets poses a foreign exchange risk for its dollar-denominated working capital used in trading operations.***

As the Philippines is affected by risks pertaining to its own political, and environmental risks, the individual countries that CTS trades in are also susceptible to these. This kind of risk translates into foreign exchange fluctuation for which affects CTS' profitability directly.

For 2021, the Company's global trading returns comprised 37% of its trading revenues. As the Company plans to scale this segment more aggressively in the future, trading operations will continue to be exposed to foreign exchange risk. In 2020, the Company booked a foreign exchange loss of ₱14,634,930 from the rapid appreciation of the Philippine Peso. This loss was offset, though, by the currency depreciation in 2021. These kinds of fluctuations, positive or negative, will affect the Company's financials.

The Company does not hedge its exposure but rather capitalizes on the movements and trends in currency through the deployment of the Company's Macroeconomic Fund. Different trading teams in the Company employ different trading strategies focused on individual equities. The Macroeconomic Fund, on the other hand, focuses on other instruments such as ETFs and options that capitalize on longer term movements. This fund provides diversification and indirectly provides a hedge by having zero to negative correlation to the returns of other teams during market pivots. To deploy this, the Company has a department dedicated to closely analyzing macroeconomic trends that serve to cushion peso appreciation. Nevertheless, the Company may not always be able to utilize the Macroeconomic Fund sufficiently or in every circumstance, especially as foreign exchange risk cannot be totally eliminated. The Macroeconomic fund is likewise subject to the same operational and performance risk as all of the Company's other assets. Accordingly, the Company's emphasis on the FTSR Framework and risk monitoring infrastructure is intended to likewise address these risks even in so far as the Macroeconomic Fund is concerned.

***Foreign markets are subject to political, economic, and regulatory factors, including global crisis and/or country-specific circumstances, that can affect the Company's relevant market revenues***

Most recently, CTS Global derives around half of its trading revenues in the global markets. This makes it vulnerable to any political, economic, and other geographical factors that might affect that country's equities market or currency. This includes country-specific circumstances or a global crisis that might cause a global decline in the equity markets. While the Company's trading activities may be subject to this risk, this risk is mitigated by having traders utilize a diverse set of trading strategies with low correlation to each other. The Macroeconomics desk, on the other hand, also actively analyzes any country-specific developments or trends that might affect these markets and relays these to the traders as guidance for their trades.

In addition to this, the Company recognizes that it operates in the heavily regulated equity markets. It may be subject to country-specific regulatory risks that might affect the ability of the Company to trade in a specific equity market due to a sudden regulatory change. In order to mitigate this, in cases when new currency controls regulatory requirements, or tariffs are imposed which adversely affect the Company's ability to trade, the Company is open to shifting to other equity markets with regulatory regimes that possess an environment more conducive to its business.

***The Company is exposed to risks for its investments in international markets***

In operating its proprietary trading desk, the Company uses its own funds to invest in foreign markets. As such, in participating in foreign stock exchanges, CTS is considered as the investor, subject to the usual risks of investing activities. Nonetheless, its investments are also granted the relevant protection under foreign laws.

For its planned client accounts management segment, CTS intends to be engaged as advisor for its clients in investing activities in foreign stock exchanges. Accordingly, investments will be made by the clients for their own accounts. CTS's role will be to advise such clients. Similarly, the clients' investments made in publicly listed companies in a foreign jurisdiction will likewise be subject to the protection afforded by the laws of the relevant jurisdiction over such investments.

For the investors of this offering, since the Company is a corporation duly registered under Philippine law, it is under the jurisdiction of the SEC which can regulate and impose sanctions on an erring corporation. Once its Registration Statement has been approved and its shares listed with PSE, the Company will be subject to the rules of the SRC, and other relevant laws applicable to a listed company, affording its shareholders protection thereunder.

The Company recognizes that its exposure in the international markets poses a risk relating to investing in securities in a different jurisdiction. It is for this very reason that Risk Management remains to be the core of the trading strategy employed by the Company and its traders. Thus, to mitigate risks relating to investing in markets, the Company employs an overall risk infrastructure which has dedicated risk managers, risk tools, and procedures in place in order to avoid portfolio drawdowns.

***The Company's unique business model requires the acquisition of specific talent that may not always be available, which may hamper the growth for the Company.***

CTS Global's core business of Proprietary Trading has been built for over two decades with concrete infrastructure and standards on trader development and risk management. The Company is engaged in a business that requires technical know-how to efficiently engage in trading. This means that expanding the trader count can be heavily influenced by the number of qualified traders fit for the Company. Without enough available talent, there is a risk of a slowdown in the growth strategy execution as the Company will need to rely on trader efficiency alone.

To ensure consistent performance, the Company relies on acquiring talent through a number of means, one of which is through its partnership with the Caylum Trading Institute. Prior to the pandemic, Caylum's Recruitment Program trained a class of traders through an eight-week program. This included simulated trading, coaching sessions, and a final thesis to test their skills from all aspects. This allowed the Company to acquire talent built from the ground up that more easily fits into the Company's culture and strategies. Although this program has been temporarily put on hold, Caylum hopes to resume offering its services once the pandemic restrictions have become more manageable. To maintain the Company's talent pipeline, other avenues for recruitment include the CTS Global Internship Program, a two-month program conducted annually for university students from all over the country.

***Employee turnover can affect the operations of CTS Global.***

CTS Global's main driver is its people. As such, the Company's operations largely depend on its ability to retain the services of existing traders and senior managers and to attract qualified key personnel in the future. The proponents of CTS Global are finance professionals as well as entrepreneurs with decades of experience in the Philippine stock market. As some traders have more extensive experience, part of the revenues may be concentrated in one or some of the more senior ones. The separation from the service of such senior traders and/or any key personnel could thus have an adverse effect on the Company's business and financial performance.

The Company believes however, that the fact, that listing the Company will create more incentive for the senior management and certain key officers as it allows them to have a bigger base capital to make a profit on, and allows them to purchase, together with the rest of the retail investors, an equity stake in the Company. Currently, only CEO Lawrence Lee, CFO Edmund Lee and COO Catherine Ong are the officers who are likewise equity stakeholders of the Company.

In addition, the Company gives a heavy priority to its trader development and employee engagement initiated by both the Human Resources department and the management team in order to provide the best trading ecosystem and retain talent. This is proven by the long tenure of the senior management team with an average tenure of nineteen (19) years, while traders have an average tenure of almost ten (10) years. However, this does not guarantee that traders will continue to remain with the Company. Going forward, as the Company scales by hiring more traders, concentration in individual trader revenues may go down. Though these mitigating measures are in place, the loss of a trader, especially if such trader is performing well, can still affect the Company's business.

***Deviation from the FTSR Framework by traders can affect the Company's operations.***

While the Company strongly emphasizes the use of the FTSR Framework by its traders, the actual trading strategies are being determined and executed by the individual traders. Accordingly, there is a risk of deviation from the FTSR Framework and traders may likewise make decisions that are not aligned with the Company's general trading direction or strategy in some of their trades. While adherence to the FTSR Framework does not provide any assurance that individual traders may consistently execute profitable gains, deviations from the FTSR Framework may result in trading losses, and these may be significant enough to have an adverse effect on the Company's business and financial performance.

To manage this, all individual traders are subject to real-time monitoring by upper management and trading reviews on a monthly, quarterly, and annual basis. Any significant deviation from the FTSR framework is easily and immediately detectable by senior traders and risk managers. During these reviews, traders present their performance analytics, trade logs and individual trades to their senior traders and teams. Additionally, a more extensive performance analytics provided by the Trader Management System allows easier recognition of an individual's trading system deviation.

***Scaling of the global trading operations is subject to the individual traders' ability to replicate their trading performance with a bigger capital.***

Due to market liquidity issues, trade execution and performance may not be perfectly replicated with bigger capital especially for the Philippine market. As such, scaling the Company's trading operations and revenues is subject to the ability of the firm to maintain its traders' efficiency.

Trader efficiency is measured by the average revenue per trader on an annual basis. This is determined by the trader's ability to deliver the same percentage results even as a trader scales its accounts, (i.e., entrusted with larger assets under management). To scale individual accounts, junior traders go through a series of account upgrades subject to approval of their senior traders and the management team. Scaling assets managed by individual traders can be limited and capped, especially in the Philippine market due to liquidity issues. Such limitations may adversely affect the Company's ability to grow its trading operations and negatively affect its business and financial prospects.

The Company mitigates this problem by focusing more on trading in major global markets, which do not have the same limitations on their liquidity as the Philippine market may have. From having 100% of its revenues coming from the Philippine market in 2015, the Company now receives approximately 50% of its revenues from the global markets.

	Nine Months Ended		Year ended December 31		
	September 30		2020	2019	2018
	2021	2020	2020	2019	2018
Geographic Segment					
Philippines	63%	35%	48%	83%	86%
Global	37%	65%	52%	17%	14%

***The Company's growth depends heavily on the execution of its future strategic plans. The inability to execute this successfully will pose a risk to its financial performance.***

Aside from the Proprietary Trading segment, the Company has a vision of building a Client Accounts Management segment as a natural extension of its current global trading operations. For the past few years, the firm has built its core competency and track record in profiting from the global stock market and extending to offer its services to external clients should utilize the same strategies and fundamental techniques. However, the Company recognizes that Clients Accounts Management is a segment with new functions such as, but not limited to, client acquisition, marketing, client support, and more stringent compliance which the Company may not immediately adapt to. Moreover, this new segment is subject to strict regulations set by the entities governing broker-dealers such as the PSE and SEC, and these requirements must be taken into consideration while establishing the Client Accounts Management segment. Any restrictions to the Company's ability to execute its strategic expansion plans may have an adverse effect on its financial and business performance.

***Global trading operations are executed electronically and therefore subject to the risk of power, internet connectivity interruption, and cybersecurity breach risks***

The Company's biggest source of revenues is the proprietary trading segment. Currently, the Company's global traders operate with a work-from-home arrangement and therefore use multiple internet and power providers. This removes the concentrated risk of interruption. This, however, does not remove the risk of power and internet connectivity interruption altogether as the facilities in the traders' homes may be disrupted from time to time. Frequent or prolonged disruptions in the availability of power or internet services may disrupt the Company's trading operations and may have a significant adverse effect on its business and financial performance. This is mitigated through the standard use of conditional stop-loss orders. These orders are able to execute pre-set buy and sell orders without real-time connection from the trader.

For the traditional brokerage segment, the operations remain tied to the physical office. With this, power interruption and power failure can adversely affect the efficient execution of the Company's transactions and operations. Currently, all servers and equipment are connected to their own Uninterruptible Power Supply (UPS) systems, which provide backup power sufficient to power the machines until the building generator is turned on.

All servers are connected to UPS systems, which in turn are connected to the building generator-enabled power outlets. CTS Global has its back-up facilities in Pasig City and Makati City. These back-up facilities can be automatically activated should there be an inability to enter and access the CTS Global office building.

Internet connection currently relies on a single provider, posing a risk of connectivity failure. This is mitigated by having a back-up line connected to another location within the same building.

As for cybersecurity issues, the most significant protection that the Company has is its proprietary systems. For the Philippine market trading and brokerage side, a platform is exclusive to CTS. This makes sure that an external connection is unnecessary, significantly mitigating the risk of a security breach.

***The Company can be affected by potential local and foreign-based competition.***

The Company encounters and expects to encounter direct and indirect competition from local and foreign firms in the business of Brokerage, Proprietary Trading and Client Accounts Management.

Despite the brokerage segment only contributing a small amount of total revenues, it may still be affected by competitors. COL Financial Group, Inc. (COL Financial) is the leading local brokerage in terms of client base for 2021. As COL Financial has some similar shareholders and officers as the Company, and both are licensed as broker-dealers in the Philippines, there may be a perception of a potential conflict of interest. However, this is mitigated through a clear delineation of the two brokerage firms' primary focus in its operations and services. COL Financial is focused on its online brokerage business. While the Company maintains its operation as a traditional broker, this is a small segment of its operations as its efforts are primarily focused on its proprietary trading. Moreover, CTS Global does not have any plans of expanding its brokerage business and is only retaining its existing long-standing clients.

Trading in the stock market is a highly competitive industry with countless players across the globe. If the Company is unable to compete effectively in this industry, the Company's business and financial performance may be adversely affected. Unlike other industries, however, the equity markets operate with an abundance principle allowing innumerable market participants to all benefit from the markets. Asset managers, albeit utilizing different strategies, can all still generate profitable returns.

In addition to competition relating to the business, the Company's Proprietary Trading segment competes with both foreign and local financial institutions for the acquisition of talent. Likewise, once instituted, the Company's Client Accounts Management will be in direct competition with private banks offering high net-worth clients asset management services in the global markets.

Despite the Company's efforts to attract and retain top talent and clients, the risk of competition will always remain imminent.

***The Company can be perceived to have a potential conflict of interest between its Brokerage Segment and Client Accounts Management Segment, and between the Company and COL Financial Group, Inc.***

The Company operates mainly in the brokerage, proprietary trading business, and in the future, client accounts management. Given that the Company and COL Financial have some similar shareholders and officers, even if they continue to operate as separate entities, there might be a perception of an overlap in the nature of business in which potential conflict of interest may arise.

For the local brokerage segment, the Company and COL Financial have different clientele profiles as they offer traditional and online trading services, respectively. Further, COL Financial is focused on its online brokerage business, while the Company's primary source of income is its proprietary trading.

The planned Client Accounts Management segment may be subject to a risk of potential conflict of interest with CTS's proprietary trading segment. This may be, for example, in the form of trade order information or overlapping client base. In order to mitigate this, the Company will institute Chinese walls<sup>3</sup> between the Client Accounts Management segment and the proprietary trading desk. Aside from having a totally different strategy and investment time horizon, all trade plans and executions will be separate and kept confidential from the proprietary traders.

COL Financial has built a credible track record throughout the years in managing external client funds through its advisory services group. Despite being a potential source of conflict of interest, there is a clear difference in the scope of services as COL Financial focuses on the Philippine market while CTS Global's Client Accounts Management segment will focus on global equities. The Company believes that there is enough market for both companies to thrive and operate with mutual benefit.

As both entities are licensed broker-dealers subject to stringent regulations, the independent operations of the two companies in differing markets prevent any conflict of interest.

***The Company may be exposed to risks on Related Party Transactions***

In the ordinary course of business, CTS enters into various transactions with related parties and affiliates, principally consisting of stockbrokerage services and purchase of goods. The Company's policy is to settle intercompany receivables and payables on a net basis. Transactions entered with related parties are made at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market. Outstanding balances owed to related parties at a certain reporting date are non-interest bearing, unsecured and payable/collectible in cash on demand.

Related party transactions are a normal feature of commerce and business. Entities frequently carry on parts of their activities through subsidiaries, joint ventures or affiliates. Although such transactions are a common feature of business, a related party relationship may give rise to specific risks on illicit financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong.

To address these risks, it is the policy of CTS that transactions between the Company and its related parties must be based at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market. Related party transactions are entered in the ordinary course of business and are compliant with the rules prescribed in Philippine Accounting Standards 24, Related Party Disclosures, and prevailing BIR Revenue Regulations no. 19-2020 and 34-2020 on related party transaction disclosures.

In accordance with the guidelines prescribed on BIR RR 19-2020 and RR 34-2020, the Company did not meet the criteria to file and submit BIR Form 1709 as prescribed in said regulations in taxable year 2020. The Company is not a Large Taxpayer, nor a taxpayer enjoying tax incentives (i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate). The Company is not on net operating loss for position on the said taxable year and does not have related party transactions with a Large Taxpayer, a taxpayer enjoying tax incentives, or a taxpayer reporting net losses for the current taxable year and the immediately preceding two consecutive taxable years.

If upon regular assessment and review by management and the conditions change for CTS in succeeding taxable years and the RRs becomes applicable or required, the Company will comply with the prescribed guidelines in the said RRs.



***The Company may be exposed to risks on non-compliance with Risk-Based Capital Adequacy (RBCA) Ratios requirements***

The Company, being a registered broker/dealer in securities, is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios in accordance with SEC Memorandum Circular 16, series of 2004 and Rule 49.1.1 of the 2015 SRC Rules. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Company must maintain an RBCA ratio of at least one hundred ten percent (110.00%) and a net liquid capital (NLC) of at least ₱5.00 million or five percent (5.00%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2000.00%) of its NLC. In the event that the minimum RBCA ratio of one hundred ten percent (110.00%) or the minimum NLC is breached, the Company shall immediately cease doing business as a broker and shall notify the PSE and SEC.

In addition, a change in the RBCA rules or the imposition of new rules could limit the operations of the Company that require a large use of capital such as its trading activities. These RBCA ratios, in general, ensure that broker dealers such as the Company have sufficient capital to sustain operating losses while maintaining a safe and efficient market.

For the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018, the Company has been compliant with the foregoing requirements. The Company will continue monitoring and will endeavor to comply with the applicable regulations; however, previous compliance is not an assurance that the Company will comply in the same manner as it has done in the past.

**Risks Relating to the Philippines**

***As the Company generates a portion of its revenues in the Philippines, the local political and economic factors will affect both the Company's trading operations and the local market revenues.***

Historically, the Philippines has experienced political and military instability. Political instability in the Philippines has come in the form of impeachment proceedings, graft and corruption cases against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. 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. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the business, operations, and financial condition of the Company.

The Company may likewise be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could affect the Company's business. The Philippines will likewise be undertaking elections in 2022 and there can be no assurance that the new administration elected at such time will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Any instability or fundamental change in policy, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty

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<sup>3</sup> A Chinese Wall is a system designed to restrict the internal flow of information between parts of a firm or group of companies performing different and possibly conflicting functions. The principle is that in general those on one side of the Chinese wall should have no knowledge of confidential transactions taking place in the other side of the Chinese wall. This enables sections on different sides of the Chinese walls to operate without regard to conflicting interests, as they are wholly unaware of the information.

a. Confidential and Price-Sensitive Information

It is an offense under the SRC to deal in any security or its derivatives based on unpublished price-sensitive information. If an employee comes into possession of any unpublished price-sensitive information about a company, he must clear with Management and the Officer-In-Charge before using the unpublished information in any way.

b. Hostile Transactions

If a customer requests the Firm to act on a hostile or potentially hostile transaction, prior approval must be obtained through the Firm's established conflicts clearance procedure.

c. Conflicts Clearance

All new appointments to act where the possibility of a conflict exists must be discussed with the AP who will determine whether a conflict exists with the interests of any other client of the Firm. If a conflict does exist, it will be resolved through the Firm's established conflicts clearance procedure.

and the loss of investor confidence in the Philippines. A change of administration brought about by the 2022 elections may also raise the risks of social and political unrest.

Though the Company generates its revenues both from the local and the global equity markets, the Company's business and the result of its operations may be influenced by the general political situation in the Philippines and the general conditions of the Philippine economy as this is directly tied with the local stock market sentiment and liquidity. Any potential instability could have an adverse effect on the Philippine economy, which may thus impact the Company's business, prospects, financial condition and results of operations and the Company cannot guarantee its effective mitigation to such instability.

***As a part of the strictly regulated financial industry, the Company will be affected by any changes and further regulations that might be imposed by the regulatory bodies in the future.***

The securities industry in the Philippines is subject to regulation, particularly under the Revised Corporation Code and Securities Regulation Code, as well as rules and regulations of the Bureau of Internal Revenue and the Capital Markets Integrity Corporation. Financial institutions are subject to regulations covering all aspects of the securities business. Additional regulations, changes in rules as promulgated by the SEC, the AMLC, the Bureau of Internal Revenue, the PSE, the CMIC, or changes in the interpretation or enforcement of existing laws and rules, may directly affect the operation and profitability of the Company.

The SEC and other regulatory agencies have stringent rules with respect to the maintenance of specific levels of Risk-Based Capital Adequacy Ratios (RBCA) in accordance with SEC Memorandum Circular No.16 (Adoption of the RBCA Requirement / Ratio for Broker Dealers) series of 2004. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. The broker or dealer must ensure that the RBCA ratio is at least 110% and that its net liquid capital is at least ₱ 5.0 million and greater than total risk capital requirement. Failure to maintain the required RBCA may subject the company to suspension or revocation of its registration by the SEC. In addition, a change in the RBCA rules or the imposition of new rules could limit those operations of the Company that require a large use of capital such as trading activities and could restrict the Company's ability to withdraw capital to pay dividends, repay debt or redeem shares of its outstanding stock. A significant operating loss or any unusually large charge against net capital could adversely affect the Company's ability to expand or maintain present levels of operation.

As of 30 September 2021, the Company's RBCA was 1302%, which greatly exceeded the minimum 110% requirement. Although the Company will consistently strive to maintain compliance with the RBCA rule, there can be no assurance, however, that a violation of the Rule will not occur in the future.

Any changes to the foregoing limits will certainly affect the Company's trading operations. Likewise, regulatory changes such as, but not limited to, decrease in the Philippine broker commissions or more stringent rules entailing costs will affect the brokerage business. The proprietary trading arm, on the other hand, may be affected by changes in tax rates on global trading income, commissions, capital reserve requirement, or any new law that may hamper its operations.

***Acts of terrorism could destabilize the country and may affect the Company's operations business, financial condition, and results of operations.***

Over the years, the Philippines has been subject to a number of terrorist attacks. The Philippine army has been in conflict with various groups that have been tagged as responsible for kidnapping and terrorist activities in the country and have likewise been in conflict with separatist groups. An increase in the frequency, severity or coverage of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to the Company's business, materially, adversely affecting its financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future. Such occurrence may affect the Company's business, financial condition, and results of operations. Consequently, the Company cannot guarantee that it can effectively mitigate such systemic risk.

***Natural or other catastrophes, including severe weather conditions, may disrupt the Company's operations and financial conditions.***

The Philippines is located in what is considered to be the typhoon belt and Ring of Fire in the Pacific, making the country constantly exposed to various natural disasters. It has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. On 12 January 2020, the Philippines witnessed the eruption of Taal volcano, the second most active volcano in the country. As of 24 January 2020, the Taal volcano eruption had displaced over 1,000,000 residents. The authorities previously raised the alert to level four (4), indicating high volcanic unrest and a belief that a hazardous eruption could take place. The alert level was however reduced to level 2 on 14 February 2020. Recently, on 1 July 2021, authorities again raised the alert levels over Taal to level 3, due to increased seismic activity. The country is likewise subject to severe weather conditions that result in, among others, floods, power and transportation interruptions, and shortage of provisions.

To the extent that such natural catastrophes affect the condition and circumstance of its traders, especially in case of widespread power interruptions that could affect trading, there can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. Consequently, their occurrence may affect the Company's business, financial condition and results of operations.

***Credit ratings of the Philippines and Philippine companies could materially and adversely affect the Company and the market or price of the Offer Shares.***

The credit ratings of the Philippines as of the date of this Prospectus are as follows:

Long-term credit rating	Fitch	Standard and Poor's	Moody's
Philippines	BBB; Negative	BBB+; Stable Outlook	Baa2; Stable Outlook
Latest update	12 July 2021	30 May 2020	17 July 2020

International credit rating agencies issue credit ratings for companies with reference to the country in which they reside. As a result, the sovereign credit ratings of the Philippines directly affect companies that reside in the Philippines, such as the Company.

On 12 July 2021, Fitch Ratings has affirmed Philippines' Long-Term Foreign-Currency Issuer Default Rating at 'BBB' and revised the Outlook to Negative from Stable, indicating that the country's credit rating may be lowered in the medium term or in the next one to two years.

No assurance can be given that international credit rating organizations will not downgrade the credit ratings of the Philippines or Philippine companies. Accordingly, the Company is unable to guarantee effective mitigation to such systemic risks. Any such downgrade could have an adverse impact on liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is made available.

***Foreign exchange regulations in the Philippines may limit the Company's access to foreign currency for service of foreign-currency denominated payment obligations***

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 under existing foreign exchange controls in the Philippines. 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 similar or other restrictive exchange policies in the future.

Currently, the Philippines has liberal foreign exchange controls. During a foreign exchange crisis or in times of national emergency however and subject to the approval of the President of the Philippines, the BSP has statutory authority, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

Though CTS Global, as a firm, generally does not hedge, its Macroeconomics desk serves as a natural hedge against currency volatility as some of its strategies capitalize on the currency market trends and movements.

***The continuing impacts of the COVID-19 pandemic are highly unpredictable, volatile, and uncertain, and have had, and will continue to have some negative impacts on business operations, costs of doing business, availability of labor, the Company's financial performance, and the ability to predict future performance, among others.***

In December 2019, the World Health Organization (“WHO”) reported clustering of pneumonia cases in Wuhan City from the Hubei province of China. WHO identified this virus as the 2019 Novel Coronavirus Acute Respiratory Disease, which was later renamed as Coronavirus Disease 2019 or COVID-19.

On 11 November 2021, President Duterte signed Executive Order No. 151, series of 2021 allowing for the adoption of the Alert Level System (the “ALS”) nationwide. As of the date of this draft Prospectus, Metro Manila has been placed under Alert Level 2, while other areas of the country having been placed in various Alert Levels. The ALS system replaces the guidelines for community quarantine approved through Executive Order 112, series of 2020. Nonetheless, there is no guarantee that parts of the country will not be put under more stringent community quarantine or alert level, as the case may be, in the future. The country was subjected to Enhanced Community Quarantine (“ECQ”) at the onset of the pandemic but the community quarantine measures eventually eased up throughout the year:

- Metro Manila shifted to GCQ on 1 June 2020, and retained this status until the end of the 2020. Other parts of the country were able to shift to modified general community quarantine (“MGCQ”) by the end of 2020. For the first few months of 2021, the guidelines on transportation and interregional travel eased. Following the rise of the COVID-19 cases however, Metro Manila and neighboring areas were placed under a stricter version of GCQ for two weeks beginning 22 March 2021 as part of the Philippine Government’s efforts to control the surge in the COVID-19 cases.
- On 27 March 2021, following a spike in COVID-19 cases, the Philippine Government placed Metro Manila and certain neighboring provinces under ECQ from 29 March 21 until 11 April 2021.
- Starting 12 April 2021 until 30 April 2021, the Government placed Metro Manila and certain neighboring provinces on MECQ which was extended through 15 May 2021. For the months of June and July, Metro Manila was under GCQ, at times with heightened restrictions.
- With the sudden surge in COVID-19 cases brought about by the Delta variant, ECQ was once again imposed over Metro Manila and other areas in the country from 6 August 2021 until 20 August 2021, though the restrictions over Metro Manila relaxed to MECQ from 21 to 31 August 2021.
- Metro Manila was then placed under GCQ until 31 October 2021.
- Metro Manila was placed under Alert Level 2 until December 31, 2021. However, due to the increased surge in COVID-19 cases brought about by the Omicron variant, it was placed in Alert Level 3 until the end of January 2022.
- As of 1 February 2022, Alert Level in Metro Manila has been returned to Alert Level 2 as the surge of COVID-19 cases brought about by the Omicron variant continue to subside.
- As of 1 March 2022, the authorities have placed Metro Manila under Alert Level 1.

Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic or other additional periods of increases or spikes in the number of COVID-19 cases in future periods;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures;
- restrictions on operations up to and including complete or partial closure of offices;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Company’s personnel and the Company’s ability to maintain staffing requirement to effectively operate its businesses;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- volatility in the credit and financial markets during and after the pandemic;

- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Company's business.

The above factors and uncertainties, or others of which the Company is not currently aware, may result in adverse impacts to the Company's business, results of operations, cash flows, and financial condition. The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Notably, the effect of COVID-19 on the Company was mainly in relation to its people. As the Philippine Government imposed lockdowns in varying degrees beginning 2020, the Company opted to move a majority of its operations off site, with its traders entirely working from home. Given the nature of the Company's business, incidents like COVID-19 can become opportunities for growth and given its extensive experience, the Company has been able to employ efficient trading strategies to its advantage during this period. That said, COVID-19 remains a threat to all people and the risk that its employees will be exposed to and thereafter contract the virus still exists. As the Company relies heavily on its traders, such an occurrence may affect the Company's operations.

***Other than COVID-19, other public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition and results of operations.***

On 19 September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur. Low vaccination coverage, poor early surveillance of polio symptoms, and substandard sanitation practices are seen as the culprits in this re-emergence.

On 6 August 2019, the Department of Health declared a national dengue epidemic in the wake of the 146,062 cases recorded since January up to July 20, 2019 – a number 98% higher than the same period in 2018. There were 662 deaths. Furthermore, seven out of the 17 regions of the Philippines have exceeded the epidemic threshold of dengue in their regions for the past three consecutive weeks. The Department of Health also saw a slight increase in diphtheria in 2019, recording a total of 167 cases and 40 deaths from January to September 2019. This is slightly higher than figures from the same period in 2018, with 122 cases and 30 deaths.

The outbreak of a virus or any public health epidemic in the Philippines could have an adverse effect on the Philippine economy, and could materially and adversely affect the Company's business, financial condition and results of operations.

As traders are central to its operations, the Company will continuously seek to ensure its employees' safety and well-being. The Company's response to the pandemic indicates that it has taken and will continue to take the necessary measures to ensure that its traders are protected without, as much as possible, compromising its operations. Though traders have worked largely from home since the onslaught of the pandemic, distributing operations as opposed to it being centralized on site, has not been detrimental to the Company. Moreover, as it has done this past year, the Company recognizes opportunities even in situations such as COVID-19 and thereafter employ the necessary trading strategies to their advantage. Nevertheless, the extent to which such health epidemics can impact the Company are highly uncertain and cannot be predicted.

***Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.***

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted, and its operations could be adversely affected as a result. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the business, financial condition and results of operations of the Company and accordingly, it cannot guarantee that it can effectively mitigate such systemic risk.

## **Risks Relating to the Offer and the Offer Shares**

### ***Listing of the Offer Shares on the PSE may not push through.***

The subscribers of the Offer Shares are required to fully pay for their subscription upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, there can be no guarantee that listing will occur on the set Listing Date or at all. Delays in the commencement of trading in shares of the PSE have occurred in the past. If the PSE does not list the Offer Shares, the market for the Offer Shares will be illiquid and stockholders may not be able to trade the Offer Shares. However, they would be able to sell their shares by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

### ***Trading and Liquidity cannot be guaranteed.***

The Shares will be listed on the PSE where trading volumes have been historically and significantly smaller and highly volatile compared to major securities markets in more developed countries. There can be no assurance that an active market for the Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price will be determined after taking into consideration a number of factors including, but not limited to, the Company's prospects, the market prices for shares of comparable companies and prevailing market conditions. The price at which the Shares will trade on the PSE at any point after the Offer may vary significantly from the Offer Price.

### ***The shares will be subject to market volatility.***

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Shares will rise or fall or even lose all its value. The market price of the Shares could be affected by several factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general and other retail shares in particular;
- the market value of the assets of the Company;
- changes to Government policy, legislation or regulations; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Shares. In part as a result of the global economic downturn or negative geopolitical developments happening recently, the global equity markets have experienced price and volume volatility that have affected the share prices of many companies. Thus, share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Such fluctuations may also adversely affect the market price of the Shares.

### ***Future Sales of Shares in the Public Market may dilute ownership.***

In order to finance the expansion of the Company's business and trading operations, the Board will consider the funding options available to them at the time, which may include the issuance of new 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 stockholders, the percentage ownership of the stockholders may be reduced, stockholders 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 Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new 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 Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

The PSE rules require an applicant company applying for listing in the SME Board to cause its existing non-public stockholders and their related parties not to sell, assign or in any manner dispose of their shares for a period of 365 days after the listing of the shares. Furthermore, shares that were issued or transferred and fully paid within 180 days prior to the start of the Offer Period with a transaction price lower than that of the Offer Price shall likewise be locked up for at least 365 days from the listing of said shares. To implement this lock-up requirement, the PSE requires the applicant company to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution for the physical lock-up of the shares. After the lapse of the lock-up period, the Company and the escrow agent will cause the lodgment of the shares previously locked-up with the PDTC through a PCD Participant in compliance with the rules on lodgment of the securities of the PSE.

Except for such restrictions, there is no restriction on the Company's ability to issue Shares or the ability of any of the Company's stockholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that the Company will not issue Shares or that such stockholders will not dispose of, encumber, or pledge their Shares.

***Book Value per Share may be immediately and substantially diluted.***

The issue price of the Offer Shares may be substantially higher than the net tangible book value or net assets per share of the outstanding Shares. Therefore, purchasers of the Shares may experience immediate and substantial dilution and the Company's existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Shares they own. See "Dilution" on page 71 of this Prospectus.

***There may be instances where there are no Dividend Declarations and/or Payouts.***

There is no assurance that the Company can or will declare dividends on the Shares in the future. Dividends shall be declared and paid out of the Company's unrestricted retained earnings, which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its investments, foreign exchange rates, legal, regulatory and contractual restrictions and negative covenants, loan obligations, and other factors the Board of Directors may deem relevant.

## USE OF PROCEEDS

The Company expects to raise up to ₱1,375,000,000.00 as gross proceeds from the Offer based on an Offer Price of up to ₱1.00 per Offer Share. The Company estimates that the net proceeds after deducting fees, commissions, and expenses payable by the Company, will be approximately ₱1,353,271,534.61. The Company intends to use the net proceeds from the Offer to scale its proprietary trading operations in the global equity markets and build the Client Accounts Management segment.

Net proceeds from the Offer are estimated as follows:

<b>Table 4: Net Proceeds from the Offer</b>	
<b>Particulars</b>	<b>Total</b>
<b>Estimated Proceeds from the Offer</b>	<b>₱1,375,000,000.00</b>
<b>Less: Estimated IPO expenses</b>	
<i>Issue Manager Fees</i>	3,618,421.05
<i>Underwriting Fees</i>	7,894,736.84
<i>Documentary stamp taxes</i>	1,375,000.00
<i>SEC registration fee</i>	1,043,750.00
<i>SEC legal research fee</i>	10,437.50
<i>PSE listing fee</i>	1,540,000.00
<i>TP Selling Commission</i>	2,750,000.00
<i>Other Professional Fees</i>	
<i>Legal Fees</i>	1,291,120.00
<i>Stock Transfer Service Incorporated (Receiving Agent)</i>	500,000.00
<i>SB Capital Trust and Asset Mangement Group (Escrow Agent)</i>	425,000.00
<i>Professional Stock Transfer Inc. (Stock Transfer Agent)</i>	180,000.00
<i>Reyes Tacandong &amp; Co. (External Auditor)</i>	1,000,000.00
<i>Other expenses</i>	
<i>Printing expenses</i>	100,000.00
<b>Total estimated IPO expenses</b>	<b>21,728,465.39</b>
<b>Estimated Net Proceeds</b>	<b>₱1,353,271,534.61</b>
<b>% of Issue Size (Expenses / Gross Proceeds)</b>	<b>1.61%</b>

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated accounts indicated.

Estimated other expenses include fees for roadshow expenses, publication and other third-party services (e.g. stock transfer, receiving agency, LSI application processing fees and escrow agency services) that the Company expects to incur in relation to the Offer.

Details on the proposed use of proceeds from the sale of the Offer Shares, based on the Offer Price of ₱1.00 per Offer Share, are as follows:



**Table 5: Proposed Use of Net Proceeds**

<b>Use of Proceeds</b>	<b>Estimated Amount (₱ million)</b>	<b>% of Net Proceeds</b>	<b>Estimated Timing of Disbursement</b>
Scaling of global trading operations	1233.27	91.13%	2Q of 2022
Client account management expansion	20.00	1.48%	4Q of 2022 to 3Q of 2023
General corporate purposes	100	7.38%	3Q of 2022
<b>Estimated Net Proceeds</b>	<b>1,353.27</b>	<b>100.00%</b>	

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Offer based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the Offer shall be used to finance the acquisition of other businesses, or to reimburse any officer, director, employee, or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The proceeds will primarily be used for scaling the Company’s global trading operations, in the advancement of its dealer business segment. The business operations of CTS Global do not constitute the activities of an “investment company” contemplated under the ICA and will not make CTS Global come under the coverage of the ICA and the ICA IRR.

The actual amount and timing of disbursement of the net proceeds from the Offer for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost of feasibility of the Company’s development projects. The cost estimates may change as the Company develops its plans, and actual costs may be different from the budgeted costs. To the extent that the net proceeds from the Offer are not immediately applied to the above purposes, the Company will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments. None of the proceeds from the Offer will be used to repay any debts of the Company with the Issue Manager, Underwriter, and Bookrunner.

It is emphasized that if the net proceeds obtained are substantially less than the estimated maximum proceeds, the allocation for the Use of Proceeds for the Scaling of Global Trading Operations may be adjusted by the Company, while the allocations for Client Account Management Expansion and General Corporate Purposes are fixed.

### **Scaling of Global Trading Operations**

The main reason for the Company’s IPO is to scale its global trading by increasing the allocated capital for equity securities trading. For the past few years, the Company has consistently generated profits from its assets under management but was not able to maximize its bottomline profit due to overhead expenses. As the traders scale their accounts using the existing strategy, the Company’s overhead expenses will stay the same, giving a promising opportunity for its operating leverage. For the past decade, the Company maintained its capital stock at ₱200 million, only raising it to ₱500 million in the last quarter of 2019 and an additional ₱50 million in 2021. A further increase in capital to be deployed in the global markets is the key to CTS Global taking it to the next level.

In line with the Company’s 2025 goal of having a 25% of trading revenues from the Philippine market and 75% from the global markets, the capital to be raised is expected to be allocated accordingly. For the first nine months of 2021, 37% of the total revenues came from global trading. Currently, the Company is active in the US, Japan, and Hong Kong markets but a bulk of this 75% global allocation is expected to be in the US market as it offers the most abundant liquidity and tradeable issues.

Proprietary trading methodologies built through years of research and development is the core of CTS Global. Even having already built the concrete trading systems, risk protocols, and trader support infrastructure, CTS Global plans to commit funds in order to continuously develop more traders to pave the way for its future growth.

### **Client Accounts Management Expansion**

In order to grow the business, the Company intends to build the Client Accounts Management segment and offer its services to interested clients. ₱20 million will be earmarked to build this segment as it hires more talent in the new departments and creates the client acquisition and support infrastructure. During the first few years in business, this segment will need the capital to fund the initial expansion in operation. For its clients account management, CTS will use brokers authorized or licensed to operate in the various markets that its clients will invest in. The business model, as structured, does not require special license.

Currently, the Company internally works with a model fund that it plans to launch by 2023, thereby expecting the disbursement of IPO proceeds in the 4th quarter of 2022. This segment, will provide external clients an avenue to gain exposure to global equities. This will be targeted towards high-net-worth clients whose accounts will be managed by CTS Global.

### **General Corporate Purposes**

The remaining balance of the net proceeds of the Offer representing about 7.38% of the Issue Size will be used for general corporate purposes, including but not limited to be used as working capital. This amount of around ₱100 million will be used for any adjustments needed going forward depending on the country's pandemic recovery. This may be in the form of developing the company-owned office space to the extent necessary or further improvements in the digital systems for the work-from-home arrangement.

Though the Company does not see any significant capital requirements for trader training, additional software or infrastructure, any approved investment in trader tools and development programs will come from the allocation for general corporate purposes.

The proposed use of the proceeds as described above represents a best estimate of the use of such proceeds based on the current plans of the Company. It is expected that the timing and final amount of the disbursements for the proposed use of proceeds described above will be determined by the Board with a view of maximizing the benefit to the Company taking into consideration the changes in market conditions, availability of acquisition opportunities and such other future events or developments. To the extent that the net proceeds from the Offer are not immediately used for the purposes specified above, the Company will invest such net proceeds in short term fixed income securities and/or money market instruments.

Any shortfall in the amounts allocated for the scaling of global trading operations, client account management expansion, and general working capital in relation to the net proceeds shall be funded by the Company from internal sources.

In the event of any significant deviation, material adjustment or reallocation in the planned use of proceeds, the Issuer shall inform its Shareholders, the SEC, and the PSE in writing, at least thirty (30) calendar days before such deviation, adjustment, or reallocation is implemented. Any material or substantial adjustments to the use of proceeds from the Primary Offer, as indicated above, should be approved by the Board and disclosed to the PSE. In addition, the Issuer shall likewise submit via the PSE 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 fifteen (15) days of the following quarter;
3. Annual Summary of the application of proceeds on or before 31 January of the year following the initial public offering;
4. Approval by the Issuer's Board of Directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Issuer at least thirty (30) days prior to the said actual disbursement or implementation;
5. Certification by the Issuer's Chief Finance Officer or Treasurer and of an external auditor on the accuracy of the information reported by the Issuer to the PSE in the quarterly and annual reports; and
6. A comprehensive report on the progress of its business plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (2) and (3) above must include a detailed explanation of any material variances between the actual disbursements and the planned use of proceeds in the Prospectus. The detailed

explanation must also state that the Company's Board of Directors has given its approval as required in item (4) above. The Company shall submit an external auditor's certification on the accuracy of the information reported by the Company to the PSE in the Company's quarterly and annual reports as required in items (2) and (3) above.

## DESCRIPTION OF SECURITIES

*The following description of the Company's capital stock 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 and By-Laws.*

### Share Capital Information

As of the date of this Prospectus, the Company has an authorized capital stock of Eight Hundred Million Pesos (₱800,000,000) consisting of Eight Billion (8,000,000,000) common shares with par value of Ten Centavos (₱0.10) per Share. As of the date of this Prospectus, a total of Five Billion Five Hundred Million (5,500,000,000) common shares are issued and outstanding. Prior to the Offer, the Shares are not publicly traded on any market.

Subject to the approval of the SEC, the Company may increase or decrease its authorized capital, provided that the increase or decrease is with the approval of a majority of the Board of Directors and by its stockholders representing at least two-thirds ( $\frac{2}{3}$ ) of the outstanding capital stock of the Company.

Immediately after the completion of the Offer, eighty-six percent (86%) of the Company's authorized capital stock shall be issued and outstanding.

### 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 its articles of incorporation and by-laws. A corporation may increase or decrease its authorized capital stock upon approval by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock at a shareholders' meeting duly called for that purpose and is duly approved by the SEC.

All of CTS Global's shares that are currently issued or authorized to be issued are common shares and have a par value of ₱0.10 per share. If shares are issued at a price above par, whether for cash or otherwise, the amount by which the subscription price exceed the par value is credited to an account designated as paid-in surplus.

A corporation may acquire its own shares for a legitimate corporate purpose, provided that it has sufficient unrestricted retained earnings in its books to pay for the acquisition and it complies with the other conditions for the purchase. A corporation may acquire its own shares to:

- Eliminate fractional shares arising out of stock dividends;
- Collect or compromise a debt to the corporation arising out of the unpaid subscription in a delinquency sale or to purchase delinquent shares during such sale; and
- Pay dissenting shareholders exercising their appraisal right.

The purchased shares form part of the corporation's treasury shares upon the corporation's acquisition. A corporation may re-issue or sell the treasury shares at a price to be fixed by the board of directors.

The Board is authorized to re-issue shares from the treasury from time to time.

### Rights Relating to the Common Shares

#### *Voting Rights*

Each Common Share entitles the holder to one (1) vote.

At each meeting of the stockholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Company at the time of the closing of the transfer books for such meeting.

In the election of Directors, each stockholder, in person or by proxy, is entitled to such number of votes as is equivalent to the product of the number of Common Shares owned by him multiplied by the number of Directors

to be elected. The stockholder may cumulate his votes in favor of one (1) or more candidates as he may see fit. A Director may also be removed by the vote of stockholders representing two-thirds ( $\frac{2}{3}$ ) of the outstanding voting shares, in accordance with the provisions of Section 27 of the Revised Corporation Code.

Voting rights cannot be exercised with respect to shares declared delinquent or treasury shares, or with respect to shares upon which its appraisal right has been exercised.

### ***Pre-emptive Rights***

Section 38 of the Revised Corporation Code provides that all stockholders of a stock corporation will enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the Articles of Incorporation or an amendment thereto. Under the Company's Articles of Incorporation, pre-emptive rights are denied as to all issuances or dispositions of the Company's Common Shares.

The Company's Amended Articles of Incorporation state that:

“TENTH: - That all stockholders of the corporation do not have the pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings.”

### ***Dividend Rights***

Dividends may be declared from the unrestricted retained earnings of the Company at such time and in such percentage or amount as the Board of Directors may deem proper. No dividend shall be declared that will impair the capital stock of the Company.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation that have not been allocated for any purpose. A corporation may pay dividends in cash, in property or by the issuance of shares (stock dividend). Stock dividends may only be declared and paid with the approval of stockholders representing at least two-thirds of the issued and outstanding capital stock of the corporation voting at a stockholders' meeting duly called for the purpose.

The Revised Corporation Code requires, as a general rule, that a corporation with retained earnings in excess of 100.00% of its paid-in capital declare and distribute as dividends the amount of such surplus. Notwithstanding this requirement, a corporation may retain all or any portion of such surplus in the following cases: (a) when justified by definite expansion plans approved by the board of directors of the corporation; (b) when the required consent of any financing institution or creditor to such distribution has not been secured; or (c) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies.

Please see further discussion under “Dividends and Dividend Policy”.

### ***Appraisal Rights***

The Revised Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- a. An amendment of the Articles of Incorporation that has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
- b. The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- c. A merger or consolidation; and
- d. Investment of corporate funds for any purpose other than the primary purpose of the corporation.

In any of these circumstances, the dissenting shareholder may require the Company to purchase its shares at a fair value, which in default of agreement is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the Company, and the third by the two thus chosen. In the event of a dispute, the SEC will determine any question about whether a dissenting shareholder is entitled to this right of appraisal. This remedy will only be available if the Company has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting stockholders. From the time the shareholder makes a demand for payment until the Company purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

#### ***Access to Corporate Books and Records***

Stockholders have the right to inspect the books and records of the Company, including the minutes of all Board and stockholders' meetings, and records of business transactions of the Company. However, the right of inspection may be denied if the shareholder seeking to examine the corporate records is not acting in good faith or for a legitimate purpose in making the demand for inspection or has improperly used any information secured through any prior examination of the records of such corporation or any other corporation.

#### ***Liquidation Rights***

Each shareholder is entitled to a pro rata share in the assets of the Company available for distribution to the stockholders in the event of dissolution, liquidation and winding up, subject to the superior rights of the creditors of the Company.

#### ***Derivative Rights***

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the Company in a derivative action in circumstances where the Company itself is unable or unwilling to institute necessary proceedings to redress wrongs committed against the Company or to vindicate corporate rights such as, for example, where the directors themselves are the malefactors.

#### **Treasury Shares**

The Company may acquire its own Common Shares, provided that, it has unrestricted retained earnings to pay for the Common Shares to be acquired or purchased and only for a legitimate corporate purpose/s, including, but not limited to: (a) to eliminate fractional shares arising out of stock dividends, (b) to collect or compromise an indebtedness to the Company, arising out of unpaid subscription, in a delinquency sale, and to purchase delinquent shares sold during said sale; and (c) to pay dissenting or withdrawing stockholders entitled to payment for their shares under the provisions of the Revised Corporation Code.

The Common Shares repurchased by the Company shall become treasury shares that may again be disposed of at a reasonable price as may be fixed by the Board of Directors. These treasury shares have neither voting rights nor dividend rights as long as they remain as treasury shares.

As of the date of this Prospectus, the Company does not hold any treasury shares.

#### **Other Securities**

The Company has not issued any other form of securities other than its Common Shares.

#### **Stock Transfer Agent**

The Company's stock and transfer book is maintained at the principal office of the Company's stock transfer agent, Professional Stock Transfer, Inc.

## **Changes in Control**

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

## **Board of Directors**

Unless otherwise provided by law, the Company's corporate powers are exercised, business conducted, and all of its property are controlled and held, by the Board of Directors. The Company has eleven (11) directors, three (3) of whom are independent directors. They shall be elected by the Company's shareholders who are entitled to vote at the annual meeting and shall hold office for one (1) year until their successors are elected and qualified in accordance with the Company's by-laws.

Any vacancy by reason of death, resignation or removal of a director prior to the expiration of the director's term, may be filled by the vote of at least a majority of the remaining members of the Board, if still constituting a quorum; otherwise, the vacancy must be filled by the shareholders at a regular or at any special meeting of the shareholders called for that purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

## **Shareholders' Meeting**

### ***Annual or Regular Shareholders' Meetings***

Philippine corporations are required to hold an annual meeting of shareholders. Under the Company's by-laws, the annual shareholders' meeting shall be held on any day of March in the city where the principal office of the Company is located.

### ***Special Shareholders' Meeting***

Special meeting of the shareholders may be called at any time by resolution of: (a) the board of directors, at its own instance, or at the written request of the shareholders representing at least a majority of the total outstanding stock, or (b) the President.

### ***Notice of Shareholders' Meeting***

Under SEC Memorandum Circular No. 3, Series of 2020, the corporate secretary shall send the notice of any regular meeting of the shareholders by personal delivery or by mail to each shareholder of record at his last known address at least 21 calendar days prior to the date of the meeting. For special meetings of the shareholders, the Company's by-laws provides that the corporate secretary shall send the notice of such special meeting of the shareholders by personal delivery or by mail to each shareholder of record at his last known address or by publication in a newspaper of general circulation two weeks before the date of the meeting. The notice should state the place, date, and hour of the meeting, and the purpose for which the meeting is called. Shareholders may waive their right to a notice of any meeting, expressly or impliedly before or after the meeting.

### ***Quorum***

A majority of the issued capital stock of the Company, either in person or by proxy, shall constitute a quorum, and a majority of the quorum shall decide any question before the meeting except as otherwise provided by law. If there is no quorum for the meeting, the meeting shall be adjourned until the required number of Shares shall be present or represented.

### ***Voting***

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by a duly appointed proxy. Except in cases otherwise provided by law, a majority of the votes cast by the shareholders present in person or by proxy at any meetings is sufficient to approve any resolution.

### ***Fixing Record Dates***

For purposes of determining the shareholders entitled to notice of, or to vote or be voted at any meeting of the shareholders or any adjournment thereof or to receive payment of any dividends or other distribution or allotment of any rights, or to exercise the rights in respect of any change, conversion or exchange of the capital stock, the board of directors may provide that the stock and transfer books be closed for such period as may be deemed advisable previous to such meeting.

Under Philippine SEC rules, the record date of cash dividend declaration of a listed company should be not less than 10 and not more than 30 days from the date of declaration. For declaration of stock dividends, the record date must not be less than 10 and not more than 30 days from the date of the shareholders' approval. The record date must also be not less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividends. For declaration of stock dividends as part of the increase in authorized capital stock, the record date is fixed by the Philippine SEC.

### ***Proxies***

Shareholders may vote in person or by proxy. Proxies must be filed with the Corporate Secretary or the Company's transfer agent at least seven (7) days before the day of the meeting. Proxies previously filed may be revoked by the shareholders either in an instrument in writing duly presented to the Corporate Secretary or the Company's transfer agent at least three (3) days before the day of the meeting or by their personal presence at the meeting. Validation of proxies should be done at least five (5) days before the day of the meeting by the Corporate Secretary or by a special committee of inspectors composed of the Corporate Secretary and a representative of the transfer agent. The decision of the Corporate Secretary or the special committee of inspectors, as the case may be, on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

### **Transfer of Common Shares**

All transfer of shares on the PSE shall be effected by means of a book-entry system. Under this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC system (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the shareholder's name. See "The Philippine Stock Market" section of this prospectus.

Philippine law does not require transfers of shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange, and documentary stamp tax. See "Philippine Taxation" section of this Prospectus. All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

### **Share Register**

The Company's share register is maintained at the principal office of its share transfer agent, Professional Stock Transfer, Inc.

### **Issues of Shares**

Subject to otherwise applicable limitations, the Company may issue additional shares to any person for consideration that the Board deems fair, provided that such consideration shall not be less than the par value of the issued shares. Share certificates may only be issued to a subscriber upon full payment of the subscription together with interest and expenses (in case of delinquent shares). Under PSE rules, only fully paid-up shares may be listed on the PSE.



## Share Certificates

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders may request our stock transfer agent to split their certificates. Shares may also be lodged and maintained under the book-entry system of the PDTC. See “the Philippine Stock Market” section of this Prospectus.

## Mandatory Tender Offer

It is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- At least 35% of the outstanding voting shares of such outstanding voting shares that are sufficient to gain control of the board in a public company, in one or more transactions within a period of 12 months; such intention should be disclosed and the tender offer shall be made for the percentage sought to all holders of such securities within the said period; or
- At least 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; the tender offer shall be made for all outstanding voting shares; or
- Less than 35% of such equity that will result in ownership of over 51% of the total outstanding equity securities in a public company.

The term “public company” refers to: (i) a corporation with a class of securities listed on an exchange, such as the PSE; or (ii) a corporation with assets of at least ₱50 million and having 200 or more shareholders with at least 100 shares each.

When the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

In a mandatory tender offer, the acquirer must offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisitions of even less than 35% would result in ownership of 51% of the total outstanding equity, the acquirer shall make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such tender offer shall accept any and all securities thus tendered.

No mandatory tender offer is required in:

1. Purchases of shares from unissued capital shares unless it will result in a 50% or more ownership of shares by the purchaser;
2. Purchases from an increase in the authorized capital shares of the target company;
3. Purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
4. Purchases in connection with a privatization undertaken by the government of the Philippines;
5. Purchases in connection with corporate rehabilitation under court supervision;
6. Purchases through an open market at the prevailing market price; or
7. Purchases resulting from a merger or consolidation.

## **Fundamental Matters**

The Philippine Revised Corporation Code considers certain matters as significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These acts, which require board of directors' approval and the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation (except for the amendment of by-laws and approval of management contracts in general, which require approval of shareholders representing a majority of the corporation's outstanding capital stock), include:

- Amendment of the articles of incorporation;
- An increase or decrease of capital stock and incurring, creating or increasing bonded indebtedness;
- Delegation to the board of directors of the power to amend or repeal or to adopt new by-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the corporation's assets;
- Merger or consolidation;
- Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the corporation was organized;
- Dissolution of the corporation;
- Denial of pre-emptive rights to shares to be issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt;
- Declaration or issuance of stock dividends;
- Ratification of a contract between the corporation and a director or officer where the vote of such director or officer was necessary for approval;
- Execution of a management contract where (a) a majority of directors of the managing corporation constitutes the majority of the board of the managed company or (b) shareholders of both the managing and managed corporations represent the same interest and own or control more than one third of the outstanding capital stock entitled to vote;
- Removal of directors; and
- Ratification of contracts with corporations in which a director is also a member of the board, where the interest of the director is substantial in one corporation and nominal in the other.

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

## **Other Features of the Offer Shares**

The Offer Shares are neither convertible nor subject to redemption. All of the Company's issued shares are fully paid and non-assessable and are free and clear of all liens, claims, and encumbrances. All documentary stamp taxes due on the issuance of all issued shares have been fully paid.

## **Accounting and Auditing Requirement**

Philippine corporations are required to file copies of their annual consolidated financial statements with the Philippine SEC. Companies listed on the PSE must also file their quarterly consolidated financial statements with the Philippine SEC and the PSE.

Shareholders are entitled to be furnished with the most recent financial statements of a Philippine corporation, which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year.

## DIVIDENDS AND DIVIDEND POLICY

The Company intends to pay dividends on an annual basis, as much as practicable, whenever unrestricted retained earnings are available, in an amount not exceeding twenty percent (20%) of the prior year's net income after tax based on the Company's audited financial statements as of such year. This will be subject to the Board of Directors' approval, compliance with the requirements of applicable laws and regulations, as well as the investment plans and current financial condition of the Company. The policy on the 20% annual dividends was approved by the Board of Directors on 5 November 2021.

The amount of dividends will be reviewed periodically by the Board in light of the Company's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a standalone basis. Dividends shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Company's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.

### Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. 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 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 (2/3) 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 Philippine Revised 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: (i) when justified by definite expansion plans approved by the Board; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

### Record Date and Payment Date

Pursuant to existing SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of 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.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the “Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends” of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the “Payment Date”); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends’ listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends’ listing date.

### **Dividend History**

CTS Global has no history of dividend declaration.

## **DETERMINATION OF OFFER PRICE**

The Offer Shares are being offered at the Offer Price of up to ₱1.00 per share, determined through a book-building process and on the basis of discussions between the Company and the Issue Manager. Moreover, it was determined using generally accepted valuation methods such as discounted cash flow analysis and relative valuation using comparable trading companies. Prior to the Offer, there has been no public trading market for the Offer Shares and there has been no market price for the Shares derived from day-to-day trading.

The determination of the Offer Price was mainly driven by bookbuilding with institutional investors, who may consider various factors including their perception of the Company's ability to generate earnings, the Company's short- and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and cash flow and the market price of listed comparable companies. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

## CAPITALIZATION

The following table sets out our debt, shareholders' equity and capitalization as of 30 September 2021 and as adjusted to reflect the sale of the Offer Shares based on an Offer Price of up to ₱1.00 per Offer Share, and the use of proceeds as described in this Prospectus.

The table should be read in conjunction with the audited financial statements and the notes thereto included in this Prospectus and is based on the assumption that the Offer Price is up to ₱1.00 per Offer Share. Other than as described herein, there has been no material change in the Company's capitalization since 30 September 2021.

<b>Table 6: Company's Debt, Shareholders' Equity and Capitalization as of 30 September 2021</b>			
In Php	Actual as of 30 September 2021	Immediately Before the Offer*	After Giving Effect to the offer
<b>Current Liabilities</b>			
Trade payables	235,497,194.00	235,497,194.00	235,497,194.00
Lease liabilities - current portion	1,367,527.00	1,367,527.00	1,367,527.00
Income tax payable	-	-	-
Other current liabilities	5,423,033.00	5,423,033.00	5,423,033.00
<b>Total Current Liabilities</b>	<b>242,287,754.00</b>	<b>242,287,754.00</b>	<b>242,287,754.00</b>
<b>Noncurrent Liability</b>			
Net retirement benefit liability	18,886,393.00	18,886,393.00	18,886,393.00
Lease liabilities - net of current portion	1,194,761.00	1,194,761.00	1,194,761.00
<b>Total Noncurrent Liabilities</b>	<b>20,081,154.00</b>	<b>20,081,154.00</b>	<b>20,081,154.00</b>
<b>Total Liabilities</b>	<b>262,368,908.00</b>	<b>262,368,908.00</b>	<b>262,368,908.00</b>
<b>Equity</b>			
Capital stock	550,000,000.00	550,000,000.00	687,500,000.00
Additional Paid-in			1,215,771,535.00
Retained earnings (Deficit):	41,864,454.00	41,864,454.00	41,864,454.00
Cumulative gains on remeasurement of retirement benefits	2,535,673.00	2,535,673.00	2,535,673.00
<b>Total Equity</b>	<b>594,400,127.00</b>	<b>594,400,127.00</b>	<b>1,947,671,662.00</b>
<b>Total Liabilities and Equity</b>	<b>856,769,035.00</b>	<b>856,769,035.00</b>	<b>2,210,040,570.00</b>

\*The Company issued an additional 500,000,000 shares at ₱0.10 par value on June 2021.

## DILUTION

The following presents a discussion of the dilution that the Common Shares will experience following the Offer. Dilution in book value per share to investors of the Offer Shares represents the difference between the Offer Price and the Company's pro-forma book value per share immediately following the completion of the Offer. Dilution results from the fact that the Offer Price is substantially in excess of the book value per Share attributable to the existing shareholders of the Company's presently outstanding Shares.

As at September 30, 2021, the Company's net tangible book value is ₱580,939,913 or ₱0.11 per share. The net tangible book value represents total assets less its total liabilities and intangible assets. The Company's net tangible book value per share represents its net tangible book value divided by the number of common shares outstanding of 5,500,000,000.00.

After giving effect to the sale of the Offer (based on an Offer Price of ₱1.00 per Offer Share), and after deducting estimated fees and expenses of the Offer, the net book value per share would amount to ₱0.28 per share. At the Offer Price of ₱1.00, the Offer Shares will be purchased at a premium of ₱0.72 to the net book value per share.

Net tangible book value dilution per share represents the estimated difference between the Offer Price per Share and the approximate net tangible book value per share immediately following the completion of the Offer, as the case may be.

The following table illustrates dilution on a per Common Share basis based on an Offer Price of ₱1.00 per Offer Share:

Amounts in Millions, except per share data

<b>Table 7: Dilution</b>	
Offer Price per Share (A)	₱ 1.00
Net Tangible Book Value as at September 30, 2021 (B)	₱580.94
Issued and Outstanding Shares (C)	5,500.00
Net Tangible Book Value per Share as at September 30, 2021 (D = B/C)	₱ 0.11
Net Tangible Book Value Adjusted After the Offer (E)	₱1,934.21
Issued and Outstanding Shares After the Offer (F)	6,875.00
Net Tangible Book Value per Share Adjusted After the Offer (G = E/F)	₱ 0.28
Net Tangible Book Value Dilution per Share to Investors in the Offer (H = A- G)	₱ 0.72

The following table sets out the shareholdings and percentage of shares outstanding, of existing and new stockholders of the Company immediately after completion of the Offer:

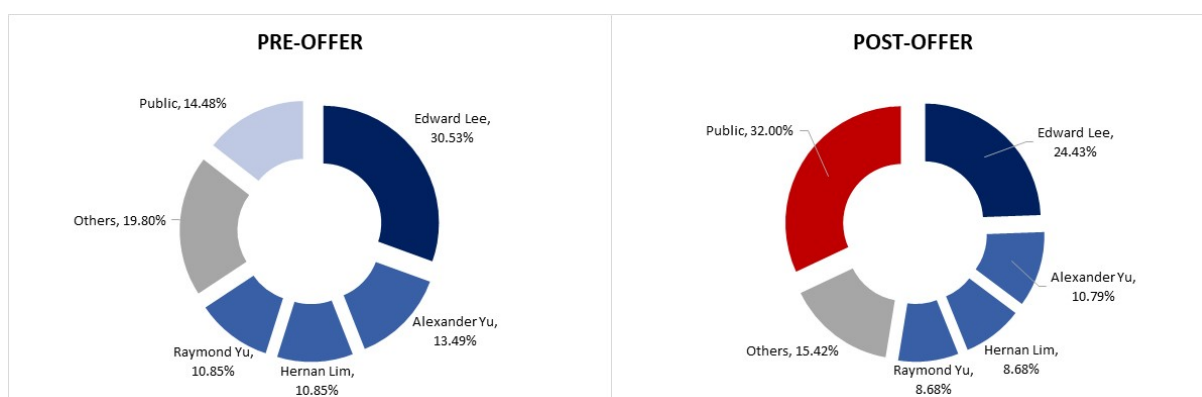
<b>Table 8: Shareholders and their Shareholdings Pre-Offer and Post-Offer</b>				
Shareholder	Number of Subscribed Common Shares before the Offer	Shareholdings before the Offer	Number of Subscribed Common Shares after the Offer	Shareholdings after the Offer
Edward K. Lee	1,679,357,960	30.53%	1,679,357,960	24.43%
Alexander C. Yu	741,765,000	13.49%	741,765,000	10.79%
Hernan G. Lim	596,706,000	10.85%	596,706,000	8.68%
Raymond C. Yu	596,706,000	10.85%	596,706,000	8.68%
Jessalyn L. Tan	300,000,000	5.45%	Included in the public shares post-offer	
Abraham A. Ang	296,706,000	5.39%	Included in the public shares post-offer	
Catherine L. Ong	255,181,540	4.64%	255,181,540	3.71%
Edmund C. Lee	220,000,000	4.00%	220,000,000	3.20%
Eleanore L. Teo	200,000,000	3.64%	Included in the public shares post-offer	
Lawrence C. Lee	220,000,000	4.00%	220,000,000	3.20%
Lydia C. Lee	178,570,000	3.25%	178,570,000	2.60%
Adrian Alexander N. Yu	100,000,000	1.82%	100,000,000	1.45%



Michelle Angeline N. Yu	110,000,000	2.00%	110,000,000	1.60%
Martin T. Lee	3,005,000	0.05%	3,005,000	0.04%
Joseph C. Tan	2,500	0.00%	Included in the public shares post-offer	
Donald R. Felbaum	1,000,000	0.02%	1,000,000	0.01%
Emmanuel L. Samson	1,000,000	0.02%	1,000,000	0.01%
Public	-	-	2,171,708,500	31.59%
<b>Total</b>	<b>5,500,000,000</b>		<b>6,875,000,000</b>	<b>100.00%</b>

The diagram below presents the Company's shareholders and their corresponding shareholdings and percentage of outstanding shares, both before and after the completion of the Offer:

**Figure 2: Diagram on the Shareholders and their Shareholdings Pre-Offer and Post-Offer**



See also “Investment Considerations and Risk Factors - Risk Factors - Risks Relating to the Offer and the Offer Shares – Effect of Future Sales of Shares in the Public Market” on page 53 of this Prospectus.

## PLAN OF DISTRIBUTION

The Company is offering to the public One Billion Three Hundred Seventy Five Million (1,375,000,000) Common Shares with a par value of ₱0.10 per share, which are being made available for subscription in the Philippines at the Offer Price of up to ₱1.00 per share. The Offer Shares will be issued out of its existing unissued authorized capital stock of Eight Hundred Million Pesos (₱ 800,000,000.00) divided into Eight Billion (8,000,000,000) Common Shares with a par value of Ten Centavos (₱0.10) per share. The Offer Shares will represent 20% of the issued and outstanding Common Shares of the Company after the Offer.

All of the Offer Shares shall be primary shares to be taken from the existing unissued authorized capital stock of the Company. No secondary shares shall form part of the Offer.

### **Institutional Offer**

Approximately 70% of the Offer Shares, or up to 962,500,000 Offer Shares, will be offered for subscription or purchase to certain QIBs and the general public by the Underwriter.

The allocation of the Offer Shares between the Institutional Offer and the Trading Participants and LSIs is subject to further adjustment as may be agreed upon between the Company and the Underwriter. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and LSIs, Offer Shares in the Institutional Offer may be re-allocated to the Trading Participants and the LSIs. In the event of an under-application in the Trading Participants and LSIs, the Offer Shares in the Trading Participants and LSIs may be re-allocated to the Institutional Offer. The re-allocation shall not apply in the event of an over-application or under-application in both the Institutional Offer and the Trading Participants and LSI offer.

### **The Trading Participants and Retail Offer**

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Underwriter to the PSE Trading Participants and LSIs. Approximately [275,000,000] Offer Shares, or 20% of the Offer Shares, shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 2,217,000 Offer Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants among the 124<sup>4</sup> PSE Trading Participants) and subject to reallocation as may be determined by the Underwriter. The balance of 92,000 Offer Shares shall be allocated by the Underwriter to the PSE Trading Participants. In addition, approximately [137,500,000] Offer Shares, or 10% of the Offer Shares, shall be allocated to the LSIs through the PSE Electronic Allocation System or “PSE EASy”.

Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Underwriter to its clients or the general public in the Philippines. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer, or taken up by the clients of the Underwriter, or the general public, shall be purchased by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement. To facilitate the Trading Participants and Retail Offer, CTS Global has appointed SB Capital to act as the Underwriter. CTS Global and the Underwriter shall enter into an Underwriting Agreement to be dated on or about \_\_\_\_\_ (the “Underwriting Agreement”), whereby the Underwriter agrees to underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares and Institutional Offer Shares.

### **LSI Subscription through PSE EASy**

A total of [137,500,000] Offer Shares, or 10% of the Offer, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or “PSE EASy.” An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 1,000 shares or ₱1,000.00 while the maximum subscription shall be 100,000 shares or up to ₱100,000.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in CTS’s Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Underwriter shall allocate the Offer Shares ensuring equitable distribution by

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<sup>4</sup> This excludes CTS Global Equity Group, Inc. which will not be participating in the Trading Participants tranche.

satisfying first the applications of investors with the smallest orders. All Offer Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Underwriter's clients shall be purchased by the Underwriter on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Underwriter to purchase the Offer Shares for its own account.

### **Withdrawal of the Offer**

The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to the Listing Date, subject to the prior written approval of the PSE which shall not be unreasonably withheld, if there is a supervening force majeure or fortuitous event, such as:

- a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the Prospectus, or would have a material adverse effect on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, or the Philippine economy or on the securities or other financial or currency markets of the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Company's or Underwriter's inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Company, the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;
- b. Issuance of an order revoking, canceling, suspending, preventing or terminating the offer, sale, distribution or listing of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter, the BSP, the SEC or the PSE;
- c. Cancellation, revocation or termination of the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration or the SEC Permit to Sell;
- d. Cancellation or suspension of trading in the PSE for at least three (3) consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;
- e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Company to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Company to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by the Underwriter of its underwriting obligations hereunder;
- f. Any significant, adverse, and unforeseeable change or development in the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;
- g. The Company decides to or is compelled to stop its operations which is not remedied within five (5) Banking Days;
- h. The Company shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or

assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Company shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or (iv) the Company shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Company; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Issuer; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

- i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;
- j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Underwriter in connection with or with respect to the issuance or sale by the Company of the Offer Shares or the Offer in general which renders the performance of their underwriting commitment impossible or impracticable;
- k. Any event occurs which makes it impossible for the Underwriter to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter or an order restraining or prohibiting the Underwriter, or directing the Underwriter to cease, from performing its underwriting obligations;
- l. Any representation, warranty or statement of the Company in the Prospectus shall prove to be untrue or misleading in any material respect or the Company shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (a) was not known and could not have been known to the Underwriter on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability;
- m. Unavailability of PDTC and PSE facilities used for the Offer and/or Listing Date and such unavailability impacts the ability of the Company and the Underwriter to fully comply with the listing requirements of PSE; and
- n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

The Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Company's or Underwriter's inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Company, the Underwriter, or any other entity/ person to take up any shares remaining after the Offer Period.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. The PSE issued its Notice of Approval on 16 March 2022, subject to compliance by the Company with certain conditions. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to this section of the Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

If the Offer Shares are not listed on the PSE on Listing Date, all application payments will be returned to the Applicants without interest starting on the fifth (5<sup>th</sup>) Banking Day after the end of the Offer Period or on 4 April 2022.

### **Issue Manager, Underwriter and Bookrunner**

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of December 31, 2020, its total assets amounted to ₱1,430,312,869.00 and its capital base amounted to ₱391,608,552.00. It has an authorized capital stock of ₱1,000,000,000 of which approximately ₱1,000,000,000 represents its paid-up capital. SB Capital provides a wide range of investment banking services including underwriting of debt and equity securities, project finance, financial advisory, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues.

Other than as the Issue Manager, Underwriter, and Bookrunner in this Offer, SB Capital does not have any other business relationships with the Company at the present, although it may enter into such from time to time in the future. SB Capital Investment Corporation is not represented in the Company's Board of Directors, and neither is there a provision in the Underwriting Agreement which would entitle SB Capital Investment Corporation to representation in the Company's Board of Directors as part of its compensation for underwriting services.

SB Capital does not have any direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company other than as the Issue Manager and Underwriter for the Offer. SB Capital also has no direct relations with the Company in terms of ownership by either their respective major stockholders, and has no right to designate or nominate any member of the Board of Directors.

There is no contract or arrangement existing between the Company, SB Capital, or any other third party whereby SB Capital may return any unsold securities from the Offer.

In addition, SB Capital Investment Corporation, its parent company, subsidiaries and affiliates are all independent from the Company and do not have any on-going relationship except for this Offer.

### **Underwriting Commitment**

SB Capital and the Issuer will enter into, on or before the start of the Offer Period, an Underwriting Agreement wherein SB Capital will agree to subscribe for, or procure subscribers for the Offer Shares on a firm commitment basis.

The Underwriting Agreement is subject to certain conditions and is subject to termination by SB Capital if certain circumstances, including force majeure, occur (i) before the commencement of the Offer Period, or (ii) subject to the prior written approval of the PSE (which approval shall not be unreasonably delayed or withheld by the PSE), if the offer period has already commenced and, prior to the Listing Date of the Offer Shares. Under the terms and conditions of the Underwriting Agreement, the Company has agreed to indemnify SB Capital in respect of any breach of warranty by the Company as contained therein.

### **Underwriting Fees**

The total fees to be derived by SB Capital from the Offer shall be based on 0.84% of total amounts raised for issue management, underwriting and selling commission.

All reasonable out-of-pocket expenses to be incurred by SB Capital in connection with the Offer shall be for the account of the Company.

### **Relationship with the Issuer**

No relationship exists between SB Capital and the Company other than as stated in the Underwriting Agreement entered into by both parties.

### The Selling Agents

The TPs shall act as Selling Agents for the Issue, pursuant to the distribution guidelines of the PSE. The TPs who take up Offer Shares shall be entitled to a selling commission of one percent (1.00%), inclusive of VAT, of the Offer Shares taken up and purchased by the relevant TPs.

The Company does not intend to engage any other brokers / dealers aside from the PSE Trading Participants who will act as the Selling Agents for the Offer. The PSE Trading Participants shall be entitled to a selling commission of 1.00% (inclusive of VAT) of the Offer Shares taken up and purchased by the respective PSE Trading Participants.

### Finders

There are no finders involved in this Offer.

### Lodgment of Shares

All of the Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. They may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the Listing Date.

### Lock-up

Under the PSE Consolidated Listing and Disclosure Rules, all existing non-public shareholders and their related parties holding issued and outstanding Shares as of the Listing Date cannot sell, assign or in any manner dispose of their Shares for one (1) year after the Listing Date. Non-public stockholders refer to the Company's (i) principal stockholders (i.e., the owner of 10% or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) any other person who has substantial influence on how the Company is being managed. Related parties refer to the non-public stockholders' (i) principal stockholders (i.e., the owner of 10% or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) members of the immediate family sharing the same household of any of its principal stockholders, directors, or principal officers.

In addition, if there is any issuance or transfer of shares (e.g. private placements, asset for shares swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares done and fully-paid for six (6) months prior to the start of the Offering Period at an issue or transfer price less than the price per Offer Share shall be subject to a lock-up period of at least one (1) year from the date of full payment. A total of 4,703,291,500 Shares held by thirteen (13) shareholders will be subject to such one (1) year lock-up period.

The following stockholders of CTS Global are subject to the one (1) year lock-up from the time of full payment of their shares:

<b>Shareholder</b>	<b>No. of Common Shares Covered by 1-year Lock-up</b>	<b>Ownership Percentage to Total Issued Shares Before the Offer</b>
Edward K. Lee	1,679,357,960	30.53%
Alexander C. Yu	741,765,000	13.49%
Hernan G. Lim	596,706,000	10.85%
Raymond C. Yu	596,706,000	10.85%
Catherine L. Ong	255,181,540	4.64%
Edmund C. Lee	220,000,000	4.00%
Lawrence C. Lee	220,000,000	4.00%
Lydia C. Lee	178,570,000	3.25%
Adrian Alexander N. Yu	100,000,000	1.82%
Michelle Angeline N. Yu	110,000,000	2.00%
Martin T. Lee	3,005,000	0.05%

<b>Table 9: Shareholders subject to One Year Lock-Up Period</b>		
<b>Shareholder</b>	<b>No. of Common Shares Covered by 1-year Lock-up</b>	<b>Ownership Percentage to Total Issued Shares Before the Offer</b>
Donald R. Felbaum	1,000,000	0.02%
Emmanuel L. Samson	1,000,000	0.02%
<b>Total</b>	<b>4,703,291,500</b>	<b>85.51%</b>

### **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 Philippine SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

## OWNERSHIP STRUCTURE

The following table presents the ownership structure of the Company as of the date of this Prospectus, and the expected ownership structure immediately following the completion of the Offer:

<b>Table 10: Ownership Structure</b>				
Shareholder	Citizenship	Number of Subscribed Common Shares	Shareholding before the Offer	Shareholding after the Offer
Edward K. Lee	Filipino	1,679,357,960	30.53%	24.43%
Alexander C. Yu	Filipino	741,765,000	13.49%	10.79%
Hernan G. Lim	Filipino	596,706,000	10.85%	8.68%
Raymond C. Yu	Filipino	596,706,000	10.85%	8.68%
Jessalyn L. Tan	Filipino	300,000,000	5.45%	4.36%
Abraham A. Ang	Filipino	296,706,000	5.39%	4.32%
Catherine L. Ong	Filipino	255,181,540	4.64%	3.71%
Edmund C. Lee	Filipino	220,000,000	4.00%	3.20%
Eleanore L. Teo	Filipino	200,000,000	3.64%	2.91%
Lawrence C. Lee	Filipino	220,000,000	4.00%	3.20%
Lydia C. Lee	Filipino	178,570,000	3.25%	2.60%
Adrian Alexander N. Yu	Filipino	100,000,000	1.82%	1.45%
Michelle Angeline N. Yu	Filipino	110,000,000	2.00%	1.60%
Martin T. Lee	Filipino	3,005,000	0.05%	0.04%
Joseph C. Tan	Filipino	2,500	0.00%	0.00%
Donald R. Felbaum	American	1,000,000	0.02%	0.01%
Emmanuel L. Samson	Filipino	1,000,000	0.02%	0.01%
<b>Total</b>		<b>5,500,000,000</b>	<b>100.00%</b>	<b>80.00%</b>

### Lock-Up

Pursuant to the Listing Rules for the Main and Small, Medium and Emerging (“SME”) Boards of the PSE, an applicant company shall cause its non-public stockholders, and their related parties, to refrain from selling, assigning or in any manner disposing of their shares for a period of one (1) year after the listing of said shares. Thus, all non-public stockholders, including their related parties, are subject to one (1) year lock-up, reckoned from the Listing Date.

Furthermore, if there is any issuance or transfer of shares done and fully paid for within 180 days prior to the start of the Offering Period and the transaction price is lower than that of the offer price in the IPO, all shares availed of shall be subject to a lock-up period of at least one (1) year from listing of the aforesaid shares.

To implement this lock-up requirement, the PSE requires, among others, to lodge the shares with the PDTC through a participant of the PDTC system for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

The following are covered by the lock-up requirement:

<b>Table 11: Shareholders subject to One Year Lock-Up Period</b>			
Shareholder	No. of Shares Subject to Lock-up	Shareholding before the Offer	Shareholding after the Offer
Edward K. Lee	1,679,357,960	30.53%	24.43%
Alexander C. Yu	741,765,000	13.49%	10.79%
Hernan G. Lim	596,706,000	10.85%	8.68%
Raymond C. Yu	596,706,000	10.85%	8.68%
Catherine L. Ong	255,181,540	4.64%	3.71%
Edmund C. Lee	220,000,000	4.00%	3.20%
Lawrence C. Lee	220,000,000	4.00%	3.20%
Lydia C. Lee	178,570,000	3.25%	2.60%
Adrian Alexander N. Yu	100,000,000	1.82%	1.45%
Michelle Angeline N. Yu	110,000,000	2.00%	1.60%
Martin T. Lee	3,005,000	0.05%	0.04%



<b>Table 11: Shareholders subject to One Year Lock-Up Period</b>			
<b>Shareholder</b>	<b>No. of Shares Subject to Lock-up</b>	<b>Shareholding before the Offer</b>	<b>Shareholding after the Offer</b>
Donald R. Felbaum	1,000,000	0.02%	0.01%
Emmanuel L. Samson	1,000,000	0.02%	0.01%
<b>Total</b>	<b>4,703,291,500</b>	<b>85.51%</b>	<b>68.41%</b>

In addition, if there is any issuance of shares or securities such as private placements, assets for shares swap, or a similar transaction or instruments which would lead to the issuance of shares or securities such as convertible bonds, warrants or similar instrument that are completed within six (6) months prior to the start of the offer period, and the relevant transaction price is lower than the offer price in the initial public offering, then all such shares or securities shall be subject to a lock-up period of at least one (1) year from full payment of such shares or securities. No such shareholder is covered by the said lock up requirement.

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository (“PCD”) participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

## INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL

### Legal Counsel to Issuer and Legal Counsel to Underwriter

Legal matters in connection with the Offer have been passed upon by Tan Venturanza Valdez, the Legal Counsel to the Underwriter and Attys. Sharon T. Lim and Stephanie Faye B. Reyes, Legal Counsel to the Issuer. The required expert opinions (on legality, on taxation and on permits and licenses) from independent counsel have been rendered by Atty. Bernard Gorospe. Except as disclosed in the immediately succeeding paragraph, each of the foregoing counsel has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the standards of independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

Tan Venturanza Valdez Law does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and have not acted as promoter, underwriter, voting trustee or employee.

Atty. Bernard Gorospe does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and have not acted as promoter, underwriter, or voting trustee. From 1995 to 1999, Atty. Gorospe was an employee, Head of Equity Research, of CTS Global (then known as Citisecurities, Inc.).

Attys. Sharon T. Lim and Stephanie Faye B. Reyes are the Corporate Secretary and the Assistant Corporate Secretary, respectively, of the Company.

### Independent Auditors

The Audited Financial Statements as at and for the year ended December 31, 2020, including the notes thereto that are incorporated by reference in this Prospectus, have been audited without qualification by RTC auditors, as stated in their reports appearing herein. Furthermore, the financial statements as at and for the full years ended December 31, 2018 and 2019 were likewise audited by RTC.

RTC has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. RTC have no, and will not receive any, direct or indirect interest in the Company or in any securities pursuant to or in connection with the Issue 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 Company's Audit Committee reviews and approves the scope of audit work of the independent auditor and the amount of audit fees. The audit fees have been presented for approval by the stockholders in the annual meeting. Furthermore, the scope of and amounts of any service rendered by the external auditors other than the audit of financial statements, are subject to review and approval by the Audit Committee.

RTC do not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and have not acted as promoter, underwriter, voting trustee, or as employee of CTS.

## THE COMPANY

*The following discussion of the Company's business contains forward-looking statements, which involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Investment Considerations and Risks Factors" and elsewhere in this Prospectus.*

### Business Overview

CTS Global Equity Group Inc. ("CTS Global", the "Company", or the "Issuer"), formerly Citisecurities Inc., was established to engage in the business of equities trading as a broker-dealer for the Philippine market, but through time, shifted focus on its proprietary trading desk for global equities. It uses its intellectual property assets, specifically on risk management, macroeconomics, fundamental, and technical analysis, to seek and capitalize on opportunities on a local and global scale through trading of equities listed in stock exchanges. With a combined experience of more than 100 years trading in the stock market, the proponents of the Company have developed a robust trading system that allows its traders to consistently generate returns on proprietary and client capital. The Company offers its brokerage services for securities registered in the Philippines, particularly to the Philippine Stock Exchange. The Company is not engaged in the business of an investment company, and therefore, it does not need to secure an investment company license. Its proprietary trading activities do not constitute a collective investment scheme, defined under the Investment Company Act Implementing Rules and Regulations. For a more detailed discussion on the Company's regulatory framework, please see "The Company – Regulatory Framework" on page 80 of the Prospectus.

The Company's core competency was honed in the Philippine stock market and further developed overseas, particularly in the US, Hong Kong, and Japan stock markets. Through decades of active participation in these trading markets, the Company was able to develop and has continued to develop its intellectual property assets, thereby improving its competitive advantage. After successfully pivoting and maneuvering the challenges of the pandemic with the newly digitized training sessions, risk management monitoring, and fully automated analytics, the pandemic has paved the way for the Company to level up its operations. Financial results from 2020 demonstrates the Company's capability to withstand and even profit from unprecedented market shocks, bringing confidence to consistently perform amid major market challenges in the future.

Currently, the Company has a pool of more than 30 traders who manage a combined capital amounting ₱550,000,000. Each trader is considered as a profit center with its own unique trading system. Though the trading strategies are inherently diverse, the development and application of every distinct trading technique falls under the overarching trading system and rules of the FTSR Trading Framework. This framework has been developed for 40 years and is still constantly improved under the Caylum Trading Institute ("Caylum" or "CTI"), the Company's trading education partner.

The Company is essentially a trader development ecosystem and investments in technology have only strengthened its ability to efficiently produce and distribute valuable content and information to traders. In 2019, the Company invested in creating its own trader performance analytics portal to support the traders in the on-going analysis of their performance. Its risk management processes have also been completely digitized to provide risk overseers a real-time view of exposures of business units. In 2020, the limitations brought about by the COVID-19 pandemic in fact accelerated the use of cost-effective, readily available platforms in the market today. In contrast to the experience of many, the work-from-home arrangement actually greatly benefited the Company as it enabled it to streamline its trader training online thereby significantly improving trader performance, while at the same time materially reducing the overhead cost of maintaining a physical trading floor.

The Company believes that its stock market expertise and training program are inestimable assets that can support its core vision of growing the number of traders in its pool while also being able to consistently preserve and grow the various assets under its management. The Company projects that it can potentially achieve firm-wide proprietary trading and client management revenues of ₱1,000,000,000.00 by 2030.

The Company's revenues for the years 2018, 2019 and 2020 were ₱54.85 million, ₱46.99 million and ₱172.26 million respectively. Net income (losses) for the years 2018, 2019, and 2020 were (₱8.30 million), (₱32.49 million), ₱46.9 million, respectively.

Currently, the Company is a standalone entity; however, it is open to the possibility of incorporating subsidiaries in the future.

## **Regulatory Framework**

### ***Primary Purpose***

The Company, as a licensed broker/dealer under Section 28 of the Securities Regulation Code and a corporation duly organized in the Philippines under the Revised Corporation Code, falls under the supervision of the Securities and Exchange Commission as well as the Capital Markets Integrity Corporation (CMIC) and its applicable rules.

The primary purpose of the Company is to engage in the business of a broker *and* dealer in securities, to wit:

“SECOND: - That the purposes for which said corporation is formed are:

That the corporation shall engage primarily in the business of stock and bond brokers and dealers in securities and in all activities directly or indirectly connected therewith or incidental thereto.”

### ***Secondary License***

Consistent with its primary purpose, CTS Global engages in brokerage services and in the proprietary trading of global equities. The Company is a broker in securities as it buys and sells shares for and on behalf of its clients. Under Section 3.3 of the Securities Regulation Code, a broker is “a person engaged in the business of buying and selling securities for the account of others”. Through its team of traders, the Company also buys and sells shares in various markets, local and overseas, for the Company’s own account. The same is consistent with the business of a dealer which Section 3.4. of the SRC defines as “any person who buys/sells securities for his/her own account in the ordinary course of business.” The Company plans to utilize most of the proceeds from its public offering to grow its business as such dealer in securities (scaling of global trading operations).

### ***The Company is not engaged in collective investment schemes***

In operating its proprietary trading business segment, the Company is engaged in the business of being a dealer, as defined under the SRC, and not an “Investment Company” regulated under the Investment Company Act (Republic Act No. 2629). Rule 1.19 of the Investment Company Act Implementing Rules and Regulations (“ICA IRR”) defines an “Investment Company” as:

“xxx a stock corporation primarily engaged or holds itself out as being engaged primarily, or proposes to engage, in the business of investing, reinvesting and trading in securities.”

An Investment Company is a type of a “collective investment scheme”, which the ICA IRR defines as a scheme where “funds are solicited from the investing public for the purpose of investing, reinvesting and trading in securities or other assets.” A substantial majority of operating investment companies in the Philippines are “open-end investment companies” (or mutual funds), the *modus operandi* of which is characterized by (1) the active solicitation of funds from the investing public, and (2) use of the pooled funds from said investing public to reinvest in securities and/or other assets in accordance with the investment objective stated in its Prospectus. The investing public “invests” in the mutual fund by buying shares directly from the mutual fund company itself or through authorized fund distributors which usually impose a Sales Load and Management Fee (normally paid to a fund management company). A mutual fund’s business consists entirely of soliciting investments and reinvestment of the pooled funds in various asset classes. The investor in a mutual fund also typically does not expect to receive dividends of any kind (whether in cash, stock or property), since most mutual fund companies adopt strategies/policies of retaining surplus profits to reinvest the same, said gains/income received by the mutual fund instead just affecting the computation of the mutual fund’s Net Asset Value Per Share (NAVPS). The mutual fund investor, therefore, profits from the investment made *if* the NAVPS has appreciated in value (comparative to its price at investment date) and the investor sells the mutual fund shares. In an Investment Company, the investing activity of the corporation is reliant on funds pooled from the public. The investor buying shares in the mutual fund acquires an undivided interest in the pool of assets or investments held by the mutual fund company.

On the other hand, by buying shares in CTS Global, whether during public offering or anytime thereafter, an investor becomes a shareholder with the concomitant rights of a regular stockholder (i.e. voting rights, dividend rights, appraisal rights, etc.) in an enterprise, the business of which includes that of being a broker *and* a dealer in securities.

A dealer buys and sells securities for its own account, using corporate funds. Therefore, in offering its shares to the public, CTS Global will use the proceeds from the same to expand the Corporation's business, including deploying funds for its proprietary trading segment and continue acting as a dealer in securities. That a dealer in securities will offer its shares to the public will not convert the corporation into an investment company engaged in a collective investment scheme.

In addition, as a Corporate taxpayer, the Company must be compliant with the payment of various taxes under the National Internal Revenue Code and the relevant revenue regulations issued by the Bureau of Internal Revenue.

Other laws that the Company must continuously comply with include the Data Privacy Act of 2012 and the Anti-Money Laundering Act, as well as the Social Security Law, Home Development Mutual Fund Law and National Health Insurance Act of 1995 for the benefit of the Company's employees

For a more detailed discussion on the regulatory matters applicable to the Company, please see "Regulatory Framework" section on page 146 of this Prospectus.

## **History and Development**

**1975** The Company was incorporated and registered with the SEC on October 2, 1975 as B. L Tan Securities Inc. with authorized capital stock of 70,000 shares at a par value of ₱100.00.

**1986** On May 10, 1986, the Company was renamed as Citisecurities, Inc., a brokerage company that functions both as a broker for external clients and a dealer that trades proprietary funds of the company.

**1995** The Company increased its authorized capital stock to 500,000 shares at a par value ₱100.00, 100% of which have been fully subscribed to.

**1999** COL Financial Group Inc., was spun off from the Company so that the latter may focus on its core proprietary trading business. COL Financial Group, Inc. is the leading and largest online trading platform in the Philippines today.<sup>5</sup> COL Financial Group, Inc. eventually listed in the Philippine Stock Exchange in 2006 and has rapidly grown from less than 300 clients as of its listing date to almost 500,000 clients today.

**2013** Decades of experience in trading the Philippine and global markets paved the way for the creation of the Caylum Trading Institute, a trading school that teaches the basic and advanced skills for trading. It has become a primary source for the Company to recruit new traders. This trading pool has been a cost-effective way of adding to the roster of traders. The Company likewise increased its authorized capital stock to 200,000,000 shares at a par value of ₱100.00, 100,000,000 shares of which have been fully subscribed to.

**2019** The Company reduced its par value from ₱100.00 to ₱1.00 per share. CTS kicked off its commitment to digitization by acquiring the CTS Trade Management System Platform.

**2020** The Company changed its name to CTS Global Equity Group, Inc. and fast-tracked its digitization process during the COVID-19 pandemic. A database was created to house all training modules and coaching sessions, shortening the duration of the trader's development curve. Digitization also meant closing down The Company's physical trading floor, which is a large portion of the overhead cost.

The Company increased its authorized capital stock to 800,000,000 shares at a par value ₱1.00, 500,000,000 shares of which have been fully subscribed to.

**2021** The Company reduced its par value from ₱1.00 to ₱0.10 per share.

## **Impact and Rationale of the Stock Split / Change in Par Value per Share<sup>6</sup>**

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<sup>5</sup> COL Financial Group is the leading Philippine stockbroker in terms of value turnover. For 1H2021, it booked Php 244B in value turnover, 11.2% of the PSE. COL Financial also leads in the customer base count, with 478,673 client accounts as of September 2021.

<sup>6</sup> The discussion includes the June 2021 additional capital infusion of ₱50.0M to support the Company's trading operations and working capital requirements.

On 8 April 2020, the Company's shareholders approved amendments to the Articles of Incorporation which included a reduction of the par value of the shares from One Peso (₱1.00) per share to Ten Centavos (₱0.10) per share, resulting in a stock split where every common share with a par value of One Peso (₱1.00) would become 10 common shares with a ₱0.10 par value per share.

The reason for the change in par value per share was to make the shares of the Company more affordable to new investors. Through the stock split, the Company would be able to offer more shares at a lower price, thereby allowing small investors to invest in the Company.

On 14 April 2021, the SEC approved the reduction in par value per share of the Company.

The following table sets forth the Company's selected financial information as of September 30, 2021, and pro forma financial information illustrating the impact of the aforementioned events, particularly the (i) Stock Split, and (ii) Effect of the Change to the Future Shareholders of the Company through its IPO, had these occurred as of September 30, 2021. The table below should be read together with the sections entitled "Capitalization" and "Dilution" of this Prospectus, and our audited financial statements as of September 30, 2021 and notes thereto, included in the Prospectus.

Notes on the computation of the foregoing ratios:

	<b>As of September 30, 2021</b>					
	<b>Actual</b>		<b>Proforma</b>		<b>Proforma</b>	
	<b>Before the Stock Split, Par Value of ₱1.00 per share</b>	<b>As Adjusted to Give Effect to the Stock Split Reducing the Par Value to ₱0.10 per share</b>	<b>As Further Adjusted to Give Effect of the Change to the Future Shareholders of the Company through its IPO</b>	<b>No. of shares</b>	<b>Amount (₱)</b>	<b>Amount (₱)</b>
<b>Formula</b>	<b>No. of shares</b>	<b>Amount (₱)</b>	<b>No. of shares</b>	<b>Amount (₱)</b>	<b>No. of shares</b>	<b>Amount (₱)</b>
(1) Book value per share is computed by dividing equity available to common shareholders by the number of outstanding shares		1.0807	0.1081		0.2865	
Total equity (₱)		594,400,127	594,400,127		1,969,400,127	
No. of outstanding shares		550,000,000	5,500,000,000		6,875,000,000	
(2) Basic and diluted earnings per share is computed by dividing net profit by the total outstanding shares		0.049	0.005		0.004	
Net profit (₱)		27,115,162	27,115,162		27,115,162	
No. of outstanding shares		550,000,000	5,500,000,000		6,875,000,000	
(3) Current ratio is computed by dividing current assets by total current liabilities		3.175	3.175		8.850	
Current assets (₱)		769,202,121	769,202,121		2,144,202,121	
Current liabilities (₱)		242,287,754	242,287,754		242,287,754	
(4) Debt to equity ratio is computed by dividing total interest-bearing debt by total equity		-	-		-	
Total interest-bearing debt (₱)		-	-		-	
Total equity		594,400,127	594,400,127		1,969,400,127	

## Corporate Structure

The following table presents the corporate structure of the Company before and after the Offer:

<b>Table 12: Shareholders and their Shareholdings Pre-Offer and Post-Offer</b>				
Shareholder	Number of Subscribed Common Shares before the Offer	Shareholdings before the Offer	Number of Subscribed Common Shares after the Offer	Shareholdings after the Offer
Edward K. Lee	1,679,357,960	30.53%	1,679,357,960	24.43%
Alexander C. Yu	741,765,000	13.49%	741,765,000	10.79%
Hernan G. Lim	596,706,000	10.85%	596,706,000	8.68%
Raymond C. Yu	596,706,000	10.85%	596,706,000	8.68%
Jessalyn L. Tan	300,000,000	5.45%	Included in the public shares post-offer	
Abraham A. Ang	296,706,000	5.39%	Included in the public shares post-offer	
Catherine L. Ong	255,181,540	4.64%	255,181,540	3.71%
Edmund C. Lee	220,000,000	4.00%	220,000,000	3.20%
Eleanore L. Teo	200,000,000	3.64%	Included in the public shares post-offer	
Lawrence C. Lee	220,000,000	4.00%	220,000,000	3.20%
Lydia C. Lee	178,570,000	3.25%	178,570,000	2.60%
Adrian Alexander N. Yu	100,000,000	1.82%	100,000,000	1.45%
Michelle Angeline N. Yu	110,000,000	2.00%	110,000,000	1.60%
Martin T. Lee	3,005,000	0.05%	3,005,000	0.04%
Joseph C. Tan	2,500	0.00%	Included in the public shares post-offer	
Donald R. Felbaum	1,000,000	0.02%	1,000,000	0.01%
Emmanuel L. Samson	1,000,000	0.02%	1,000,000	0.01%
Public	-	-	2,171,708,500	31.59%
<b>Total</b>	<b>5,500,000,000</b>		<b>6,875,000,000</b>	<b>100.00%</b>

## Business Segments

The Company's existing and future business segments are:

**Proprietary Trading.** The Company boasts over 30 traders with exposure in multiple global markets including the United States, China, Hong Kong, Japan and the Philippines. CTS Global's investment framework, which has been developed and refined for over the past forty years, allows the Company to consistently generate return on proprietary capital. This business segment will remain to be the Company's largest revenue contributor in the foreseeable future. In this segment, the traders generate profits for the firm in exchange for overall trader development, risk infrastructure, proprietary capital, and compensated with a fixed salary and performance bonuses.

For the nine months ending September 2021, global proprietary trading makes up 37% of the total Proprietary Trading revenues, while the other 63% is from the Philippine market.

**Brokerage Services.** As one of the PSE Trading Participants, CTS Global renders stock brokerage and dealership services at a fee for high net worth clients. Revenues from this side are in fixed commissions based on the transaction amounts. The Company is not engaged in market making transactions and deals only in equity securities. As a traditional broker, CTS clients place their buy or sell orders and receive confirmation of the execution of their transactions through licensed salesmen of the Company.

This is in contrast with COL Financial Group Inc. which is solely engaged in the online stock brokerage business for the Philippine market, wherein COL clients can enter their orders and receive the confirmation of their transactions directly through COL's online platform. Aside from its mass retail client base, it has Independent Financial Advisors and the Private Clients Group catering to higher net worth clients and institutional investors in the Philippines. Moreover, unlike CTS Global, COL Financial does not have a proprietary trading desk and does not engage in proprietary trading as part of its business model.

**Client Account Management.** The Company intends to provide management of investment and other financial advisory services on behalf of its clients with the goal of growing the client’s portfolio over time while mitigating risk. This segment’s model is currently in its preliminary phase that started with the 2021 model portfolio.

Under this arrangement, the client will be creating a brokerage account with a foreign broker of their choosing. This account will be subject to the terms and conditions, including commission rates, that will be imposed by such broker. The Company will not be involved with the negotiation of these terms and conditions. It is only after the account is opened that the Company will advise the client on the investment or trading strategy suitable to their needs in exchange for a professional fee. It should be noted that under this arrangement, the client will retain full access to their account. Further, the authorization granted to the Company will be limited to the execution of the agreed upon investment or trading strategy, and will not extend to other transactions such as withdrawal or transfer of assets.

**Investment Income.** Aside from giving an overall guidance to the trading house’s market and foreign exchange exposure, the Macroeconomics Desk and the Global Research team within CTS Global likewise invests in assets with a longer-term horizon. These teams specialize in conducting in-depth research to generate alpha.

In Php	Year Ended December 31					
	2020		2019		2018	
<b>REVENUE SEGMENTS</b>						
Proprietary Trading	159,014,401	<b>92%</b>	28,948,708	<b>62%</b>	36,365,157	<b>66%</b>
Brokerage	13,246,805	<b>8%</b>	18,039,027	<b>38%</b>	18,486,148	<b>34%</b>
<b>TOTAL REVENUES</b>	<b>172,261,206</b>	<b>100%</b>	<b>46,987,735</b>	<b>100%</b>	<b>54,851,305</b>	<b>100%</b>

*For segmentation purposes, Proprietary Trading revenues include the line items Trading gains on financial assets at FVPL and Dividends, while the Brokerage segment includes Commissions and Interests. The Client Account Management segment is a future segment that currently does not contribute to the revenues. Investment Income, on the other hand, is currently incorporated into the Proprietary Trading revenues as both are of the same nature.*

## Competitive Strengths

***The Company has developed intellectual property assets, including automated systems for risk management, performance analytics, trader training and monitoring.***

A big pivot leading up to the 2020 pandemic was the full utilization and/or migration of many systems from manual to automated. First, the Company owns a trader monitoring platform used by individual traders and the management to monitor trading teams and individual trader performance. On this platform, a trader’s performance is broken down to the most granular statistics which have become crucial for the Company’s leadership in tracking how the trades are being made and in coaching traders. This system is overseen by multiple risk managers who then circulate alerts and updates to the management team in real-time. Additionally, the Company has also developed a wide selection of training materials in video and presentation formats worth more than a thousand hours. These materials are likewise used in coaching and can be accessed by traders and trader teams simultaneously resulting in a more efficient distribution of information.

***The Company is led by a competent and experienced management team with deep understanding of macroeconomic and market cycles.***

CTS Global is led by experienced investors and traders that have gone through multiple macroeconomic and market cycles. Over the years, they have leveraged these experiences by applying their accumulated knowledge in the stock market to preserve and enhance their managed assets. In the same breadth, such invaluable wealth of stock market expertise had propelled them to train traders to achieve consistent high yields.

For the past five years, on a CAGR basis, the Company had been able to outperform benchmark indices in the S&P 500 and the PSEI Index by 990 basis points and 2310 basis points respectively. The Company believes that it already has the right personnel, system and infrastructure to be able to scale and continue the performance it achieved the past years.



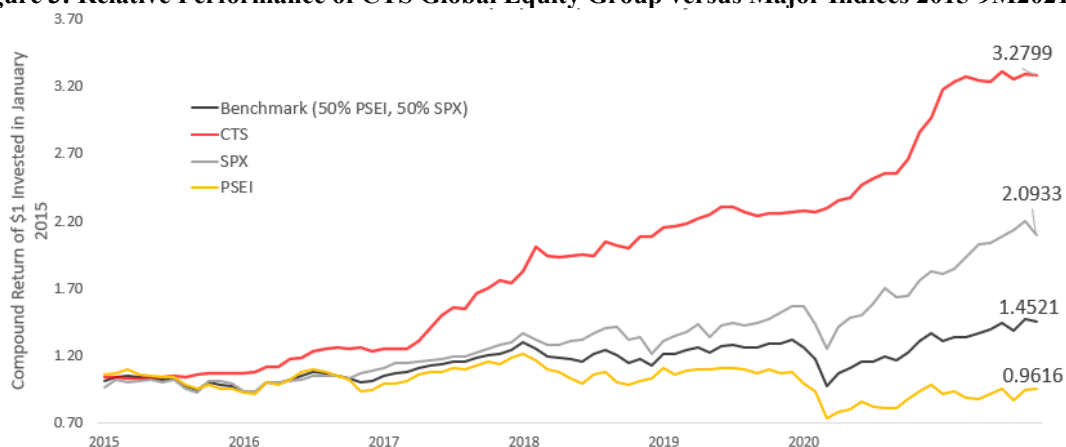
The proponents of CTS Global, led by the Chairman, Mr. Edward K. Lee, are experienced stock market players not only locally, but also globally. Their experience span decades of trading and investing in multiple asset classes and regions, as the Chairman himself started out as a self-taught stock trader, trading issues in the Philippine Stock Exchange for more than three decades. He also had a brief stint as a commodities trader in an investment firm in Canada. His vast trading experience has led him to develop a unique and sustainable trading discipline that he now imparts to the Company’s traders. The system is currently being used and improved by the Company’s traders today.

***The Company follows a prudent risk management infrastructure.***

Driving this systematic ability to grow the assets it controls is CTS Global’s focus on managing risk. Prioritizing capital preservation is evidenced by the Company’s creation of a risk management infrastructure that oversees all trading and investment decisions made by its trained personnel. The ability to leverage on the strength and reliability of this infrastructure will be a very significant element in the Company’s capability to scale and grow as well as attain operational efficiency.

The two main characteristics of the company’s equities trading business are (1) the average holding period of trades made are short-term in nature and (2) preservation of capital is the primary objective of all pursuits of trading opportunities. These two characteristics have allowed the Company to consistently outperform benchmark indices.

**Figure 3: Relative Performance of CTS Global Equity Group versus Major Indices 2015-9M2021**



Notes: US and Philippine trading share the capital base of CTS Global and that’s why a 50/50 calculation for the benchmark is the best approximation.

The focus on short-term profit accumulating opportunities and the priority on capital preservation are tied together by CTS Global’s ability to immediately de-risk or move equity positions to cash or money market instruments. This enables the ability to remove undue exposure to market risk as needed. CTS Global does not employ the use of leverage or hedging mechanisms or instruments to protect its open market exposures.

Timing Objective	Holding Period	Average VAR per trade
Intra-day trade	Less than a day	0.25% or less
Day trade	One to two days	0.25% to 1%
Position	More than two days	1% to 2%

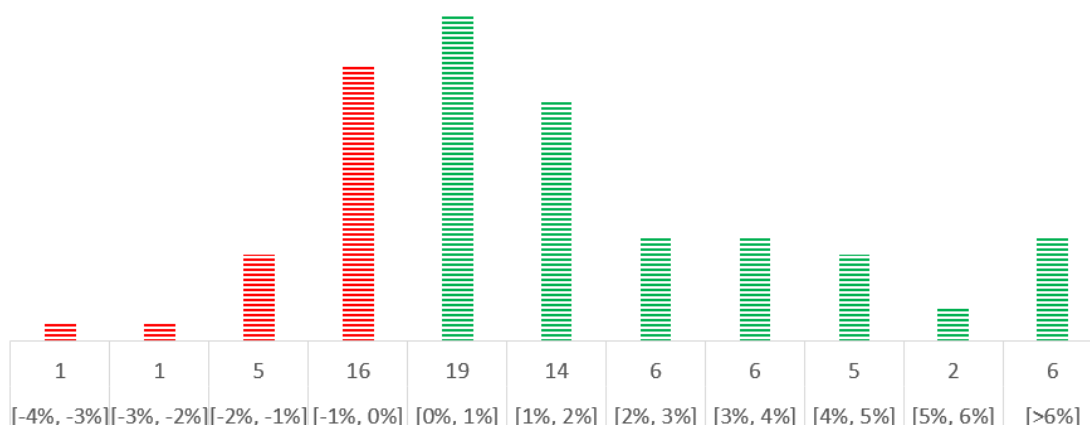
CTS Global employs a Value-at-Risk (“VAR”) system to limit and control potential losses on trades. The firm-wide mandate for business units is to limit potential losses on every trade within the range of 0 to 1% of their respective proprietary trading account sizes. A circuit-breaker protocol is strictly implemented for all individual traders experiencing a monthly drawdown in excess of 3%. Traders’ performance are constantly monitored and

thus when an individual trader loses up to 3% of his or her base portfolio amount in a given month, measures (including suspension from trading) are undertaken by the Company depending on the circumstances resulting in the loss. Individuals may only resume trading after a review and approval from the management.

A strict monitoring of all the traders' positions allows the firm to have a control of the Company's overall exposure risk at any time. With the guidance of the macroeconomics desk and the senior traders' general strategy, exposure is capped in times of bad market conditions. Also, traders generally end the fiscal year with their outstanding positions closed out.

To demonstrate the result of this system, below is a table of the Distribution of Monthly Returns by the firm. The minimal number of months with more than -1% loss encapsulates the firm's low-risk-high-return trading methodology.

**Figure 4: Distribution of Monthly Returns 2015 – 9M2021**



***The Company has historically demonstrated its ability to generate “alpha” or strategies that have proven to be effective in beating the market.***

Compared to major indices such as the S&P 500 and the Philippine Stock Exchange Index, the Company has proven its track record in beating the markets by a wide margin. This demonstrates the proven viability of the active trading business model.

CTS' trading desk is guided by the years of trading experience by the senior management, as well as the Global Research Team and Macroeconomics desk. The Global Research Team consists of several analysts using the bottom-up fundamental analysis approach to identify global stocks with good prospects for trading and investing. The Macroeconomics desk, on the other hand, is critical in guiding the firm control its overall exposure based on economic indicators and general market sentiment.

***The Company has a long-standing partnership with the Caylum Trading Institute, which is founded by the same proponents as the Company's.***

Playing a large role in the continuous improvement of trading systems and development of traders is the Caylum Trading Institute (“CTI” or “Caylum”), which serves as the education and training partner of the Company. The proponents of the Company founded CTI with the objective of developing holistic traders adept at market timing and capable of applying effective trading strategies across all global market environments. Today, the Company and CTI work hand in hand in educating aspiring traders and equipping them with the required skills to trade successfully.

Given the technical skills required for traders, the Company's partnership with Caylum allows the former to choose from a pool of would-be traders that could be aligned with the Company's trading dynamics and philosophy. As an organization that puts the trader at the center of its competitive advantage, the sustained

knowledge development in Caylum allows CTS Global to effectively raise the quality of its systems and personnel. Caylum is composed of the same seasoned market proponents that have built the Company.

Caylum prides itself in creating a holistic approach to understanding financial markets. With its faculty that is composed of seasoned practitioners of stock market investing and trading, it was able to help concretize the Company's extensive trading experience accumulated and developed over the years into a market timing guiding system called the FTSR Framework. The mastery of this framework had been the basis for evaluating students for potential recruitment by the Company.

***The Company has the ability to leverage on the COL Financial Group Inc. ecosystem.***

CTS Global is also a direct beneficiary of the work done in increasing market awareness and education primarily spearheaded by its closely related company, COL Financial Group, Inc. ("COL"), of which Mr. Edward K. Lee is also the Chairman. Through COL's vision and efforts in educating and encouraging the public to participate in the stock market, the seeds of investor preference and choice have already been planted. Shifting to a better selection of issues to participate in, whether they can be found locally or overseas, is a natural progression of investors that will only magnify the advantage of CTS Global. With continued compression of margins and transaction costs of global investments, ease of access to global markets, and continued advancement of technologies that improve investor experience, the potential shift towards understanding the advantages of diversifying risk across investments on a global scale will only benefit CTS Global for years to come.

***The global trading business model is scalable and provides a high operating leverage.***

Since the Company started shifting its focus to the global market, it removed the limits on scalability to which local trading operations were frequently subject to. Due to the limited liquidity in the Philippine market, it is more difficult for traders to implement the same active trading strategies with bigger assets under management. Thus, when the focus was on the Philippine market, the only way to scale the business was to increase the trading count. Since increasing greater participation in global markets, the higher liquidity makes it much easier for the traders to scale their accounts and thus the Company is likewise seeing more revenues coming from the global markets.

Working like a technology-based business, the Company employs a high operating leverage as the base salary and operating costs remain low along with the trader count despite a drastic AUM (assets under management) increase. This magnifies the growth potential that the additional infused capital after the IPO can provide.

## **Competition**

Operating in both the stock brokerage and proprietary segments, CTS Global is mainly driven by the global equity markets and the asset management industry. An optimistic trend is expected for the industry, following the growth trajectory both locally and internationally as PSE stock brokerage accounts grew by 13.7% in 2020, while the global assets under management is estimated to have reached \$101.7 trillion in 2020. Further discussion is available on page 102 to 111 of the Prospectus on Industry Overview.

Current brokerage services and future client accounts management services is offered to both local and foreign clients, subject to regulatory restrictions.

Despite the difference in nature, CTS Global is most comparable to competition in the asset management industry. This includes hedge funds, mutual funds, and other portfolio management institutions.

## **Suppliers**

CTS Global uses Interactive Brokers LLC ("IBKR") for its global trading. IBKR is headquartered in One Pickwick Plaza, Greenwich Connecticut 06830 USA and is considered as one of the best brokers in the world, having been recognized as the #1 Software-Based Online Broker by Barrons in 2020. It is a member of the New York Stock Exchange ("NYSE"), Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). NYSE is headquartered in New York, USA while both FINRA and SIPC are headquartered in Washington D.C., USA. Additionally, IBKR is regulated by the US Securities and Exchange Commission and the Commodity Futures Trading Commission. For its Asia-Pacific regional office, IBKR has its branch Interactive Brokers Hong Kong Limited with an office address at Suite 1512, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong SAR. This is regulated by the Hong Kong Securities and Futures Commission, and is a member of the Stock Exchange of Hong Kong Limited (SEHK) and Hong Kong Futures Exchange.

For Hong Kong trading, the Company also uses COL Securities Hong Kong Limited (“COLHK”), a subsidiary of COL Financial Group Inc., headquartered in Pasig City, Philippines. COLHK is a member of Hong Kong Exchanges and Clearing Limited. In the Philippine market, CTS Global uses its own brokerage segment to execute orders. CTS Global, like any other broker-dealer in the Philippines, is subject to regulations as promulgated by the Securities and Exchange Commission (“SEC”), Anti-Money Laundering Council (“AMLC”), The Philippine Stock Exchange, Inc. (“PSE”), and the Capital Markets Integrity Corporation (“CMIC”).

The bulk of CTS Global’s trading operations is executed through the platform of IBKR, as it offers the best commission cost and availability of global equities across different exchanges such as NASDAQ, Tokyo, London, and New York Stock Exchange. Consequently, in utilizing the services of stock brokers in its operations, technical problems, including but not limited to, trading platform glitches, execution slowdown, or server downtime, may occur. Despite having automated buy and sell orders in place as a risk protocol, this might hinder some traders from executing their systematic trades.

In any case that IBKR will not be able to maintain the same level of service to CTS Global, an abundant number of alternative platforms are available as there are 3,435 broker dealers registered under the US Financial Industry Regulatory Authority. Leading brokers considered by CTS Global include Charles Schwab, TD Ameritrade, and E\*TRADE.

## **Business Plan**

The Company will be leveraging on its proprietary skills and infrastructure that it developed to capitalize on opportunities for revenue generation in the equities market. Foremost in its plans is to scale each business unit by raising the capital of their managed assets. The Company believes that the majority of its pool of traders have the capability to utilize a larger capital base.

In addition to scaling through capital, the Company is also looking to increase the number of its business units (i.e., individual traders) by using its intellectual property to replicate more traders. Though the Company hopes that this would have an immediate impact on its bottom line, it is aware that developing consistently profitable business units could take within six months to two years.

For the first nine months of 2021, half of the Company’s revenues have come from its global trading operations and it is expected that this will continue to further increase in the near future. Due to the obvious advantages of better liquidity and breadth of opportunities, the Company plans to increase its focus in markets overseas particularly the US, Hong Kong and Japan markets. The 2025 goal of the Company is to have 75% of the trading revenues from the global markets and 25% from the Philippines.

Another avenue to leverage the Company’s intellectual property is through its Client Account Management segment which is currently under development. The Company is currently laying the groundworks for development of this segment by assigning personnel and by formulating model portfolios to use. It is expected that this division would eventually be able to contribute a significant portion of the Company’s revenue.

Generally, the Company expects that the markets will be more conducive to investing in equities in the near term as the world reopens after the COVID-19 pandemic. Notably, though economic data across countries demonstrate recovering figures, the Company is also aware that expectations can change overnight. The Company believes that by focusing on the elements of the business that its business units and management can control, it can avoid significant damage to the capital that it manages. The overarching principle of the Company’s business is to prioritize management of risk over pursuit of potential profits.

## **Business Strategies**

### **Proprietary Trading**

***Capitalize on strength.*** CTS Global will focus on its core strength of trading equities. The Company will leverage on its trading expertise by increasing the allocation of proprietary funds assigned to business units (i.e., individual traders). Scaling up the capitalization of each business unit can unlock the operating leverage that is inherent in CTS Global’s business model.

**Continue trader development.** At the center of the Company are its traders. These are individuals who have been trained and equipped to manage allocated proprietary funds. Each trader is a business unit that generates revenues for the Company through trading mainly, but not limited to, equities. It is for this reason that CTS Global has placed prime importance to developing traders.

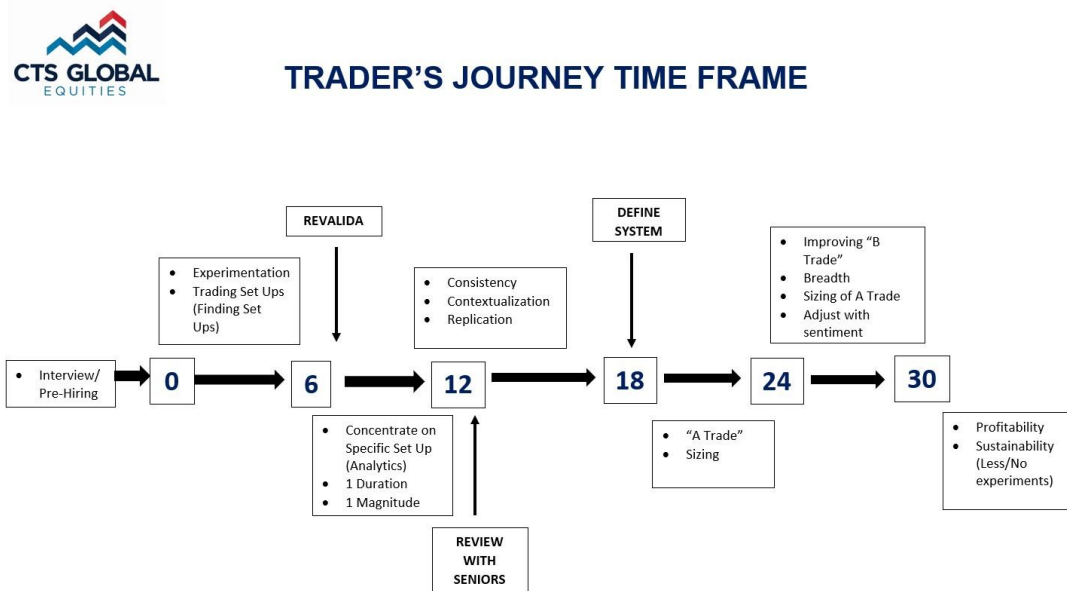
Through its trading education and training partner Caylum, the Company is able to recruit traders who pass the minimum standard that is set for managing proprietary funds. This includes the minimum competence set by the coaches in financial concepts, fundamental and technical analysis. Novice traders are recruited mainly through Caylum’s Recruitment Course, which is an 8-week market timing course that combines theoretical knowledge of the FTSR Framework and practical knowledge as it is applied through actual execution of trades during market hours. At the end of each Recruitment Course, a select few are chosen based on a variety of standards that includes weighted grades of testing and presentations.

Since the pandemic hit, Caylum’s physical classes have come to a halt, but the Company continues to extend its hiring pool through the CTS Global Internship Program. The 2021 Chairman’s Apprentice Program garnered more than 700 college student applicants that went through a stringent screening that produced the top 24 interns from all over the Philippines. They underwent an 8-week program that included regular trainings by the CTS Global management as well as trading simulations and research defense. This bootcamp served both as training and a recruitment screening for potential hires.

With this learning ecosystem within the Company that is composed of trained and experienced professionals, skill development is fast-tracked especially for the newly recruited traders. This unique and invaluable feature is necessary for bringing varying trading business models up to profitability and scale.

The formation of a trader, or business unit, follows a 30-month Trader Development Timeline that begins from the Pre-Hiring Stage and ends with the Profitability and Sustainability Stage. It is in the experience of the Company that not all business units follow similar projected time frames. While some would experience faster development, there would be some that would need to extend their development periods to ensure that the quality of their trading processes, as evaluated by the Company, are up to par.

**Figure 5: Trader’s Journey Time Frame**



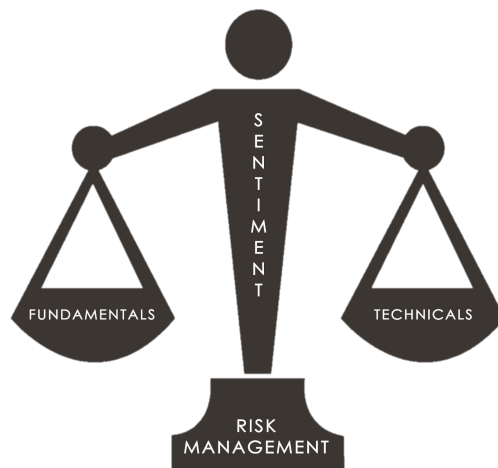
The commitment to continuous trader education has accelerated the adoption of technologies that can improve trader performance and efficiency as well as hasten development. The Company employed the use of current, readily available technologies in the market like Zoom and YouTube to be able to cost-effectively archive and deliver trader experiences.

Currently, CTS Global has a pool of over 30 active traders, almost half of which are designated as Senior Traders that have developed capabilities to instruct, supervise and mentor Junior Traders. Junior Traders are traders that are either in the process of completing their Trader Development Timeline or those that have completed their respective development timelines and are in the process of scaling their portfolios.

The trading pool is also divided into teams that serve as the immediate ecosystem of learning for traders. Each team is handled by a Senior Trader that facilitates learning and supervises the compliance of business units to company rules and standards.

No trader approach is similar to another. This diversity of styles is a natural advantage for the Company. On aggregate, the heterogenous characteristic of proprietary trading business units within the Company provides a more than acceptable risk-adjusted return characteristic as a whole. Diversity in styles, holding periods, risk-appetites, profitability ratios, risk parameters, and other characteristics all combine to reduce risk of ruin for the Company.

At the heart of the Company's intellectual property assets and trader ecosystem is The FTSR Trading Framework, a market timing system that had been developed for decades and was institutionalized in Caylum. This framework comprises of Fundamentals, Technicals, Sentiment, and Risk Management that are the main pillars of successful active trading.



Fundamental Analysis attempts to determine the security's fair value using valuation methodologies with company metrics such as revenues, margins, profits, and ratios. Technical Analysis, on the other hand, is the study of price accompanied by charting tools and indicators. Sentiment is the over encompassing guide of the general market based on the price movements, volume, international fund flows, and the equity markets' relation to other asset classes. Risk management, which is the foundation of the Company, ensures a trading system that has a limited drawdown.

In addition to the FTSR Framework, there are a number of parameters which traders are subject to. These include, but are not limited to, management-directed policies that may bar trading IPOs on the first day or global stocks on their earnings announcement dates. As a general rule, traders are not allowed to engage in short-selling. Traders are also guided by the firm's risk and research departments on the list of stocks that pass the liquidity and fundamental parameters.

The development of this intellectual property is never ending, consistent with The Company's drive to constantly adapt to ever changing market conditions. This FTSR Framework gives The Company the ability to scale through the following:

- Larger proprietary funds for traders
- Participation in more markets other than the Philippines
- Expansion of pool of traders

### ***Continue trades with a more a more global focus***

The Company believes that having a global perspective in the pursuit of opportunities for equities trading has the following advantages:

- Diversification of exposure on a regional basis mitigates the uncertainty of absorbing the risks associated with a specific country.

As shown in the chart below, there are periods of time with a significant gap between markets. The COVID pandemic has adversely affected the profitability of traditional businesses but has taken the technology companies in the US market to new highs. Thus trading in multiple markets effectively allows traders to capitalize such trends to hedge against markets that may have been largely comprised by traditional businesses.

**Figure 6: Comparative Market Trends**



- Exposure to more opportunities as global exchanges have a vast number of listed companies. As can be seen in the table below, the number of IPOs in the US and Hong Kong markets each year since 2009 far outpaces that of the Philippines. The greater number of listed companies in such markets allows for more activity and opportunities for trades for the Company.

**Figure 7: Initial Public Offerings (US vs. HK vs. JP vs. PH)**

Year	US	HK	JP	PH
2021	871	20	91	5
2020	427	29	94	4
2019	205	57	91	4
2018	211	113	97	1
2017	208	96	94	4
2016	148	76	96	4
2015	255	59	98	5
2014	365	61	82	5
2013	348	43	64	8
2012	289	23	54	6
2011	140	52	38	6

Source: Bloomberg, as of November 2021

- As can be seen in the table below, global markets like those of the US, Japan, and Hong Kong are far more liquid than the Philippine market. This increased level of liquidity likewise allows for increased trading activity to the benefit of the Company.

**Figure 8: Market Capitalization Data**

<i>in US\$</i>	<b>Market Capitalization</b>	<b># of Stocks</b>	<b>Ave. Daily Value Traded</b>
World	102,036,514,089,200	43,482	241,436,000,000
US	42,421,583,404,320	15,543	92,768,594,760
China	10,536,230,287,050	4,768	76,181,817,760
Japan	6,873,260,593,760	4,209	20,390,388,240
Hong Kong	6,380,565,953,450	3,143	7,288,962,120
Canada	2,569,212,845,270	4,349	5,730,260,200
India	2,468,354,554,800	8,716	5,022,858,080
Germany	2,467,120,817,730	1,501	5,401,318,400
Korea	2,004,008,596,830	3,267	7,711,315,000
Taiwan	1,721,183,596,010	3,659	3,973,648,448
Australia	1,626,465,777,660	2,803	3,336,904,080
Thailand	530,362,435,800	2,421	1,468,423,320
Indonesia	499,167,636,640	768	471,556,080
Singapore	444,196,081,600	778	456,816,640
Malaysia	433,290,422,630	1,067	434,480,480
Philippines	315,850,592,885	417	119,978,600
Vietnam	218,466,620,070	1,660	126,238,840

Source: Bloomberg, World Bank

Notes:

1. Market capitalization data is from December 20, 2020.
2. Average daily value trade is computed assuming 250 working days per year and is 2019.

- Below is a table showing data of commission costs of brokers in US, Japan and Hong Kong. Transactions costs, specifically for the US market have become very minimal which thus facilitates trading activity by reducing friction costs for the Company. In the US, brokers started their price war in 2019 that drove down commissions to \$1 from the average \$5-10.

**Figure 9: Interactive Brokers Commission Rate**

<b>Country</b>	<b>Commission Rate</b>	<b>Minimum</b>
US	USD 0.005 / share	USD 1
Hong Kong	0.08% of trade value	HKD 18
Japan	0.08% of trade value	JPY 80

### ***Maintain lean cost-structure***

Prior to the onset of the COVID-19 Pandemic of 2020, the Company maintained two offices, one for the legacy brokerage operations and the other for its global proprietary trading operations. As government mandated lockdowns have been prolonged in response to the pandemic, the Company came to a decision to close down the physical office assigned to its global proprietary trading operations.

The Company benefits from the current work-from-home mode of operations as it removes the cost of maintaining a physical office and trading floor. With the use of current cost-effective and reliable technologies that are available today like Zoom that enable virtual meetings and conferences and YouTube that enable distribution of educational content, the Company experienced a higher rate of productivity from its personnel even as the majority of the day-to-day operations of the global proprietary trading business were accomplished remotely.

### ***Continue the implementation of the Company's risk management infrastructure***

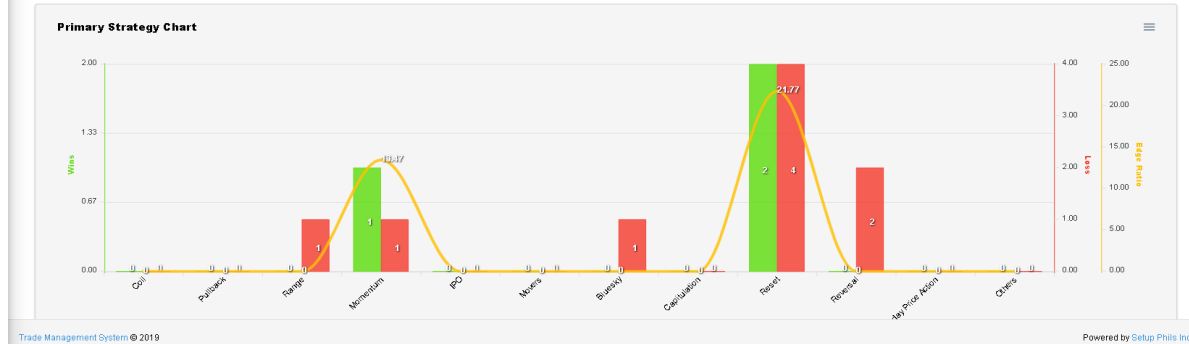
A major part of the process of revenue generation for the Company is the risk management systems that it has put in place. Trading losses make up a sizeable variable portion of the cost of producing revenues that it is only



beneficial for the Company to have created a risk management infrastructure that will oversee business unit activities. This infrastructure is mainly responsible for re-aligning proprietary fund exposures back to the parameters set by the Company’s risk management rules and standards.

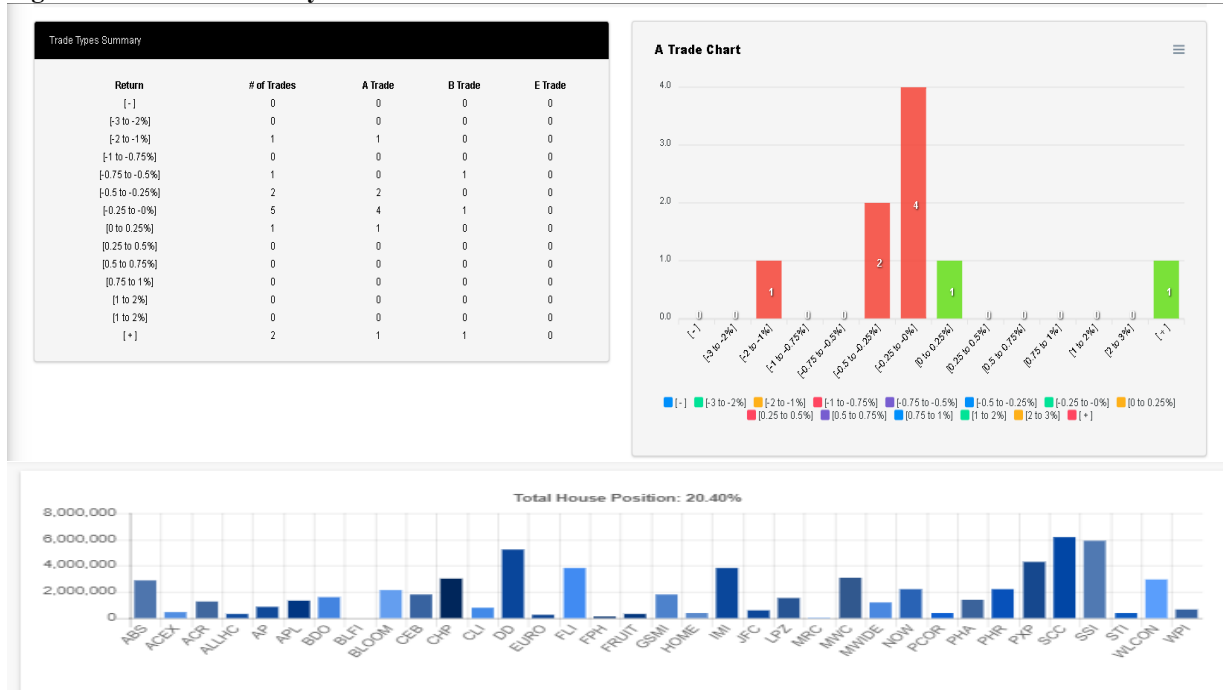
The risk management infrastructure includes a fully digitized reporting and evaluation of risk on a per business unit/individual trader level as well as on a firm-wide basis, and the CTS TMS or CTS Trade Management System, which is a portal for traders to input, evaluate and access their performance.

**Figure 10: Primary Strategy Return Distribution**



(This shows traders the P&L of their particular strategies in order to better capitalize on them.)

**Figure 11: Trade Summary Chart**



(This summarizes the return distribution of trading returns to guide seniors and traders improve their profitability.)

On a real-time basis, risk managers have access to the total house exposure, segregated per market, per stock, or per individual trader. Daily reports are sent out to the senior management to ensure strict monitoring. Traders have monthly, quarterly, and annual trading reviews to keep their performance in check.

**Develop and launch global account management services**

A natural progression of applying trading standards to proprietary funds is the ability to employ the same trading standards to client funds. This is a greenfield opportunity that will exhibit the Company’s intention to expand its business beyond trading proprietary funds.

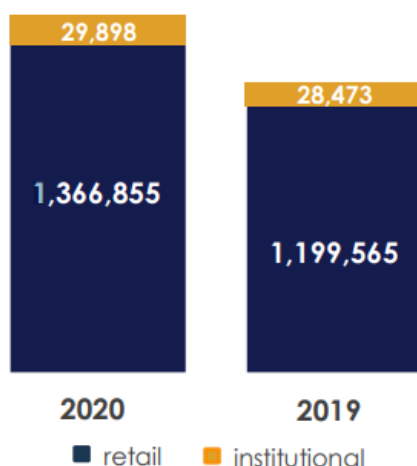
With the application to client funds of the Company’s proprietary knowledge and trading approach utilized on its proprietary funds, this innovative service will be the first of its kind in the Philippines. The Company sees that this has the potential to become a significant contributor to the Company’s revenue pie in the future.

The following trends manifest the strong potential for and opportunity in such a service:

- Increasing understanding and interest in the stock market as a means of investment

In 2020, retail accounts accounted for 97.9% of the total accounts that were active for the year, while the remaining 2.1% were classified as institutional accounts. From data gathered from 32 Trading Participants, there were a total of 936,200 online accounts in 2020, up by 19.7% for the year.

**Figure 12: Retail Accounts and Institutional Accounts**



source: Philippine Stock Exchange: Stock Market Investor Profile – May 2021

- Globally, the volume of assets under management has been increasing over the years, appearing to indicate an increase in the demand for outsourced wealth management. According to Ernst & Young’s Global Asset Management 2021 Report, global assets under management is expected to grow by 15% annually until 2025.

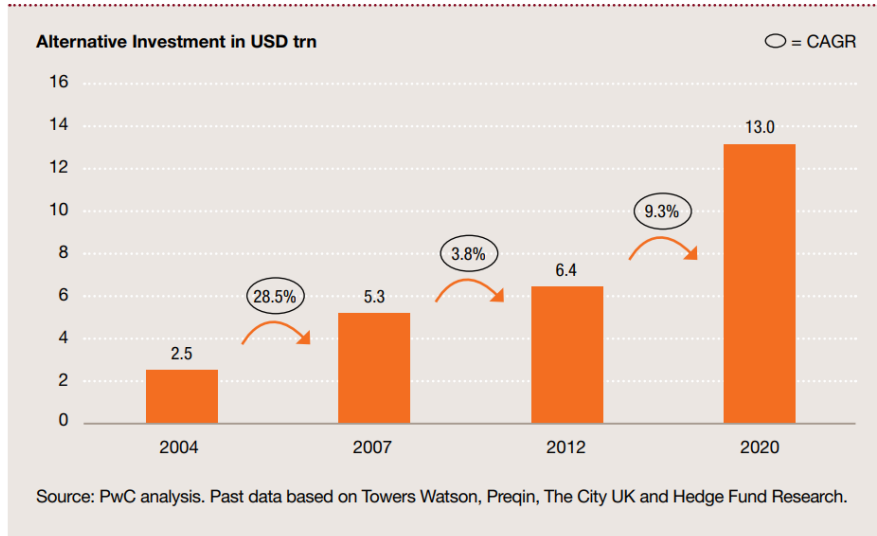
**Figure 13: Global AuM USD Trillion**

Products	2004	2007	2012	2020 (estimated)
<b>Global AuM</b>	<b>37.3</b>	<b>59.4</b>	<b>63.9</b>	<b>101.7</b>
of which mutual funds	16.1	25.4	27.0	41.2
of which active investments	15.1	23.3	23.6	30.8
of which passive investments	1.0	2.0	3.4	10.5
of which mandates	18.7	28.8	30.4	47.5
of which active investments	17.6	26.5	26.6	35.3
of which passive investments	1.2	2.3	3.9	12.2
of which alternatives	2.5	5.3	6.4	13.0

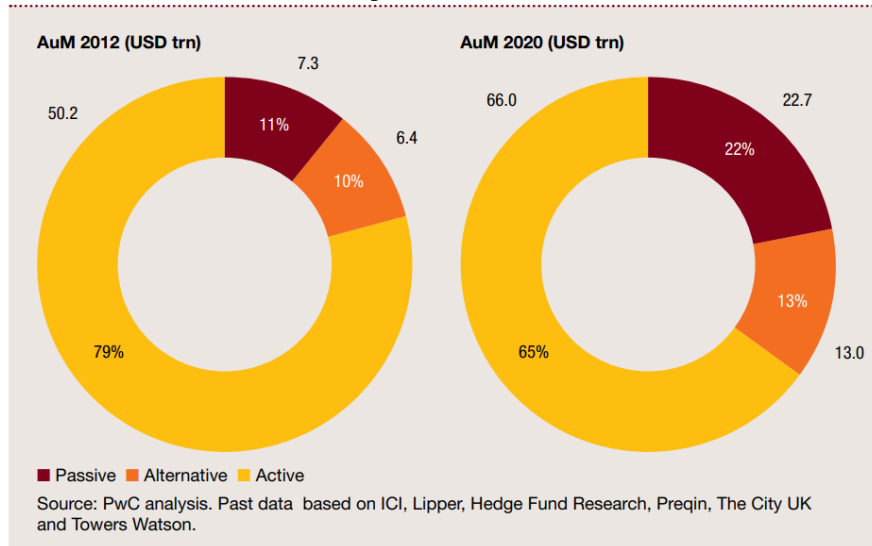
Source: PwC analysis. Past data based on Hedge Fund Research, ICI, Preqin, Towers Watson and The City UK.  
 Note: Differences in sums are due to rounding. Mandates exclude alternatives.

- Rising trend in demand for alternative investments, which include hedge funds, private equity, art, and other non-conventional investments.

**Figure 14: Global Alternative Assets Projection for 2020**



**Figure 15: Share of active, alternative and passive within Global AuM**



### Need for Government Approvals on Products and Services

Summarized below are the permits, licenses, and certificates required for the operation of trading business of the Company.

#### Permits and Licenses

The Company holds various permits and licenses for its business operations, which include but are not limited to, the following:

Table 13: Permits and Licenses		
Permit	Permit Number	Date of Expiry
Broker/ Dealer License (Certificate of Registration SEC)	C.R. No. 01-2004-00034	12-31-2013*

Confirmation of Payment of Annual Fees	O.R. Receipt No. 2069356	12-31-2022
Business Permit	SBR 22-015230	12-31-2022
BIR Certificate of Registration	OCN 3RC0001040718	
Sanitary Permit to Operate	Temporary Permit No. 116207	12-31-2022**
Environmental Permit to Operate	EPO No. 03813	12-31-2022
Fire Safety Inspection Certificate	FSIC No. R16161806511	05-11-2022
National Privacy Commission	NPC No. PIC 000-094-2019	03-08-2020***

\*While the Permit Number indicates a date of expiry, it should be noted that pursuant to SRC Rule 28.1.2.6, the registration of a broker dealer license shall be perpetual and valid unless otherwise revoked or suspended by the Securities and Exchange Commission or voluntarily surrendered by the broker dealer. Further, to maintain its license, the broker dealer is required to pay an annual fee every November of each year of registration.

\*\* A temporary sanitary permit was issued pending the schedule of the inspection of the premises.

\*\*\*The NPC has extended the validity periods of all existing Certificates of Registration issued for the years 2019 and 2020 to 8 March 2022.

### Secondary Licenses

The Company is registered as a broker/ dealer in securities with C.R. No. 01-2004-00034. The Company has duly paid the annual fees for the year 2022 on 17 November 2021 with OR No. 2069356. CTS currently has 2 licensed Associated Persons and 43 registered Salesmen.

### Employees

The following shows the manpower complement of CTS Global according to business function as at September 30, 2021:

**Table 14: Employees**

<u>Function</u>	<u>No. of Employees</u>
Officers	4
Trading, Investment, Research, and Risk Management	39
Accounting and Operations	11
Other Back Office Staff	4
<b>Total</b>	<b>58</b>

Benefits received by employees include government-mandated benefits (Social Security System, Pag-Ibig, and PhilHealth). The Company believes that it is in compliance with all minimum compensation and benefit standards as well as applicable labor and employment regulations.

The employees of CTS Global are not unionized. They are also not parties to collective bargaining agreements.

There has been no incidence of employee strikes in the past ten (10) years. There are no incidences of strikes at present, nor are there any threatened incidences of strikes. The Company consistently benefited from low staff turnover rates and strong management-employee relations.

The Company likewise has no contractual staff in its employ and shares personnel with COL Financial Group, Inc. to render administrative functions such as human resources, information technology, and administration, among others. The Company foresees that it will engage an additional 10 employees in the next 12 months from the date of this Prospectus.

## Description of Properties

The properties owned or leased by the Company are as follows:



ASSET	DESCRIPTION	NATURE OF OWNERSHIP	Mortgaged	Acquisition Cost / Lease Rate
Philippine Stock Exchange Unit L2L12-02 and B4 Slot 42 parking	96.84 sqm at 5 <sup>th</sup> Avenue corner 28 <sup>th</sup> street, Bonifacio Global City, Taguig City	Owned	No	13,648,598.61
2701 A East Tower, Philippine Stock Exchange Centre Unit and two (2) parking slots P472 and P473	169 sqm at 2701 A East Tower, Tektite Towers, Ortigas Center, Pasig City	Leased; From November 1, 2021 to October 31, 2022	No	Base Rent of ₱92,950.00 and ₱616.00 per sqm
Unit 2605 Storage Room	49 sqm at 2605 East Tower, Tektite Towers, Ortigas Center, Pasig City	Leased; August 16, 2019 to August 31, 2022	No	Base Rent of of ₱24,500 and ₱500.00 per sqm, with annual escalation

## Intellectual Property

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the consent of the owner from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the ownership of the mark of the registrant. A certificate of registration shall remain in force for an initial period of ten (10) years, and may be renewed for periods of ten (10) years at its expiration.

Set out below is a list of marks registered or pending registration with the Philippine Intellectual Property Office:

Trademark	Date of Registration	Registration/Application No.	Expiration
 Current CTS Logo	July 21, 2021	42021517120	Pending application *
 Past CTS Logo	July 2, 2015	501524	July 2, 2025

\* On 24 November 2021, the Intellectual Property Office has issued the notice of allowance and approved the publication of the mark. Currently, the Company is waiting for the release of the notice of registration.

## **LEGAL PROCEEDINGS**

The Company is currently not involved in any material litigation, arbitration or similar proceedings, and is likewise not aware of any such proceedings pending or threatened against the Company or any of its properties, which are or which might be material in the context of the Offer.

## INDUSTRY OVERVIEW

*The information that appears in this Industry Overview section, including all data (actual, estimates and forecasts) by Euromonitor International Limited (“Euromonitor”) and PricewaterhouseCoopers International Limited (“PwC”) reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. Information in this Prospectus on Philippines in 2030: The Future Demographic and Asset Management 2020: A Brave New World are from independent market research carried out by Euromonitor and PwC in the year 2020, but should not be relied upon in making, or refraining from making, any investment decision. References to Euromonitor and PwC should not be considered as the entity’s opinion as to the value of any security or the advisability of investing in the Issuer. The Issuer believes that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and PwC set out in this Industry Overview has not been independently verified by the Issuer, the Underwriter and none of them gives any representations as to its accuracy. The information should not be relied upon in making, or refraining from making, any investment decision. The Industry Overview includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others. Actual results and future events could differ materially from such forecasts. Investors should not place undue reliance on such statements, or on the ability of any party to accurately predict future industry trends or performance.*

### OVERVIEW OF THE GLOBAL STOCK MARKET

2020 is a historical year for the global stock markets. The global pandemic caused a violent selloff across all markets in March 2020, triggering circuit breakers and panic everywhere. COVID-19 lockdowns restricted economic activities and pushed the majority of the population to work remotely. The S&P 500 Index tumbled by 35% in less than a month, before catching the world off guard with its massive rally to new highs fueled by technology stocks.

What sets the 2020 crisis apart from others is the synchronized aggressive stimulus by different central banks. The US Central Bank cut the federal funds rate by a total of 1.5% since March, bringing it down to a 0-0.25%, and has guided a low forecast in the near future. Apart from lending programs, repurchase agreement operations, and relaxed regulatory requirements, Fed purchased securities amounting to a massive \$2.7 trillion. This is a significant factor that has propped the stock market. With zero rates, investors are aggressively looking for returns in this TINA “there is no alternative” environment.

Another notable phenomenon in 2020 was the rise of the mass retail traders. Casinos and sports bettings were closed, and people started looking for more sources of income in the work-from-home setup. Robinhood, a popular stock brokerage for retail traders in the US, saw a historic 3 million new account openings in the first four months of the year. In China, the stock market volume was up nearly 60% from the 5-year average. In March 2020 alone, Nasdaq’s volume more than doubled and the volume boost continued in the succeeding months. This phenomenon is expected to permanently benefit the global stock markets.

**Figure 16: U.S. Matched Equity Volume (millions of shares)**

	January	February	March	April	May	June	July	August	September	October	November	December
<b>2020</b>	28,657	32,588	65,595	46,064	40,213	56,374	44,545	36,324	42,790	35,447	39,111	
<b>2019</b>	32,076	26,915	31,655	26,334	31,802	29,561	28,110	32,965	29,108	28,681	24,718	26,054

*Source: Nasdaq*

### GLOBAL FUND MANAGEMENT INDUSTRY

Since the Global Financial Crisis of 2008-2009, the global AUM (assets under management) of the asset management industry have continued to rise, breaching the \$100 trillion mark in 2020. This posts a compounded annual growth of nearly 6%.

**Figure 17: Global AuM USD Trillion**

Products	2004	2007	2012	2020 (estimated)
<b>Global AuM</b>	<b>37.3</b>	<b>59.4</b>	<b>63.9</b>	<b>101.7</b>
of which mutual funds	16.1	25.4	27.0	41.2
of which active investments	15.1	23.3	23.6	30.8
of which passive investments	1.0	2.0	3.4	10.5
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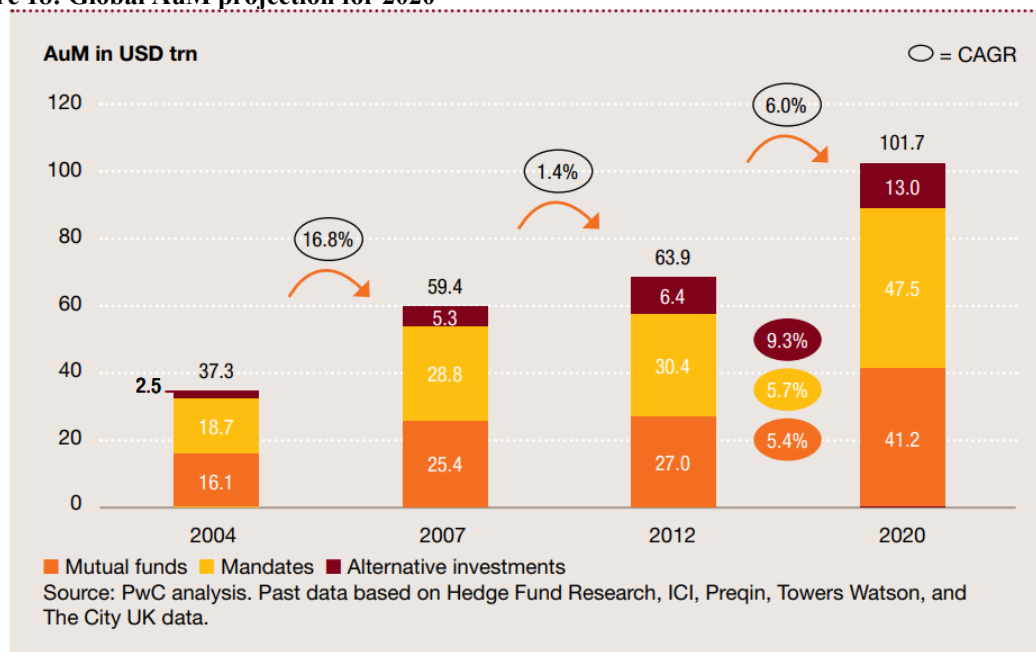
Source: PwC analysis. Past data based on Hedge Fund Research, ICI, Prequin, Towers Watson and The City UK.  
 Note: Differences in sums are due to rounding. Mandates exclude alternatives.

**Source: PwC’s Asset Management 2020: A Brave New World**

Going forward, AUM from the developing regions of South America, Asia, Africa, and the Middle East are forecasted to grow at a faster pace driven by government-incentivized shift to individual retirement plans, increase in high-net-worth-individuals (HNWIs), and the growth of sovereign wealth funds.

Among the types of assets in the industry, alternative investments notably grew at a faster pace with a 9.3% compounded annual growth rate. In 2020, alternatives and passive products represent a total of 35% of the total assets managed by the industry. Investors have grown in sophistication by allocating to alpha and beta assets with a low-cost method.

**Figure 18: Global AuM projection for 2020**



**Source: PwC’s Asset Management 2020: A Brave New World**

Accelerated globalization and transparency facilitated by technology play big factors in the industry’s trend going forward. In 2019, a wave of US-based stock brokerages switched to the zero commission business model. Low-cost funds are also on the rise in answer to the investors’ preferences. In 2020, transparent funds such as Ark Invest’s actively managed Innovation Fund garnered popularity. This trend, hand in hand with more streamlined information accessed by the regulators, is expected to put pressure in the industry’s reporting methods.



The future of asset management will be low-cost, transparent, and readily accessible to the masses.

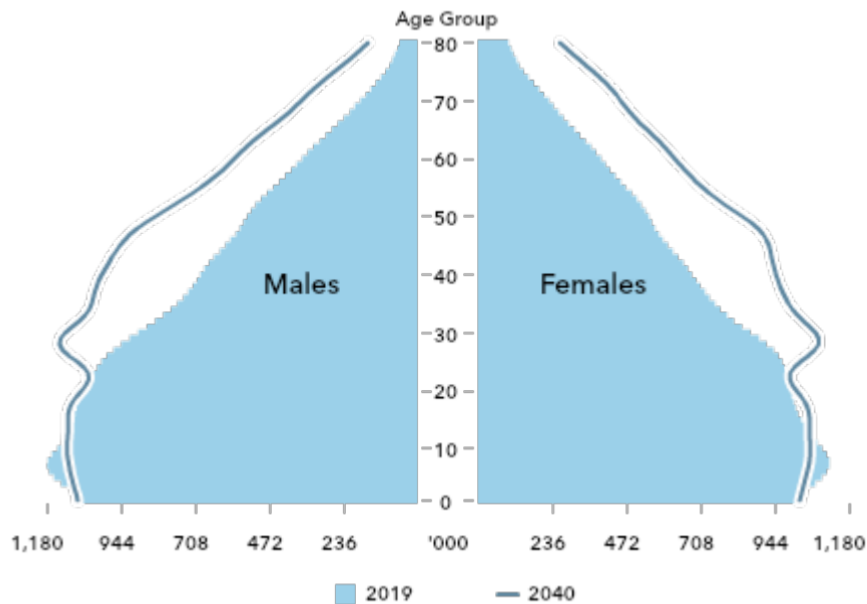
**PHILIPPINE BUSINESS CLIMATE**

In 2020, the Philippines ranked 95th out of 190 countries in the World Bank’s annual Doing Business Report. Though far off, this is a big improvement from the previous year’s 124th place. A notable reform recently made in the country is the Tax Reform for Acceleration and Inclusion (TRAIN) Law. Included here is the plan to reduce corporate income tax rate from 30% to 25%, as well as other benefits covering lowered personal income tax and VAT exemptions.

**Demographics**

Despite all the challenges, the Philippines remains to be a promising country poised for growth mainly because of its demographics. In 2018, the population reached 108 million and this is expected to grow to 124 million by 2030. Unlike aging populations in developed countries, Philippines’ median age is only 25.3 years 2019. This will reach 28.7 years in 2030. This trend has allowed the country to be the second-largest labour-exporting country in the world after Mexico. Approximately 7.5 million Filipinos, or almost 9%, are classified as Overseas Filipino Workers “OFWs” because of the young, talented population with high literacy rates.

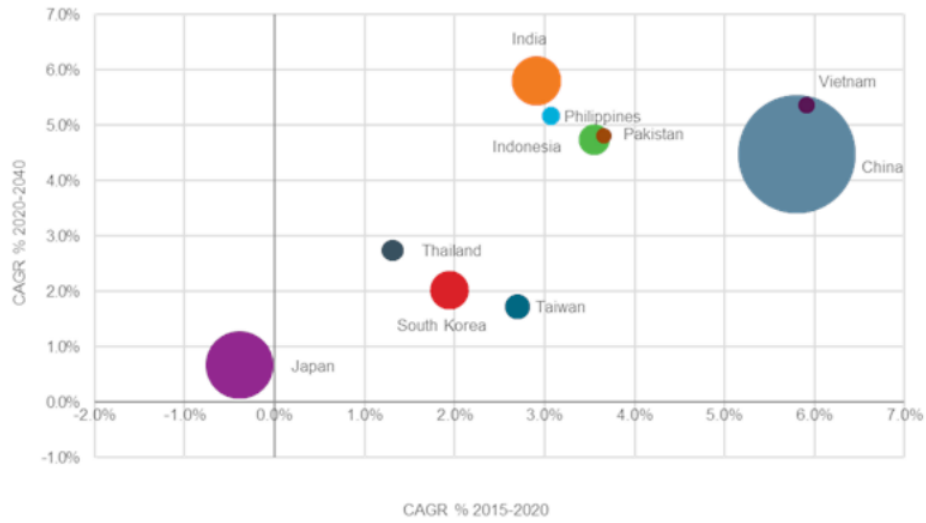
**Figure 19: Age Pyramid in 2019 and 2040**



*Source: Euromonitor’s Philippines in 2030: The Future Demographic*

In 2020, the Philippine economy had shrunk by 9.5% due to the COVID-19 pandemic and strict lockdown measures which limited economic activities throughout the country. Today, it is on set for a strong recovery in the second half of 2021 and projected to recover to pre-pandemic levels by early 2022. For the long term, it is expected to maintain a strong growth momentum and remain as one of the fastest-growing economies in Asia Pacific with a projected average annual rate of 6.5% over 2021-2040 and a real GDP growth rate set to outperform other countries in Asia Pacific by 2030.

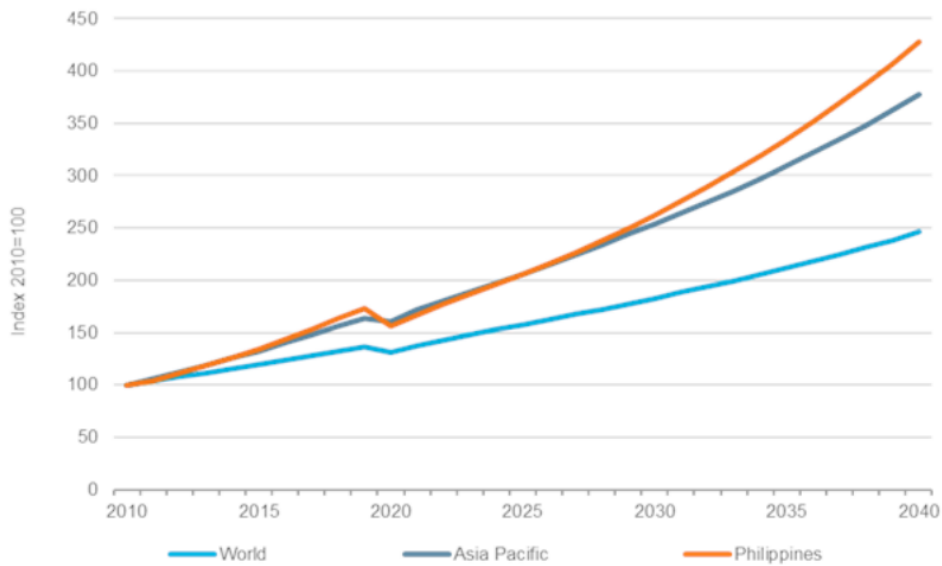
**Figure 20: GDP Growth in Asia Pacific Countries from 2015-2040**



Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF)/World Economic Outlook (WEO)  
 Note: Data for 2021-2040 are forecasts

*Source: Euromonitor’s Economy, Finance and Trade: The Philippines*

**Figure 21: Real GDP Growth in the Philippines: 2010-2040**



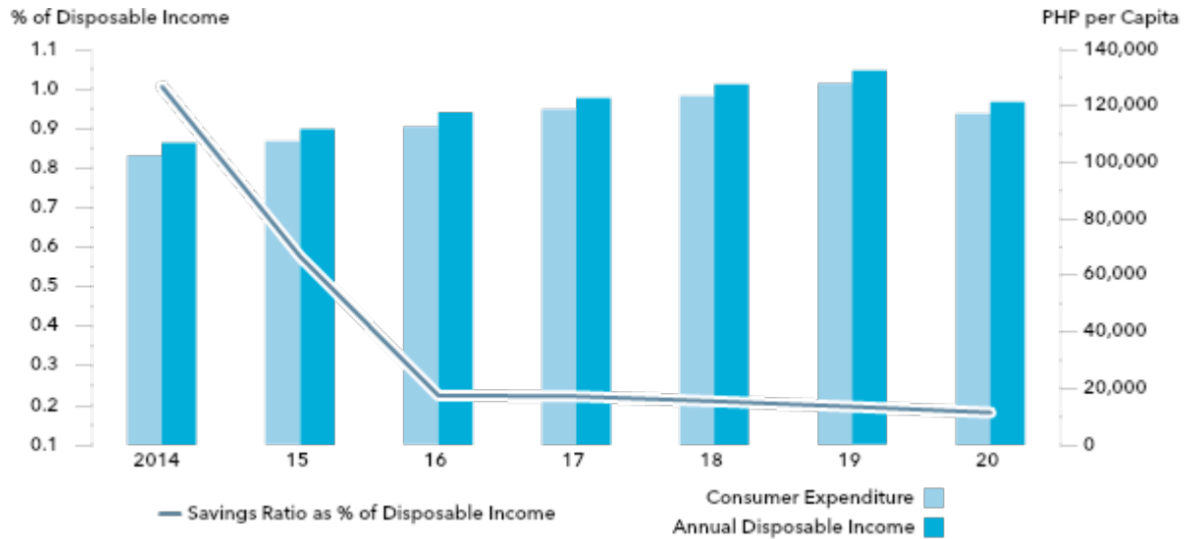
Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF)/World Economic Outlook (WEO)  
 Note: Data for 2021-2040 are forecasts from the Euromonitor International Macro Model

*Source: Euromonitor’s Economy, Finance and Trade: The Philippines*

## Income and Expenditure

A country's asset management industry is directly correlated to the GDP per capita and savings ratio of its citizens. The country's savings ratio is on the low range, currently at 0.2% of disposable income. Consumer expenditure per capita amounted to ₱127,957 in 2019 and is expected to grow at an average rate of 6.2% until 2030. This translates to a cumulative value of 83% for the decade. Total consumer expenditure will comprise 71.3% of 2020's GDP, a larger share compared to the country's regional peers.

**Figure 22: Per Capita Annual Disposable Income, Spending and Savings Ratio: 2014-2020**



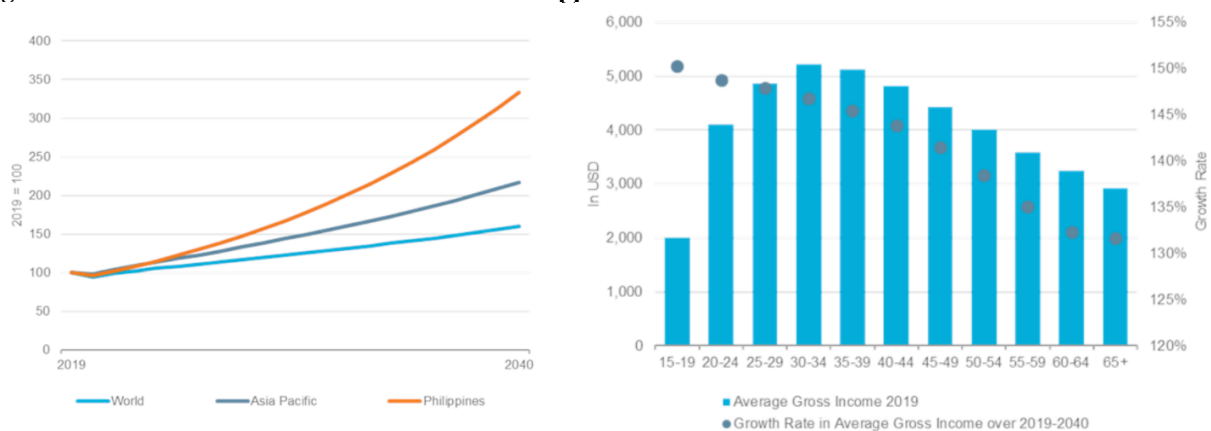
Source: Euromonitor International from national statistics/trade sources/OECD

Note: Data for 2020 is forecast. Per capita income and spending are in constant 2019 prices

*Source: Euromonitor's Philippines in 2030: The Future Demographic*

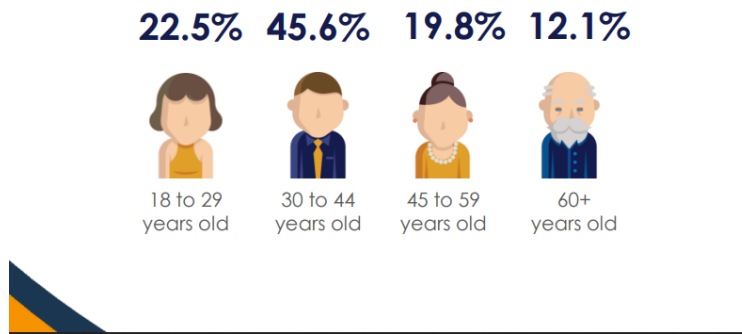
Per capita gross income in the Philippines is estimated to double in the next 20 years which will be driven primarily by increasing remittance inflows, an improving labour market and robust economic activity. It is forecasted that Young Adults (aged 18-29) will be the ones to witness the fastest growth in terms of average gross income. The group with the largest average gross income is the Middle Youth (aged 30-44) followed by Young Adults (aged 18-29). According to PSE's Stock Market Investor Profile 2020 report, these age groups make up two-thirds of retail investors in the Philippine stock market. With this, there seems to be a positive outlook for the market as gross income is estimated to grow the fastest among these age groups.

**Figure 23: Gross Income Growth Index in the Philippines 2019-2040**



*Source: Euromonitor's Income and Expenditure: The Philippines*

**Figure 24: Retail Investors among Age Groups**  
**Two thirds** of retail investors belonged to the **younger age groups**.

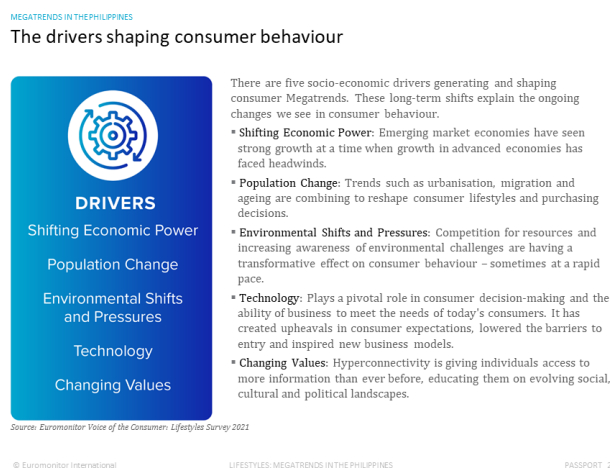


**Source: PSE Stock Market Investor Profile 2020**

The growth percentage of the number of accounts in a market per years allows investors to determine expectations for that market in the coming years. In 2020, the total number of market accounts rose by 13.7% from 1,228,038 accounts in 2019 to 1,396,753 accounts in 2020. According to PSE’s Stock Market Investor Profile, retail investors accounted for 97.9% of total accounts in the market. This shows a significant increase of interest in investing in the local market by many Filipinos in the next following years to come especially as there is strong growth at this time among emerging market economies as compared to that of the advanced economies. The Philippine economy is also projected to be able to recover to pre-pandemic conditions as early as the first half of 2022 while expanding at an average annual real rate of 6.5% from 2021-2040.

According to Euromonitor’s Megatrends in the Philippines, technology plays a significant factor in the consumer decision-making among Filipinos, which decisions include where to place their money. The total number of online brokerage accounts was up by 19.7% year-on-year in 2020 and have reached a total of 936,200 accounts from which 99.8% are retail investors. As technology in the country continues to become more accessible and reliable in the following years, more Filipinos will be able to open online trading accounts with ease and participate in the local market which will bring about more liquidity. This in turn will further encourage foreign investors to participate in the Philippine market.

**Figure 25: Drivers Shaping Consumer Behavior**



**Source: Euromonitor’s Megatrends in the Philippines**

## COMPETITIVE LANDSCAPE

CTS Global is a pioneer in the local proprietary trading industry, and therefore there is currently no direct competitor with a similar business model. In general, CTS Global can be most closely identified as a player in the asset management industry, though to be classified as an alternative investment.

The Philippines has 10 fund management companies with \$16.3B in AUM of mutual funds. Mutual fund penetration rate is at 4.93% of GDP. In a country wherein 51 million Filipino adults (70%) remain unbanked, this serves as an untapped potential for future growth in the industry.

Equity funds by different fund houses are offered by banks and stock brokerages to investors. Indicated in the table below are the funds available in the local market and their corresponding returns for the past five years.

### Local Fund Performance

<b>Table 17: Local Fund Performance</b>				
<b>Fund Name</b>	<b>1 yr. Return</b>	<b>3 yr. Return</b>	<b>5 yr. Return</b>	<b>YTD Return</b>
<b>Primarily invested in Peso securities</b>				
ALFM Growth Fund, Inc.	-9.84%	-6.98%	-1.51%	-10.21%
ATRAM Alpha Opportunity Fund, Inc.	-5.33%	-5.56%	2.25%	-4.31%
ATRAM Philippine Equity Opportunity Fund, Inc.	-15.19%	-10.71%	-2.97%	-14.93%
Climbs Share Capital Equity Investment Fund Corp.	-9.66%	-7%	n.a.	-9.64%
First Metro Consumer Fund on MSCI Phils. IMI, Inc.	-9.98%	n.a.	n.a.	-9.94%
First Metro Save and Learn Equity Fund, Inc.	-6.86%	-5.37%	-1.27%	-7.41%
First Metro Save and Learn Philippine Index Fund, Inc.	-10.65%	-8.03%	n.a.	-10.97%
MBG Equity Investment Fund, Inc.	-6.27%	n.a.	n.a.	-3.59%
PAMI Equity Index Fund, Inc.	-8.72%	-4.67%	0.18%	-9.07%
Philam Strategic Growth Fund, Inc.	-8.49%	-4.78%	-0.58%	-8.69%
Philequity Alpha One Fund, Inc.	8.86%	n.a.	n.a.	5.68%
Philequity Dividend Yield Fund, Inc.	-9.81%	-5.03%	-0.05%	-9.88%
Philequity Fund, Inc.	-8.78%	-4.47%	0.64%	-8.98%
Philequity MSCI Philippine Index Fund, Inc.	-10.81%	n.a.	n.a.	-10.98%
Philequity PSE Index Fund Inc.	-8.34%	-4.18%	0.96%	-8.72%
Philippine Stock Index Fund Corp.	-8.11%	-4.07%	0.87%	-8.53%
Soldivo Strategic Growth Fund, Inc.	-15.61%	-8.06%	-3.22%	-15.26%
Sun Life Prosperity Philippine Equity Fund, Inc.	-14.5%	-6.51%	-0.99%	-14.66%
Sun Life Prosperity Philippine Stock Index Fund, Inc.	-8.39%	-4.41%	0.73%	-8.77%
United Fund, Inc.	-9.25%	-3.81%	1.23%	-9.34%

<b>Fund Name</b>	<b>1 yr. Return</b>	<b>3 yr. Return</b>	<b>5 yr. Return</b>	<b>YTD Return</b>
<b>Exchange Traded Fund</b>				
First Metro Phil. Equity Exchange Traded Fund, Inc.	-8.1%	-3.84%	1.63%	-8.52%
<b>Primarily invested in foreign currency securities</b>				
ATRAM AsiaPlus Equity Fund, Inc.	21.45%	3.73%	6.17%	15.99%
Sun Life Prosperity World Voyager Fund, Inc.	21.96%	9.88%	n.a.	19.05%

SOURCE: Philippine Investment Funds Association, NAVPS as of 10 December 2020

Mutual funds, though with different terms, commonly charge a sales load fee, exit fee, and management fees to their investors. They usually have a minimum holding period.

**Figure 26: Local Funds Fee Structure**

<b>NAME</b>	<b>INITIAL</b>	<b>ADD</b>	<b>SALES LOAD</b>	<b>EXIT</b>	<b>HOLD</b>	<b>FEE</b>
PAMI Equity Index Fund, Inc.	1,000	500	3.36%	1.12%	6months	1%
Philequity MSCI Philippine Index Fund, Inc.	1,000	500	5%	1%	90 days	3%
Philequity PSE Index Fund Inc.	1,000	500	3.5%	2%	1yr	1%
Philippine Stock Index Fund Corp.	5,000	1,000	1.5%	1%	3months	1%
Sun Life Prosperity Philippine Stock Index Fund, Inc.	1,000	1,000	2%	1%	6months	1%

## International Fund Performance

Though there are differences in nature, CTS Global's performance may be comparable to hedge funds, specifically those in the Multistrategy category. The 2021 returns of the biggest hedge funds as compiled by Bloomberg L.P. average at 9%, with a wide range of returns from -41.5% to 75%.

FUND	STRATEGY	YTD
Senvest	Equity	75%
Impala**	Equity	55.5%
SRS	Equity	46%
Anson Investments Master***	Multistrategy	45.2%
Third Point	Event driven	25.7%
Citadel Wellington***	Multistrategy	24.3%
Heard Capital	Equity	23%
Pershing Square	Equity	20.1%
Voleon Investors*	Quant	19%
Citadel Tactical Trading	Multistrategy	18.1%
D1 Capital	Equity	17%
Hudson Bay International	Multistrategy	14.1%
Renaissance Institutional Equities*	Quant	13.7%
Schonfeld Strategic Partners	Multistrategy	12.6%
Millennium Management	Multistrategy	12.1%
Renaissance Institutional Diversified Alpha*	Quant	11.3%
Voleon Institutional Strategies International*	Quant	11%
Carlson Double Black Diamond	Multistrategy	10.1%
Gladstone	Equity	8.9%
Two Sigma Compass	Macro	8.8%
Coatue Qualified Partners	Equities	8.8%
Verition*	Multistrategy	8%
Point72	Multistrategy	7.4%

Renaissance Institutional Diversified Global Equities*	Quant	7.4%
Balyasny Atlas Enhanced	Multistrategy	7.3%
Carlson Black Diamond Arbitrage	Event driven	7%
Voloridge Trading Aggressive	Quant	5.9%
Sculptor Master	Multistrategy	4.8%
ExodusPoint	Multistrategy	3.2%
Tiger Global	Equity	3%
Two Sigma Spectrum	Quant	3%
Bridgewater Pure Alpha II	Macro	0.3%
Lone Pine Cypress	Equity	-1.9%
Voloridge	Quant	-3.9%
Viking Global Equities	Equity	-6.1%
Brevan Howard AS	Macro	-7.4%
Element	Macro	-8.1%
Alphadyne	Macro	-22%
Rokos	Macro	-25%
Melvin Capital	Equity	-41.5%

Note: Returns through November, unless indicated. \*Through 12/17. \*\*Through 12/23. \*\*\*Through 12/27

Source: Bloomberg



## MARKET INFORMATION

### Stock Information

As of the date of this Prospectus, the Company's authorized capital stock is ₱800,000,000.00 consisting of Eight Billion (8,000,000,000) Common Shares with par value of ₱0.10 per share, of which Five Billion Five Hundred Million (5,500,000,000) Common Shares are issued and outstanding. The Company is offering for subscription One Billion Three Hundred Seventy Five Million (1,375,000,000) Offer Shares to be issued out of the existing authorized capital stock. At the completion of the Offer, the Offer Shares will comprise 20% of the Company's issued and outstanding shares.

Prior to the Offer, the Company's Shares are not registered and publicly traded. On 03 December 2021, the Company filed its application for the listing and trading of the Common Shares (including the Offer Shares) on the SME Board of the PSE. The Board of Directors of the PSE approved the listing of the Common Shares on \_\_\_\_\_. The Common Shares are not subject to outstanding options or warrants to purchase, or securities convertible into Common Shares. The Offer Shares shall be listed and traded under the stock symbol "CTS" on the SME Board of the PSE.

No stockholder shall have a right to purchase or subscribe to any additional share of the capital stock of the Company, whether such shares of capital stock are now or hereafter authorized, whether or not such stock is convertible into or exchangeable for any stock of the Company or of any other class, and whether out of the number of shares authorized by the Articles of Incorporation of the Company as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Company acquired by it after the issue thereof; nor shall any holder of any such stock of any class, as such holder, have any right to purchase or subscribe for any obligation which the Company may issue or sell that shall be convertible into, or exchangeable for, any shares of the capital stock of any class of the Company or to which shall be attached or appertain any warrant or warrants or any instrument or instruments that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe for, or to purchase from the Company, any shares of its capital stock of any class.

The Board of Directors may, from time to time, grant stock options, issue warrants or enter into stock purchase reciprocal investments, private placements, joint ventures, or similar agreements for purposes necessary or desirable for the Company and allocate, issue, sell or otherwise transfer, convey or dispose of shares of stock of the Company of a class or classes and to such persons or entities to be determined by the Board, including, but not limited, to employees, officers and directors of the Company.

### Shareholders

As of the date of this Prospectus, the Company has 17 shareholders owning common shares of the Company. The Company's shareholders, their respective number of shares held, and the corresponding percentage of these shares out of the total Common Shares outstanding, are as follows:

Shareholder	Citizenship	Number of Subscribed Common Shares	Shareholding before the Offer	Shareholding after the Offer
Edward K. Lee	Filipino	1,679,357,960	30.53%	24.43%
Alexander C. Yu	Filipino	741,765,000	13.49%	10.79%
Hernan G. Lim	Filipino	596,706,000	10.85%	8.68%
Raymond C. Yu	Filipino	596,706,000	10.85%	8.68%
Jessalyn L. Tan	Filipino	300,000,000	5.45%	4.36%
Abraham A. Ang	Filipino	296,706,000	5.39%	4.32%
Catherine L. Ong	Filipino	255,181,540	4.64%	3.71%
Edmund C. Lee	Filipino	220,000,000	4.00%	3.20%
Eleanore L. Teo	Filipino	200,000,000	3.64%	2.91%
Lawrence C. Lee	Filipino	220,000,000	4.00%	3.20%
Lydia C. Lee	Filipino	178,570,000	3.25%	2.60%
Adrian Alexander N. Yu	Filipino	100,000,000	1.82%	1.45%
Michelle Angeline N. Yu	Filipino	110,000,000	2.00%	1.60%
Martin T. Lee	Filipino	3,005,000	0.05%	0.04%

<b>Table 18: Shareholders</b>				
Shareholder	Citizenship	Number of Subscribed Common Shares	Shareholding before the Offer	Shareholding after the Offer
Joseph C. Tan	Filipino	2,500	0.00%	0.00%
Donald R. Felbaum	American	1,000,000	0.02%	0.01%
Emmanuel L. Samson	Filipino	1,000,000	0.02%	0.01%
<b>Total</b>		<b>5,500,000,000</b>	<b>100.00%</b>	<b>80.00%</b>

Please refer to section “Security Ownership of Certain Record and Beneficial Shareholders” on pages 123 to 126 of this Prospectus for a detailed discussion on the beneficial ownership of the Company’s common shares.

### **Recent Sales of Exempt Securities and Unregistered Securities**

The Company did not sell any CTS Global securities within the past three (3) years which were not registered under the SRC.

### **Dividends**

In accordance with its Dividend Policy, and subject to the approval of the Board of Directors, the Company intends to pay dividends annually in the amount not exceeding 20% of its audited net income after tax of the previous year. This will also be subject to compliance with the requirements of applicable laws and regulations, as well as the investment plans and financial condition of the Company.

The amount of dividends will be reviewed periodically by the Board in light of the Company's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a standalone basis. Dividends shall be declared and paid out of the Company’s unrestricted retained earnings which shall be payable in cash or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Company’s earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.

### **Limitations and Requirements**

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. 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 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 (2/3) 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 Philippine Revised 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: (i) when justified by definite expansion plans approved by the Board; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

### ***Record Date and Payment Date***

Pursuant to existing SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of 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.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "Payment Date"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

### ***Dividend History***

CTS Global has no history of dividend declaration.

## INVESTOR RELATIONS PROGRAM

This program was introduced purposely to address and attend to investors' inquiries about the Company and its plans for its stockholders.

Ms. Sheena K. Lorenzo was appointed head of the program and the Company's Investor Relations Officer. Together with the Associated Persons of the Company, she is in-charge of submitting periodic reports and statements required to be filed on a regular basis with the SEC and the PSE as well as current reports on material events that have occurred and are required to be disclosed to the SEC and/or the PSE within a given period from the time of their occurrence. The reports required to be filed with the SEC include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) – within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Proxy Statement or Information Statement (SEC Form 20-IS) – at least 15 business days prior to the scheduled date of the annual stockholders' meeting; and
- Current Reports (SEC Form 17-C) – within five (5) days after the occurrence of the event required to be reported.

As a general rule, listed companies are required to furnish the PSE copies of all reports submitted to the SEC. The periodic reports required to be filed with the PSE, which are referred to as Structured Continuing Disclosures, include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) – within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Report on the Top 100 Stockholders – within 15 days after the end of each quarter; and
- Board Lot Report – within five (5) trading days after the end of each month.

Listed companies are required to update the investing public with any material fact that occurs which would reasonably be expected to affect investors' decision in relation to trading of its securities. Such reports, which are referred to as Unstructured Continuing Disclosures, are required to be disclosed to the PSE within 10 minutes from receipt of the information or occurrence of the event.

For investor relation matters, investors may contact the Company's Investor Relations Officer, through the email address [ir@ctsglobalgroup.com](mailto:ir@ctsglobalgroup.com) or through office telephone number (02) 8635-5735.

## MANAGEMENT

### Board of Directors

The Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly to review and monitor the Company's future plans. Each Board member serves for a term of one (1) year, subject to re-election. A director who was elected to fill any vacancy holds office only for the unexpired term of his/her predecessor.

As of the date of this Prospectus, the composition of the Board of Directors is as follows. With the exception of Mr. Donald R. Felbaum and Mr. Emmanuel L. Samson who were appointed during the Board meeting held on 30 April 2021, the incumbent independent directors and regular directors were elected at the last stockholders' meeting held on 31 March 2021.

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Present Position</b>	<b>Period of Service</b>
Edward K. Lee	66	Filipino	Chairman of the Board	1986
Alexander C. Yu	66	Filipino	Member	1986
Lawrence C. Lee	39	Filipino	Member	2014
Hernan G. Lim	68	Filipino	Member	2009
Raymond C. Yu	68	Filipino	Member	2009
Catherine L. Ong	69	Filipino	Member	2019
Martin T. Lee	69	Filipino	Independent Director	2010
Edmund C. Lee	33	Filipino	Member	2014
Michelle Angeline N. Yu	27	Filipino	Member	2019
Donald R. Felbaum	72	American	Independent Director	2021
Emmanuel L. Samson	62	Filipino	Independent Director	2021

To describe the business experience of the Company's directors for the past five (5) years, below are their professional and business affiliations:

#### ***Edward K. Lee, 66, Filipino, Chairman of the Board***

Edward K. Lee, 66, Filipino, took Bachelor of Science in Industrial Management Engineering at De La Salle University. He has been the Chairman of the Company since 1986. He is concurrently the Founder and Chairman of the Board of COL Financial Group, Inc. since 1999, COL Securities (HK) Limited since 2001, Caylum Trading Institute since 2013, and COL Investment Management, Inc. since 2019. Mr. Lee served as a nominee of the Company to the Manila Stock Exchange and presently to the Philippine Stock Exchange. He was elected as one of the Governors of the Philippine Stock Exchange and was the Chairman of the Computerization committee of the Manila Stock Exchange and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation serving for two terms. Mr. Lee was also nominated as a finalist to the 2007 Entrepreneur of the Year Philippines by Ernst & Young. In 2015, he was awarded with the Theodore Vail Most Outstanding JA Alumni Awardee. From 2016 to 2019, he was appointed as an official board member of JA Asia Pacific.

#### ***Alexander C. Yu, 66, Filipino, Director and Treasurer***

Alexander C. Yu, 66, Filipino, is a Bachelor of Science in Mechanical Engineering graduate of De La Salle University. He is currently the Vice Chairman and Treasurer of the Company since 1986. He is also currently the Vice Chairman of COL since 1999, a Director of COL Securities (HK) Limited since 2001, elected as Director of Caylum Trading Institute in 2013, and Director and Treasurer of Winner Industrial Corp. for more than 10 years. In 1997, he served as a Director of A. Soriano Corporation.

***Lawrence C. Lee, 39, Filipino, Director, and President & Chief Executive Officer***

Lawrence C. Lee, 39, is the President & CEO of CTS Global Equity Group Inc., and has been an apprentice of the markets for over a decade. He began trading stocks prior to even graduating from Bentley University in Massachusetts with a degree in finance and accounting and now sits on the Board of Directors for the Caylum Trading Institute, serving as a distinguished member of the faculty. He specializes in the field of Technical Analysis, Trend Trading and System Indicators and is currently active in multiple global markets including the US, Hong Kong, Japan, Indonesia and of course, the Philippines.

***Hernan G. Lim, 68, Filipino, Director***

Hernan G. Lim, 68, Filipino, is currently the President of Hoc Po Feeds Corporation and HGL Development Corporation. Mr. Lim is a Director of Caylum Trading Institute since 2013 and has also been a Director of Citimex, Inc., COL Financial Group, Inc., and Barrington Carpets, Inc. for more than 10 years. He holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Santo Tomas. He also took the Basic Management Course at the Asian Institute of Management.

***Raymond C. Yu, 68, Filipino, Director***

Raymond C. Yu, 68, Filipino, is a Bachelor of Science in Commerce graduate of De La Salle University in 1974. He is currently the President of Winner Industrial Corporation, elected as a director of Caylum Trading Institute in 2013 and a director for more than 16 years of the following corporations: COL Financial Group, Inc., Cedarside Holdings Corp., Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc.

***Catherine L. Ong, 69, Filipino, Director, SVP & Chief Operating Officer***

Catherine L. Ong, 69, Filipino, is the SVP – Chief Operating Officer of the Company, SVP – Chief Financial Officer of COL Financial Group, Inc., Chairman of COL Cash Management Unitized Mutual Fund, Inc. and COL Equity Index Unitized Mutual Fund, Inc., and Executive Vice President and Treasurer of Cedarside Industries, Inc., Barrington Carpets, Inc., and Citimex, Inc. She has held the latter position for more than 20 years. She has extensive experience in banking, having held various positions in Metropolitan Bank and Trust Company (Metrobank). She was an Assistant Vice President and Area Supervisor of Metrobank and served as a Director of Metrobank's subsidiary, Pan Philippines Life Insurance Corp. (now known as Philippine Axa Life). Ms. Ong graduated from the Philippine Women's University with a Bachelor of Science Degree in Business Administration, Major in Accounting.

***Martin T. Lee, 70, Filipino, Independent Director***

Martin T. Lee, 70, Filipino, obtained a Bachelor of Science in Business Administration, major in Economics and Finance from the University of the East, and a Master's degree in Business Administration at the Ateneo Graduate School of Business. He attended the Strategic Business Economics Program at the University of Asia and the Pacific. Over the years, Mr. Lee has held various positions in several banking institutions. He was the Executive Vice-President and Head of the Institutional Banking Group of Chinatrust Phils., Inc., and was also the Head of Account Management Group and the Special Account and Remedial Management Group of Global Banking Corporation. He was also connected with Asian Banking Corporation, PCIBank, and Insular Bank of Asia and America.

***Edmund C. Lee, 33, Filipino, Director and Chief Finance Officer***

Edmund C. Lee, 33, is the President and CEO of Caylum Trading Institute, and CloudArch Ventures Group, Inc. He is also the Chief Financial Officer for CTS Global Equity Group, Inc. He is a CFA charterholder, a graduate of the Masters of Science in Global Finance Program from the Hong Kong University of Science and Technology Business School, and he has been a student of international markets for more than a decade, spanning countries from the United States, Hong Kong & China, Japan, Indonesia and of course, the Philippines. Prior to establishing Caylum, he worked as a research analyst for COL Financial Group, Inc., the leading online stockbrokerage firm in the country.

***Michelle Angeline N. Yu, 27, Filipino, Director***

Michelle Angeline N. Yu, 27, Filipino, is a Bachelor of Science in Management Engineering graduate of Ateneo De Manila University. She is currently a director of CTS Global Equity Group, Inc. She is also part of the client management department that manages the portfolios of CTS Global clients, and a licensed CSR Equities trader and part of the CTS Global Trading department.

**Donald R. Felbaum, 72, American, Independent Director**

Donald R. Felbaum, 72, American, is the Managing Director of Optel Limited and also serves as Ex-Officio Director of The American Chamber of Commerce of the Philippines, Inc. He has more than twenty (20) years of diversified management experience, including general management, business development, strategic planning and corporate directorship in technology sectors including telecoms, IT-enabled services, and information and communications technology, among others. He has significant experience in business development including start-ups, mergers and acquisitions and project funding with business experience covering more than twenty-five (25) countries worldwide. He graduated from the University of Asia and the Pacific with a Master's degree in Business Economics.

**Emmanuel L. Samson, 62, Filipino, Independent Director**

Emmanuel L. Samson is the former Senior Vice President Chief Finance Officer and Corporate Governance Officer of Nickel Asia Corporation ("NAC"). In such role, he was responsible for the finance and treasury functions of the NAC Group. He was also a member of the Board of Directors and Treasurer of Emerging Power, Inc., a subsidiary of NAC. Prior to joining NAC in 2006, he was the Senior Country Officer for Credit Agricole Indosuez in the Philippines. Mr. Samson has more than a decade of experience in the Philippine equities markets having held positions with W.I. Carr Indosuez Securities (Phils.) Inc., Amon Securities Corporation and Rizal Commercial Banking Corporation. Mr. Samson obtained his Bachelor of Arts Degree in Economics from De La Salle University – Manila.

Below is a summary of the directors holding interlocking directorships in other listed and reporting companies:

<b>Director</b>	<b>Listed/Reporting Companies</b>
Edward K. Lee	COL Financial Group, Inc.
Alexander C. Yu	COL Financial Group, Inc.
Hernan G. Lim	COL Financial Group, Inc.
Raymond C. Yu	COL Financial Group, Inc.
Catherine L. Ong	COL Cash Management Unitized Mutual Fund, Inc. COL Equity Index Unitized Mutual Fund, Inc.

**Principal Officers**

As of the date of this Prospectus, the following are the principal officers of the Company:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Present Position</b>	<b>Year Assumed</b>
Edward K. Lee	66	Filipino	Chairman of the Board	1986
Alexander C. Yu	66	Filipino	Vice-Chairman/ Treasurer	1986
Lawrence C. Lee	39	Filipino	President & CEO	2019
Edmund C. Lee	33	Filipino	Chief Finance Officer	2021
Catherine L. Ong	69	Filipino	SVP/ Chief Operating Officer	2019
Leonard Louis C. Chua	34	Filipino	Head of Global Investments	2021
Richard Lemuel U. Pacheco	35	Filipino	Head of Proprietary Trading	2021
Terence L. Chan	42	Filipino	Head of Investments	2021
Bryan S. Gomez	43	Filipino	Head of External Relations	2021
Mark Jason C. Mariposa	34	Filipino	Head of Macroeconomics	2021
Lorena E. Velarde	51	Filipino	Associated Person	2009
Juan Carlos Aquino	38	Filipino	Associated Person	2014
Sharon T. Lim	41	Filipino	Corporate Secretary	2018
Stephanie Faye B. Reyes	32	Filipino	Asst. Corp. Sec.	2018
Sanida C. Tan	72	Filipino	Asst. Corp. Sec.	2009

***Leonard Louis C. Chua, 34, Head of Global Investments***

Leonard Louis C. Chua, 34, Filipino, graduated from the Ateneo de Manila University with a degree in Bachelor of Science in Management Engineering in which he graduated Magna Cum Laude. He is currently a Chartered Financial Analyst (CFA) Charterholder and a Senior Faculty Instructor at the Caylum Trading Institute since 2014. Prior to transferring to CTS Global Equity Group in 2013, he was with COL Financial Group, Inc. in 2009 as a Research Analyst.

***Richard Lemuel U. Pacheco, 35, Head of Proprietary Trading***

Richard Lemuel U. Pacheco, 35, Filipino, is a graduate of Bachelor of Science in Management Engineering minor in International Business from the Ateneo de Manila University. He started his career as a Graduate Trainee at Kraft Foods Philippines, Inc. (now Mondelez) until 2009 then joined CTS Global Equity Group, Inc. of the same year. He is also a Senior Faculty Instructor at the Caylum Trading Institute, Inc. since 2014.

***Terence L. Chan, 42, Head of Investments***

Terence L. Chan, Filipino, graduated from the Ateneo de Manila University with a Bachelor of Science major in Management, minor in Finance degree in 2000. He is also a Director and Instructor at Caylum Training Institute and has received several awards as a Trader with CTS. Prior to joining CTS Global Equity Group, Inc. in 2013, he was part of COL Financial Group, Inc. as an Investment Analyst in 2005.

***Bryan S. Gomez, 43, Head of External Relations***

Bryan S. Gomez, Filipino, is a graduate of Bachelor of Science in Management Engineering from the Ateneo de Manila University. Prior to joining CTS Global Equity Group, Inc. in 2013, he was part of COL Financial Group, Inc. as an Investment Analyst in 2005. Mr. Gomez is also a Senior Faculty Instructor at the Caylum Trading Institute, Inc. since 2013.

***Mark Jason C. Mariposa, 34, Head of Macroeconomics***

Mark Jason C. Mariposa, Filipino, is a graduate of Bachelor of Science in Management minor in Financial Management in 2010 in which he graduated with honorable mention from the Ateneo de Manila University. He has also earned the right to use the Chartered Financial Analyst (CFA) Charterholder designation from the CFA Institute since 2015.

***Lorena E. Velarde, 51, Filipino, Associated Person***

Lorena E. Velarde, 51, Filipino, is the Associated Person of the Company. She was appointed as the Chief Finance Officer of COL Financial Group, Inc. in 2021 after having served as its Financial Controller from 2010 to 2021 and Head of Accounting from 2001 to 2009. She was previously the Accounting Department Head of the Company and Citisec Asset Management, Inc., the fund manager for Citisec Growth and Income Fund, Inc. Before that, she was a Senior Associate in-charge at SyCip Gorres Velayo & Co. which provided her extensive training in tax, accounting and financial reporting. Ms. Velarde graduated from the University of Santo Tomas with a Bachelor of Science Degree in Commerce Major in Accounting in 1991 and became a Certified Public Accountant on the same year.

***Juan Carlos Aquino, 38, Filipino, Associated Person***

Juan Carlos G. Aquino, 38, Filipino, is a Bachelor of Science in Management Engineering minor in Finance graduate from the Ateneo de Manila University in 2004. After graduating, he joined CTS Global Equity Group, Inc. in 2004 as a Financial Analyst and is currently the appointed Associated Person since 2015, Compliance Officer for Privacy and Chief Compliance Officer of CTS.



***Sharon T. Lim, 41, Filipino, Corporate Secretary***

Sharon T. Lim, 41, Filipino, was appointed as Corporate Secretary in November 2018. She is the VP and Head of Legal and Compliance Departments of COL Financial Group, Inc. Atty. Lim was previously a Senior Associate of Puyat, Jacinto, and Santos Law Offices and an Associate of Picazo Buyco Tan Fider and Santos Law Offices. She graduated with a degree of Bachelor of Science in Management Engineering at the Ateneo de Manila University, Bachelor of Laws at the University of the Philippines, and Master of Laws (Corporate & Financial Services Law) at the National University of Singapore. She was admitted to the Philippine Bar in 2007 and is a licensed Associated Person of COL Financial Group, Inc. and Certified Privacy Information Manager.

***Stephanie Faye B. Reyes, 32, Filipino, Assistant Corporate Secretary***

Stephanie Faye B. Reyes, 32, was appointed as Assistant Corporate Secretary in 2018. She is also the Legal Manager and Assistant Corporate Secretary COL Financial Group, Inc. Previously, she was a Junior Associate of Paredes Garcia & Golez Law Offices and Chan Robles and Associates. She graduated with a Juris Doctor degree from the University of the Philippines College of Law in 2014 and a degree in AB Interdisciplinary Studies from Ateneo de Manila University in 2010. She was admitted to the Philippine Bar in 2015 and is a licensed Associated Person.

***Sanida C. Tan, 72, Filipino, Assistant Corporate Secretary***

Sanida C. Tan, Filipino, 72, graduated from Centro Escolar University with an Associate Secretarial Course. Ms. Tan has been with CTS Global Equity Group, Inc. since 1986 and is currently the Assistant Corporate Secretary and Operations and Admin Manager of the Company.

**Significant Employees**

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. The Company believes that the collective efforts of its personnel, regardless of professional background, rank, or qualification contribute to the overall success of the Company. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

**Family Relationships**

<b>DIRECTOR/ EXECUTIVE OFFICER</b>	<b>FAMILY RELATIONSHIP</b>
Edward K. Lee	Father of Lawrence C. Lee and Edmund C. Lee; Sibling of Catherine L. Ong
Alexander C. Yu	Father of Michelle Angeline N. Yu; Sibling of Raymond C. Yu
Lawrence C. Lee	Son of Edward K. Lee; Sibling of Edmund C. Lee; Nephew of Catherine L. Ong
Raymond C. Yu	Sibling of Alexander C. Yu; Uncle of Michelle Angeline N. Yu
Edmund C. Lee	Son of Edward K. Lee; Sibling of Lawrence C. Lee; Nephew of Catherine L. Ong
Catherine L. Ong	Sibling of Edward K. Lee; Aunt of Lawrence C. Lee and Edmund C. Lee
Michelle Angeline N. Yu	Daughter of Alexander C. Yu; Niece of Raymond C. Yu

**Involvement in Legal Proceedings**

To the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;

- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

## Executive Compensation

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2018, 2019, and 2020 and the estimates for 2021. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

<b>Name and Position</b>	<b>Year</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Others</b>	<b>Total</b>
President and the top four (4) officers	2018	3,408,000	1,243,000	168,568	4,819,568
	2019	3,384,463	1,253,000	151,722	4,779,185
	2020	4,368,000	1,092,000	181,704	5,641,704
	2021 (est.)	4,368,000	1,288,000	-	5,656,000
Aggregate compensation paid to all officers and directors as a group unnamed	2018	3,408,000	1,252,000	168,568	4,828,568
	2019	3,384,463	1,242,000	151,722	4,778,185
	2020	4,788,000	1,195,542	210,543	6,194,085
	2021 (est)	4,788,000	1,483,000	-	6,271,000

## Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board and upon recommendation of the Corporate Governance Committee, each director shall receive a reasonable per diem allowance for his attendance at each meeting.

## Standard Arrangements and Other Arrangements

As of the date of this Prospectus, the Company has no existing special arrangements with members of the Board of Directors, executive officers, and employees.

## Employment Contracts, Termination of Employment, and Change in Control of Arrangements

There are no special employment contracts between the Company and its executive officers. Furthermore, there are no special retirement plans for executives. Retirement plan is the same for all employees, regardless of rank.

There is also no special arrangement, apart from the standard compensation schemes, for compensation to be received from the Company.

## Warrants and Options Outstanding

There are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

## Involvement in Certain Legal Proceedings of Directors and Executive Officers

As of the date of this Prospectus, there are no other material legal proceedings involving CTS Global's Directors and executive officers.

The Company is not aware of the occurrence of any following events that occurred during the past five (5) years, which are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Company:

- (a) Any bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
- (b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
- (c) Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

## SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

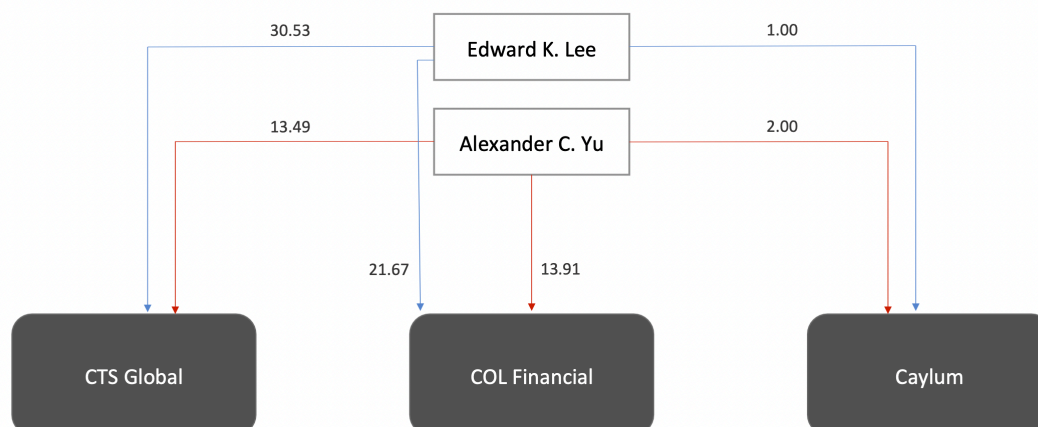
### Security Ownership of Certain Record and Beneficial Owners

As of the date of this Prospectus, the following are the owners of record, directly or indirectly, of more than 5.00% of the Company's outstanding capital stock, the number of shares and percentage of shareholdings of each of them:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Edward K. Lee	Same as record owner	Filipino	1,679,357,960	30.53%
Common	Alexander C. Yu	Same as record owner	Filipino	741,765,000	13.49%
Common	Hernan G. Lim	Same as record owner	Filipino	596,706,000	10.85%
Common	Raymond C. Yu	Same as record owner	Filipino	596,706,000	10.85%
Common	Abraham A. Ang	Same as record owner	Filipino	296,706,000	5.39%
Common	Jessalyn L. Tan	Same as record owner	Filipino	300,000,000	5.45%
TOTAL				4,211,240,960	76.57%

The figure below presents the shareholders owning at least 10% of the Company's outstanding capital stock, and their respective shareholdings in COL Financial Group, Inc. and Caylum Trading Institute, Inc.

**Figure 27. Beneficial Ownership Chart**



\*Shareholders with at least 10% ownership in CTS Global Equity Group, Inc. and their shareholdings in COL Financial Group, Inc. and Caylum Trading Institute, Inc.

### Security Ownership of Directors and Management

The following are the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of the date of this Prospectus:

Title of Class	Name of Beneficial Owner	Nature of Beneficial Ownership	Citizenship	No. of Shares Held	Percent (%)
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Common	Edward K. Lee Chairman	Same as record owner	Filipino	1,679,357,960	33.78
		Through Lydia C. Lee		178,570,000	
Common	Alexander C. Yu Vice-Chairman	Same as record owner	Filipino	741,765,000	15.31
		Through Adrian Alexander N. Yu		100,000,000	
Common	Hernan G. Lim Director	Same as record owner	Filipino	596,706,000	10.85
Common	Raymond C. Yu Director	Same as record owner	Filipino	596,706,000	10.85
Common	Martin T. Lee Independent Director	Same as record owner	Filipino	3,005,000	0.05
Common	Lawrence C. Lee Director; President & CEO	Same as record owner	Filipino	220,000,000	4.00
Common	Edmund C. Lee Director; Chief Finance Officer	Same as record owner	Filipino	220,000,000	4.00
Common	Michelle Angeline N. Yu Director	Same as record owner	Filipino	110,000,000	2.00
Common	Emmanuel L. Samson Independent Director	Same as record owner	Filipino	1,000,000	0.02
Common	Donald R. Felbaum Independent Director	Same as record owner	American	1,000,000	0.02
Common	Catherine L. Ong, Director; SVP – Chief Operating Officer	Same as record owner	Filipino	255,181,540	4.64
Common	Leonard Louis C. Chua Head of Global Investments	Same as record owner	Filipino	-	-
Common	Richard Lemuel U. Pacheco Head of Proprietary Trading	Same as record owner	Filipino	-	-
Common	Terence L. Chan Head of HK Investments	Same as record owner	Filipino	-	-
Common	Bryan S. Gomez Head of External Relations	Same as record owner	Filipino	-	-
Common	Juan Carlos G. Aquino Associated Person	Same as record owner	Filipino	-	-
Common	Mark Jason C. Mariposa Head of Macroeconomics	Same as record owner	Filipino	-	-
Common	Lorena E. Velarde Associated Person	Same as record owner	Filipino	-	-
Common	Sharon T. Lim Corporate Secretary	Same as record owner	Filipino	-	-
Common	Sanida C. Tan Asst. Corporate Secretary	Same as record owner	Filipino	-	-
Common	Stephanie Faye B. Reyes Asst. Corporate Secretary	Same as record owner	Filipino	-	-
TOTAL				4,703,291,500	85.51

As of the date of this Prospectus, the aggregate direct and indirect ownership of all directors and officers of the Company as a group is 85.51% of the total issued and outstanding shares of the Company.

## Selling Security Holders

None of the Offer Shares is to be offered for the account of security holders.

## Voting Trust

The Company knows of no person holding more than 5.00% of shares under a voting trust or similar agreement.

## Lock-up

The PSE Consolidated Listing and Disclosure Rules, as amended by PSE Circular No. 2020-0080, require all existing non-public shareholders and their related parties owning the outstanding shares of a Company applying for listing in the SME Board not to sell, assign or in any manner dispose of their shares for a period of one (1) year after the listing of the shares.

The following shareholders are covered by the aforesaid one (1) year PSE lock-up requirement:

<b>Shareholder</b>	<b>No. of Common Shares Covered by 1-year Lock-up</b>	<b>Ownership Percentage to Total Issued Shares Before the Offer</b>
Edward K. Lee	1,679,357,960	30.53%
Alexander C. Yu	741,765,000	13.49%
Hernan G. Lim	596,706,000	10.85%
Raymond C. Yu	596,706,000	10.85%
Catherine L. Ong	255,181,540	4.64%
Edmund C. Lee	220,000,000	4.00%
Lawrence C. Lee	220,000,000	4.00%
Lydia C. Lee	178,570,000	3.25%
Adrian Alexander N. Yu	100,000,000	1.82%
Michelle Angeline N. Yu	110,000,000	2.00%
Martin T. Lee	3,005,000	0.05%
Donald R. Felbaum	1,000,000	0.02%
Emmanuel L. Samson	1,000,000	0.02%
<b>Total</b>	<b>4,703,291,500</b>	<b>85.51%</b>

In addition, if there is any issuance of shares or securities such as private placements, assets for shares swap, or a similar transaction or instruments which would lead to the issuance of shares or securities such as convertible bonds, warrants or similar instrument that are completed within 180 days prior to the start of the offer period, and the relevant transaction price is lower than the offer price in the initial public offering, then all such shares or securities shall be subject to a lock-up period of at least one (1) year from full payment of such shares or securities. No such shareholder is covered by the lock up requirement solely due to an issuance of shares or securities.

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("PCD") participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

In addition to the foregoing lock-ups, the Company has agreed with the Issue Manager, Underwriter and Bookrunner that, except in connection with the Offer, none of the Company, its affiliates, nor any person acting on their behalf, will, without the prior written consent of the Issue Manager, Underwriter and Bookrunner, issue, offer, sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares owned as of the listing date or securities owned as of the listing date convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or

indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

#### **Recent Issuances of Securities Constituting Exempt Transactions by the Company**

Aside from the subscription of the directors of their nominal shares, there are no other issuances of securities constituting exempt transactions by the Company.

#### **Changes in Control**

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective investors should read this discussion and analysis of CTS Global's financial condition and results of operations in conjunction the sections entitled "Summary Historical Financial Information" and "Selected Historical Financial Information" and with the audited financial statements for the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018, including the notes relating thereto, included elsewhere in this Prospectus.*

*CTS Global's audited financial statements included in this Prospectus were prepared in compliance with PFRS.*

*In contemplation of the Offer and in compliance with applicable regulatory requirements of the SEC for companies seeking registration of their securities, CTS Global appointed Reyes, Tacandong & Co. as its independent auditors in 2021. This discussion contains forward-looking statements and reflects CTS Global's current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" starting on page 34 of this Prospectus. See "Forward-Looking Statements" on page iv of this Prospectus.*

### **Critical Accounting Policies**

The significant accounting policies of CTS Global are set forth in Note 2 to the financial statements included elsewhere in this Prospectus. The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards ("PFRS") issued by the Philippine Financial Reporting Standards Council and adopted by SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards ("PAS") and Philippine interpretations from International Financial Reporting Interpretations Committee ("IFRIC"). The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon the evaluation of management of relevant facts and circumstances as at the reporting date. Actual results could differ from those estimates. Such estimates will be adjusted accordingly when the results become determinable. Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the accounting policies of the Company, management has made judgments, apart from those involving estimates and assumptions, which have significant effect on the amounts recognized in the financial statements. These are set forth and discussed in Note 3 of the audited financial statements of the Company.



**Table 27: Statements of Financial Position**

	<b>December 31</b>		
	<b>September 30, 2021</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	329,934,578	423,021,672	469,228,089
Financial assets at fair value through profit or loss (FVPL)	60,970,444	112,755	41,180,888
Trade receivables	369,590,829	321,195,364	257,600,266
Other current assets	8,706,270	2,746,821	3,145,430
<b>Total Current Assets</b>	<b>769,202,121</b>	<b>747,076,612</b>	<b>771,154,673</b>
<b>Noncurrent Assets</b>			
Intangible assets	2,635,745	2,494,683	2,753,219
Property and equipment	11,908,819	11,945,183	27,326,577
Investment property	10,445,900	10,928,018	11,570,841
Net deferred tax assets	2,141,205	10,267,108	14,909,789
Other noncurrent assets	60,435,245	59,901,424	10,783,563
<b>Total Noncurrent Assets</b>	<b>87,566,914</b>	<b>95,536,416</b>	<b>67,343,989</b>
<b>Total Assets</b>	<b>856,769,035</b>	<b>842,613,028</b>	<b>838,498,662</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	235,497,194	291,870,158	334,277,643
Lease liabilities - current portion	1,367,527	1,211,891	4,169,736
Income tax payable	-	2,754,987	-
Other current liabilities	5,423,033	11,020,314	1,522,017
<b>Total Current Liabilities</b>	<b>242,287,754</b>	<b>306,857,350</b>	<b>339,969,396</b>
<b>Noncurrent Liabilities</b>			
Net retirement benefit liability	18,886,393	22,097,367	15,805,894
Lease liabilities - net of current portion	1,194,761	202,584	9,568,960
<b>Total Noncurrent Liabilities</b>	<b>20,081,154</b>	<b>22,299,951</b>	<b>25,374,854</b>
<b>Total Liabilities</b>	<b>262,368,908</b>	<b>329,157,301</b>	<b>365,344,250</b>
<b>EQUITY</b>			
Capital stock	550,000,000	500,000,000	200,000,000
Deposit for future stock subscription	-	-	300,000,000
Retained earnings (deficit)			
Appropriated	4,689,519	-	-
Unappropriated	37,174,935	15,249,292	(27,445,895)
Cumulative gain (loss) on remeasurement of retirement benefits (net of deferred tax)	2,535,673	(1,793,565)	600,307
<b>Total Equity</b>	<b>594,400,127</b>	<b>513,455,727</b>	<b>473,154,412</b>
<b>Total Liabilities and Equity</b>	<b>856,769,035</b>	<b>842,613,028</b>	<b>838,498,662</b>

*See accompanying Notes to Financial Statements.*

## Nine months ended September 30, 2021 compared to year ended December 31, 2020

	For the period ended		Horizontal analysis	Vertical analysis	
	September 30, 2021	December 31, 2020		September 30, 2021	December 31, 2020
				<b>% of Total Assets</b>	
Total Current Assets	769,202,121	747,076,612	3%	90%	89%
Total Noncurrent Assets	87,566,914	95,536,416	-8%	10%	11%
Total Assets	856,769,035	842,613,028	2%	100%	100%
Total Current Liabilities	242,287,754	306,857,350	-21%	28%	36%
Total Noncurrent Liabilities	20,081,154	22,299,951	-10%	2%	3%
Total Liabilities	262,368,908	329,157,301	-20%	31%	39%
Total Equity	594,400,127	513,455,727	16%	69%	61%
Total Liabilities and Equity	856,769,035	842,613,028	2%	100%	100%

### Current Assets

As at September 30, 2021 and December 31, 2020, total current assets amounted to ₱769.2M and ₱747.1M, respectively, for an increase of ₱22.1M or 3%.

Cash and cash equivalents decreased by 22% from ₱423.0M as at December 31, 2020 to ₱329.9M as at September 30, 2021 primarily due to net cash used in operations amounting ₱140.8M and net cash generated from financing activities of ₱48.4M. The net cash used in operations comprise the income before tax position of ₱36.4M, less effects of unrealized foreign exchange gain on dollar-denominated financial assets of ₱21.7M, increase in financial assets at FVPL and fund in other brokers totaling by ₱57.2M and ₱29.2M, respectively, decrease in trade payable due to net client trading deployment of ₱56.4M and income taxes paid of ₱11.1M

Financial Assets at FVPL amounted to ₱60.9M and ₱0.1M as of September 30, 2021 and December 31, 2020, respectively. The balance pertains to local and global equity securities still held as of September 30, 2021. The significant increase as of interim September 30, 2021 compared to year ended December 31, 2020 is mainly because the Company generally close all outstanding positions in equity securities every year end.

Trade and other receivables increased by ₱48.4M primarily due to increase in fund with other brokers because of net trading gains for the period and effect of unrealized foreign exchange gain position to-date of foreign currency-denominated deposits in other brokers.

### Noncurrent Assets

As at September 30, 2021 and December 31, 2020, total noncurrent assets amounted to ₱87.6M and ₱95.5M, respectively, for a decrease of ₱7.9M or by 8%.

Net deferred tax asset decreased by ₱8.1M or 79% due to change in deferred tax component on unrealized foreign exchange gain position on foreign currency-denominated assets for period ending September 30, 2021 compared to unrealized foreign exchange loss position in December 31, 2020, and change in deferred tax component on net retirement liability arising from gain on actuarial remeasurement.

### Current Liabilities

As at September 30, 2021 and December 31, 2020, total current liabilities amounted to ₱242.3M and ₱306.9M, respectively, for a decrease of ₱64.6M or 21%. Trade payables decreased by ₱56.4M or by 19% mainly due to various net client trading deployment.

### Noncurrent Liabilities

As at September 30, 2021 and December 31, 2020, total noncurrent liabilities amounted to ₱20.1M and ₱22.3M, respectively, for a decrease of ₱2.2M or 10%. Net retirement benefit liability decreased by ₱3.2M or by 15% mainly due to gain on actuarial remeasurement.

### Equity

As at September 30, 2021 and December 31, 2020, total equity amounted to ₱594.4M and ₱513.5M, respectively, for an increase of ₱80.9M or 16%.

Unappropriated retained earnings stood at ₱37.2M as a result of the net income position for the period amounting to ₱27.1M and appropriation made during the year amounting to ₱4.7M based on previous year's audited net income in compliance with SRC Rule 49.1 (B).

In June 2021, the stockholders of the Company made additional capital infusion of ₱50.0M to support the Company's trading operations and working capital requirements.

### Year ended December 31, 2020 compared to year ended December 31, 2019

	For the period ended		Horizontal analysis	Vertical analysis	
	December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
				<b>% of Total Assets</b>	
Total Current Assets	747,076,612	771,154,673	-3%	89%	92%
Total Noncurrent Assets	95,536,416	67,343,989	42%	11%	8%
Total Assets	842,613,028	838,498,662	0.5%	100%	100%
Total Current Liabilities	306,857,350	339,969,396	-10%	36%	41%
Total Noncurrent Liabilities	22,299,951	25,374,854	-12%	3%	3%
Total Liabilities	329,157,301	365,344,250	-10%	39%	44%
Total Equity	513,455,727	473,154,412	9%	61%	56%
Total Liabilities and Equity	842,613,028	838,498,662	0.5%	100%	100%

### Current Assets

As at December 31, 2020 and 2019, total current assets amounted to ₱747.1M and ₱771.2M, respectively, for a decrease of ₱24.1M or 3%.

Cash and cash equivalents decreased by 10% from ₱469.2M as at December 31, 2019 to ₱423.0M as at December 31, 2020 mostly due to net cash from operations amounting ₱11.9M and net cash used in investing activities of ₱50.2M. The net cash used in operations comprise the income before tax position of ₱56.0M, add effects of unrealized foreign exchange loss on dollar-denominated financial assets of ₱14.6M, decrease in financial assets at FVPL and increase in fund in other brokers totaling by ₱41.1M and ₱78.4M, respectively, decrease in trade payable due to net client trading deployment of ₱42.4M.

Financial Assets at FVPL amounted to ₱0.1M and ₱41.2M as of December 31, 2020 and 2019, respectively. The decrease by ₱41.1M is mainly because the Company generally close all outstanding positions in equity securities every year end.

Trade and other receivables increased by ₱63.6M primarily due to increase in fund with other brokers because of net trading gains during the year.

### Noncurrent Assets

As at December 31, 2020 and 2019, total noncurrent assets amounted to ₱95.5M and ₱67.3M, respectively, for an increase of ₱28.2M or 42%.

In February 2020, the Company purchased an investment in a government security with a face value of ₱50.0M. The investment earns a coupon rate of 4.375% per annum, payable on a quarterly basis, and will mature on February 11, 2023.

Property and equipment decreased by ₱15.4M or 56% due to depreciation of ₱7.8M and derecognition of the net book value of related ROU assets recorded under Property and Equipment amounting to ₱8.4M arising from cancellation of two (2) leased office units during the year.

### Current Liabilities

As at December 31, 2020 and 2019, total current liabilities amounted to ₱306.9M and ₱340.0M, respectively, for a decrease of ₱33.1M or 10%. Trade payables decreased by ₱42.4M or by 13% mainly due to various net client trading deployment while increase in other current liabilities pertains to payables due to BIR arising from output VAT, withholding tax, and income taxes which are generally settled in the succeeding month from reporting date.

### Noncurrent Liabilities

As at December 31, 2020 and 2019, total noncurrent liabilities amounted to ₱22.3M and ₱25.4M, respectively, for a decrease of ₱3.1M or 12%. Net retirement benefit liability increased by ₱6.3M or by 40% due to loss on actuarial remeasurement and retirement benefit costs for the period while noncurrent portion of lease liabilities decreased by ₱9.4M or by 98% mostly due to cancellation of two (2) leased office units during the year.

### Equity

As at December 31, 2020 and 2019, total equity amounted to ₱513.5M and ₱473.2M, respectively, for an increase of ₱40.3M or 9%.

Unappropriated retained earnings increased stood at ₱15.2M or increased by ₱42.7M compared to deficit position in 2019 as a result of the net income during the year amounting to ₱46.9M and cost of share issuance amounting to ₱4.2M.

In January 2020, the SEC approved the Company's increase in authorized capital stock. Accordingly, the deposit for future stock subscription of ₱300.0M was reclassified to Capital Stock.

### Year ended December 31, 2019 compared to year ended December 31, 2018

	For the period ended		Horizontal analysis	Vertical analysis	
	December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
				<b>% of Total Assets</b>	
Total Current Assets	771,154,673	634,637,347	22%	92%	94%
Total Noncurrent Assets	67,343,989	43,587,033	55%	8%	6%
Total Assets	838,498,662	678,224,380	24%	100%	100%
Total Current Liabilities	339,969,396	460,422,881	-26%	41%	68%
Total Noncurrent Liabilities	25,374,854	8,301,440	206%	3%	1%
Total Liabilities	365,344,250	468,724,321	-22%	44%	69%
Total Equity	473,154,412	209,500,059	126%	56%	31%
Total Liabilities and Equity	838,498,662	678,224,380	24%	100%	100%

### Current Assets

As at December 31, 2019 and 2018, total current assets amounted to ₱771.2M and ₱634.6M, respectively, for an increase of ₱136.5M or 22%.

Cash and cash equivalents increased by 21% from ₱386.5M as at December 31, 2018 to ₱469.2M as at December 31, 2019 primarily due to deposits for future subscription amounting to ₱300.0M and net cash used in operations amounting ₱211.1M. The net cash used in operations comprise the loss before tax position of ₱44.8M, deposit made to other broker for HK trading amounting to ₱65M, and decrease in trade payables because of net client trading deployment of ₱124.0M

Financial Assets at FVPL amounted to ₱41.2M and ₱26.9M as of December 31, 2019 and 2018, respectively. The balance pertains to local and global equity securities still held as of reporting period. The increase by ₱14.3M compared to year ended December 31, 2018 pertains mainly to purchase of equity securities towards end of year. These equity securities are generally sold in subsequent period.

Trade receivables increased by ₱38.4M primarily due to deposit made to other broker amounting to ₱65M to facilitate HK trading and fund deployed for purchase of global securities.

### **Noncurrent Assets**

As at December 31, 2019 and 2018, total noncurrent assets amounted to ₱67.3M and ₱43.6M, respectively, for an increase of ₱23.7M or 55%.

Property and Equipment increased by ₱8.9M or 30% primarily from net book value of Right-of-Use asset amounting to ₱13.2M, in relation to the adoption of PFRS 16 in 2019 and depreciation, other than from ROU asset, of P5M.

Net deferred tax assets increased by ₱14.0M or 1,468% due to deferred tax component on NOLCO amounting to P13.6M, as a result of the loss position during the year.

### **Current Liabilities**

As at December 31, 2019 and 2018, total current liabilities amounted to ₱340.0M and ₱460.4M, respectively, for a decrease of ₱120.5M or 26%. Trade payables decreased by ₱124.0M or by 27% mainly due to various net client trading deployment.

### **Noncurrent Liabilities**

As at December 31, 2019 and 2018, total noncurrent liabilities amounted to ₱25.4M and ₱8.3M, respectively, for an increase of ₱17.1M or 206%. Retirement benefit liability increased by ₱7.5M or by 90% due to retirement costs for the year and actuarial loss on remeasurement.

### **Equity**

As at December 31, 2019 and 2018, total equity amounted to ₱473.2M and ₱209.5M, respectively, for an increase of ₱263.7M or 126%.

Deficit stood at ₱27.4M in 2019 as a result of the net loss position for the year amounting to ₱32.5M and reversal of appropriation made in 2018 amounting to P3.8M due to deficit position as of year-end.

On October 16, 2019, the BOD and stockholders of the Company approved the increase in authorized capital stock from P200.0M divided into 200.0M common shares with a par value of P1.0 per share to P800.0M divided into 800.0M common shares with a par value of P1.0 per share. The amount of cash received from existing and potential stockholders to be applied as payment for future issuance of common stock amounted to P300.0M. On November 6, 2019, the Company submitted the application for increase in authorized capital stock to the SEC. As at December 31, 2019, the deposit for future stock subscription is recognized as equity in accordance with the requirements per SEC Financial Reporting Bulletin No. 6, Deposits for Future Stock Subscription. On January 22, 2020, the SEC approved the Company's increase in authorized capital stock resulting to the issuance of additional 300.0 million shares at P1.0 par value from the Company's unissued capital stock.

## KEY COMPONENTS OF RESULTS OF OPERATIONS

### Revenues

*Trading Gains or Losses on Financial Assets at FVPL.* Trading gains or losses on financial assets at FVPL include all gains and losses from changes in fair value and disposal of financial assets at FVPL. Unrealized gains or losses are recognized in profit or loss upon remeasurement of the financial assets at FVPL at each reporting date. Gains or losses from sale of financial assets at FVPL are recognized in profit or loss upon confirmation of trade deals.

Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

*Commissions.* These pertain to the revenue from brokerage transactions, which are recorded on trade date basis as trade transactions occur.

*Interests.* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset.

*Dividends.* Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the board of directors approves the dividend declaration.

*Other Income.* Income from other sources is recognized when earned during the period.

### Cost and Expense Recognition

*Costs of Services.* Costs of services such as commissions, direct personnel costs, transaction costs, research costs, stock exchange dues and fees, central depository fees and communication costs are recognized when the related revenue is recognized or when the service is rendered. Traders' fixed salary fall under direct personnel costs while their performance bonuses are under commissions.

*Operating Expenses.* Operating expenses incurred by the Company such as indirect personnel costs, utility costs, and other operating expenses are administrative overhead costs and are recognized in profit or loss when incurred.

## Results of Operations

The following table summarizes the results of operations of the Company for the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018, expressed in absolute amounts. These amounts have been derived from, and should be read in conjunction with, and are qualified in their entirety by reference to the accompanying audited Financial Statements of the Company.

**Table 28: Results of Operations**

	Nine Months Ended		December 31		
	September 30 2021	2020	2020	2019	2018
<b>Revenues</b>					
Trading gains on financial assets at FVPL - net	93,483,356	70,999,253	157,813,316	25,638,532	35,045,644
Commissions	10,092,099	3,074,885	5,958,726	6,779,289	5,533,197
Interests	2,298,646	6,348,167	7,288,079	11,259,738	12,952,951
Dividends	1,868,925	860,555	1,201,085	3,310,176	1,319,513
	<b>107,743,026</b>	<b>81,282,860</b>	<b>172,261,206</b>	<b>46,987,735</b>	<b>54,851,305</b>
<b>Cost of Services</b>					
Commissions	37,204,006	10,674,997	26,180,455	13,289,864	13,739,096
Personnel costs	19,222,077	16,377,473	22,539,339	25,197,795	22,561,014
Transaction costs	9,798,525	14,902,236	17,835,784	4,642,060	5,301,235
Research	1,694,973	1,913,965	2,500,607	2,744,564	2,597,367
Stock exchange dues and fees	1,333,966	596,326	872,653	1,481,247	1,362,276
Central depository fees	762,286	425,536	620,772	615,984	567,673
Communications	645,108	996,681	1,170,872	1,216,508	1,192,494
	<b>70,660,941</b>	<b>45,887,214</b>	<b>71,720,482</b>	<b>49,188,022</b>	<b>47,321,155</b>
<b>Gross Profit (Loss)</b>	<b>37,082,085</b>	<b>35,395,646</b>	<b>100,540,724</b>	<b>(2,200,287)</b>	<b>7,530,150</b>
<b>Operating Expenses</b>					
Personnel costs	10,119,883	7,018,917	11,677,855	12,158,920	11,386,947
Professional fees	1,326,107	49,000	923,500	736,286	469,849
Taxes and licenses	1,317,995	611,043	782,091	923,043	1,226,920
Condominium dues, power, and water	1,301,110	1,630,297	2,053,777	2,884,031	2,583,913
Insurance and bonds	1,089,685	1,141,797	1,494,450	1,459,525	1,130,945
Communications	924,981	1,842,421	2,240,575	3,942,706	2,799,552
Security and other manpower services	893,003	937,326	1,223,156	1,217,883	1,248,724
Trainings and seminars	453,287	21,786	22,829	337,054	522,401
Office supplies	245,171	145,035	194,820	359,328	377,447
Transportation and travel	38,198	15,786	21,912	358,550	287,008
Others	490,720	383,322	588,543	515,818	5,150,435
	<b>18,200,140</b>	<b>13,796,730</b>	<b>21,223,508</b>	<b>24,893,144</b>	<b>27,184,141</b>
Depreciation and amortization	3,311,718	6,957,878	8,121,609	9,639,318	7,129,737
Interest expense	707,508	1,185,365	1,414,758	1,469,085	594,524
	<b>22,219,366</b>	<b>21,939,973</b>	<b>30,759,875</b>	<b>36,001,547</b>	<b>34,908,402</b>

	Nine Months Ended		December 31		
	September 30		2020	2019	2018
	2021	2020	2020	2019	2018
<b>Other Income (Expenses)</b>					
Foreign exchange gains (losses) - net	21,718,372	(12,022,431)	(14,634,930)	(6,655,943)	8,499,324
Reveral of (provision for) credit losses	(193,989)	(112,239)	43,030	57,881	109,974
Other income	-	784,092	815,092	500	11,664,430
	<b>21,524,383</b>	<b>(11,350,578)</b>	<b>(13,776,808)</b>	<b>(6,597,562)</b>	<b>20,273,728</b>
<b>Income (Loss) Before Income Tax</b>	<b>36,387,102</b>	<b>2,105,095</b>	<b>56,004,041</b>	<b>(44,799,396)</b>	<b>(7,104,524)</b>
<b>Income Tax Expense (Benefit)</b>					
Current	2,589,117	651,511	3,440,228	-	360,961
Deferred	6,682,823	(7,364,472)	5,668,626	(12,307,514)	839,432
	<b>9,271,940</b>	<b>(6,712,961)</b>	<b>9,108,854</b>	<b>(12,307,514)</b>	<b>1,200,393</b>
<b>Net Income (Loss)</b>	<b>27,115,162</b>	<b>8,818,056</b>	<b>46,895,187</b>	<b>(32,491,882)</b>	<b>(8,304,917)</b>
<b>Other Comprehensive Income (Loss)</b>					
<i>Not to be reclassified to profit or loss on subsequent periods</i>					
Remeasurement gains (losses) on retirement benefits	5,772,318	(2,564,863)	(3,419,817)	(5,505,378)	(2,317,487)
Deferred income tax benefit (expense)	(1,443,080)	769,459	1,025,945	1,651,613	695,246
	<b>4,329,238</b>	<b>(1,795,404)</b>	<b>(2,393,872)</b>	<b>(3,853,765)</b>	<b>(1,622,241)</b>
<b>Total Comprehensive Income (Loss)</b>	<b>31,444,400</b>	<b>7,022,652</b>	<b>44,501,315</b>	<b>(36,345,647)</b>	<b>(9,927,158)</b>

See accompanying Notes to Financial Statements.

### September 2021 compared with September 2020

#### Nine months ended September 30, 2021 compared to nine months ended September 30, 2020

	For the period ended		Horizontal analysis	Vertical analysis	
	September 31, 2021	September 31, 2020		September 31, 2021	September 31, 2020
				% of Total Revenues	
Revenues	107,743,026	81,282,860	33%	100%	100%
Cost of Services	70,660,941	45,887,214	54%	66%	56%
Gross Profit	37,082,085	35,395,646	5%	34.4%	43.5%
Operating Expenses	22,219,366	21,939,973	1%	21%	27%
Other Income (Expenses)	21,524,383	(11,350,578)	290%	20%	-14%
Income Before Income Tax	36,387,102	2,105,095	1629%	34%	3%
Tax Expense (Benefit)	9,271,940	(6,712,961)	238%	9%	-8%
Net Income	27,115,162	8,818,056	207%	25%	11%

Revenues stood at ₱107.7M for nine months ended 2021, an increase by ₱26.5M or 33% compared to nine months ended 2020. This is due to increase in trading gains from local and global stock markets and commission income by ₱22.5M and ₱7.0M, respectively.

Cost of services increased by 54% from ₱45.9M to ₱70.7M for nine months ended September 2021 mostly as a result of commissions paid pertaining to traders' share in realized trading gains.

As a result of the foregoing, gross profit increased by 5% from ₱35.4M to ₱37.1M as of nine months ended September 2021.



No significant change in total operating expenses as of nine months ended September 2021 and 2020.

Net other income increased by ₱32.9M for nine months ended September 2021 mostly as a result of the reversal of unrealized foreign exchange loss position on foreign currency-denominated financial assets from nine months ended September 2020 amounting to ₱12.0M to unrealized foreign exchange gain position amounting to ₱21.7M as of nine months ended September 2021. The exchange rates closed at ₱50.959 and ₱48.465 per US\$1 in September 30, 2021 and 2020, respectively.

Due to the income position, the Company recognized income tax expense of ₱9.3M.

As a result of the foregoing, net income increased by 207% or by ₱18.3M.

#### Year ended December 31, 2020 compared to year ended December 31, 2019

	For the period ended		Horizontal analysis	Vertical analysis	
	December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
				% of Total Revenues	
Revenues	172,261,206	46,987,735	267%	100%	100%
Cost of Services	71,720,482	49,188,022	46%	42%	105%
Gross Profit (Loss)	100,540,724	(2,200,287)	4669%	58.4%	-4.7%
Operating Expenses	30,759,875	36,001,547	-15%	18%	77%
Other Income (Expenses)	(13,776,808)	(6,597,562)	-109%	-8%	-14%
Income (Loss) Before Tax	56,004,041	(44,799,396)	225%	33%	-95%
Tax Expense (Benefit)	9,108,854	(12,307,514)	174%	5%	-26%
Net Income	46,895,187	(32,491,882)	244%	27%	-69%

Revenues stood at ₱172.3M for year ended 2020, an increase by ₱125.3M or 267% compared to year ended 2019. This is primarily due to increase in trading gains from local and global stock markets by ₱132.2M.

Cost of services increased by 46% from ₱49.2M to ₱71.7M for year ended 2020 mostly as a result of commissions paid pertaining to traders' share due to higher realized trading gains and increase in transaction costs from trading in HK stock market.

As a result of the foregoing, gross profit increased by 4,669% from loss of ₱2.2M to gross profit of ₱100.5M as of year ended 2020.

Decrease in operating expenses by 15% or by ₱5.2M is mainly attributable to savings of about ₱1.7M, ₱1.7M, and ₱0.7M, respectively, from cancellation of leased office units, related condo dues and utility costs, certain communication lines terminated, and transportation/travel and meeting costs.

Net other expense increased by ₱7.2M mostly as a result of unrealized foreign exchange loss position on foreign currency-denominated financial assets amounting to ₱14.6M. The exchange rates closed at ₱48.036 and ₱50.744 per US\$1 in December 31, 2020 and 2019, respectively.

Due to the income position, the Company recognized income tax expense of ₱9.1M.

As a result of the foregoing, net income stood at ₱46.9M or increased by 244%.

**Year ended December 31, 2019 compared to year ended December 31, 2018**

	For the period ended		Horizontal analysis	Vertical analysis	
	December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
				<b>% of Total Revenues</b>	
Revenues	46,987,735	54,851,305	-14%	100%	100%
Cost of Services	49,188,022	47,321,155	4%	105%	86%
Gross Profit (Loss)	(2,200,287)	7,530,150	-129%	-4.7%	13.7%
Operating Expenses	36,001,547	34,908,402	3%	77%	64%
Other Income (Expenses)	(6,597,562)	20,273,728	-133%	-14%	37%
Loss Before Income Tax	(44,799,396)	(7,104,524)	-531%	-95%	-13%
Tax Expense (Benefit)	(12,307,514)	1,200,393	-1125%	-26%	2%
Net Income	(32,491,882)	(8,304,917)	-291%	-69%	-15%

Revenues stood at ₱47.0M for the year ended 2019, a decrease by ₱7.9M or 14% compared to 2018. This is primarily due to decline in trading gains from local stock market by ₱9.5M.

Cost of services increased by 4% from ₱47.3M in 2018 to ₱49.2M in 2019 mostly as a result of increase in personnel costs.

As a result of the foregoing, gross profit decreased by 129% from ₱7.5M in 2018 to loss of ₱2.2M in 2019.

Increase in operating expenses by 3% or by ₱1.1M is mainly attributable to full-year impact of the additional internet service provider availed in July 2018.

Net other expense for year ended 2019 amounting to ₱6.6M pertains mostly to unrealized foreign exchange loss position on foreign currency-denominated financial assets. The exchange rates closed at ₱50.74 and ₱52.72 per US\$1 in 2019 and 2018, respectively.

Due to the loss position, the Company recognized a net operating loss carryover (NOLCO) of ₱45.5M, with the estimated tax benefit of the NOLCO amounting to ₱13.6M.

As a result of the foregoing, net loss increased by 291% from ₱8.3M net loss in 2018 to ₱32.5M net loss in 2019.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

The primary sources and uses of cash of the Company for the nine months ended September 30, 2021 and 2020 and for the years ended December 31, 2020, 2019 and 2018 were as follows:

**Table 29: Cash Flows**

	Nine Months Ended		December 31		
	September 30	2020	2020	2019	2018
<b>Cash Flows from Operating Activities</b>					
Income (loss) before income tax	36,387,102	2,105,095	56,004,041	(44,799,396)	(7,104,524)
Adjustments for:					
Unrealized foreign exchange losses (gains) - net	(21,718,372)	12,022,431	14,634,930	6,655,943	(5,421,110)
Depreciation and amortization	3,311,718	6,957,878	8,121,609	9,639,318	7,129,737
Interests	(2,298,646)	(6,348,167)	(7,288,079)	(11,259,738)	(12,952,951)
Retirement benefit expense	1,881,850	1,513,604	2,018,138	1,359,865	1,626,138
Dividend income	(1,868,925)	(860,555)	(1,201,085)	(3,310,176)	(1,319,513)
Unrealized losses (gains) on financial assets at FVPL - net	(1,146,159)	(1,633,353)	424	754,525	7,444,790
Interest expense	707,508	1,185,365	1,414,758	1,469,085	594,524
Provision for (reversal of) credit losses	193,989	112,239	(43,030)	(57,881)	(109,974)
Gain on cancellation of leases	-	(762,467)	(762,467)	-	-
Gain on disposal of equipment	-	(21,625)	(52,625)	(500)	0
Other income	-	-	-	0	(11,495,667)
Operating income (loss) before working capital changes	15,450,065	14,270,445	72,846,614	(39,548,955)	(21,608,550)
Decrease (increase) in:					
Financial assets at FVPL	(57,220,595)	(126,880,939)	41,067,709	(17,152,106)	(2,196,979)
Trade receivables	(29,245,531)	65,398,176	(78,387,317)	(42,597,832)	(60,461,660)
Other current assets	(245,645)	(9,020,807)	(96,251)	(1,186,133)	165,233
Other noncurrent assets	(533,821)	943,020	882,139	(322,887)	(748,541)
Increase (decrease) in:					
Trade payables	(56,372,964)	(54,287,072)	(42,407,485)	(123,975,030)	(54,808,522)
Other current liabilities	(5,732,408)	507,100	9,732,043	(688,039)	(5,542,230)
Net cash generated from (used for) operations	(133,900,899)	(109,070,077)	3,637,452	(225,470,982)	(145,201,249)
Income taxes paid	(11,059,871)	(261,784)	(481,839)	(397,300)	(37,941)
Interest received	2,298,256	6,572,361	7,512,348	11,583,276	12,563,499
Dividends received	1,871,404	907,069	1,252,486	3,223,056	1,415,298
Net cash provided by (used in) operating activities	(140,791,110)	(101,852,431)	11,920,447	(211,061,950)	(131,260,393)
<b>Cash Flows from Investing Activities</b>					
Acquisitions of:					
Intangible asset	(415,893)	(90,640)	(90,640)	(815,760)	-
Property and equipment	(328,601)	(125,968)	(125,968)	(772,323)	(546,842)
Investment in a government security	-	(50,000,000)	(50,000,000)	-	-
Proceeds from disposal of equipment	-	21,625	52,625	500	-
Contributions to plan asset	-	-	-	-	(6,487,125)
Net cash used in investing activities	(744,494)	(50,194,983)	(50,163,983)	(1,587,583)	(7,033,967)

	Nine Months Ended		December 31		
	September 30		2020	2019	2018
	2021	2020	2020	2019	2018
<b>Cash Flows from Financing Activities</b>					
Stock issuance	50,000,000	-	-	-	-
Payments of lease liabilities	(1,070,005)	(3,389,217)	(3,745,242)	(4,617,355)	-
Stock issuance costs	(500,000)	(4,200,000)	(4,200,000)	-	-
Deposit for future stock subscriptions	-	-	-	300,000,000	-
Net cash provided by (used in) financing activities	48,429,995	(7,589,217)	(7,945,242)	295,382,645	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(93,105,609)	(159,636,631)	(46,188,778)	82,733,112	(138,294,360)
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>					
	18,515	(14,844)	(17,639)	(12,670)	22,279
<b>Cash and Cash Equivalents at Beginning of Year</b>	423,021,672	469,228,089	469,228,089	386,507,647	524,779,728
<b>Cash and Cash Equivalents at End of Year</b>	329,934,578	309,576,614	423,021,672	469,228,089	386,507,647

See accompanying Notes to Financial Statements.

## Net Cash Flows in Operating Activities

### Nine Months Ended September 30, 2021

Net cash flows used in operating activities was ₱140.8M. The net cash used in operations comprise the income before tax position of ₱36.4M, less effects of unrealized foreign exchange gain on dollar-denominated financial assets of ₱21.7M, increase in financial assets at FVPL and fund in other brokers totaling by ₱57.2M and ₱29.2M, respectively, decrease in trade payable due to net client trading deployment of ₱56.4M and income taxes paid of ₱11.1M.

### Nine Months Ended September 30, 2020

Net cash flows used in operating activities was ₱101.9M. The net cash used in operations comprise the income before tax position of ₱2.1M, add effects of unrealized foreign exchange loss on dollar-denominated financial assets of ₱12.0M, increase in financial assets at FVPL of ₱126.8M, decrease in trade receivables by ₱65.4M due to subsequent collection from Clearinghouse of ₱26.5M and fund deployed for trading purposes in other brokers by ₱34.5M, and decrease in trade payable due to net client trading deployment of ₱54.3M.

### Year 2020

Net cash flows provided by operating activities was ₱11.9M. The net cash used in operations comprise the income before tax position of ₱56.0M, add effects of unrealized foreign exchange loss on dollar-denominated financial assets of ₱14.6M, decrease in financial assets at FVPL and increase in fund in other brokers by ₱41.1M and ₱78.4M, respectively, and decrease in trade payable due to net client trading deployment of ₱42.4M.

#### *Year 2019*

Net cash flows used in operating activities was ₱211.1M. The net cash used in operations comprise the loss before tax position of ₱44.8M, add effects of unrealized foreign exchange loss on dollar-denominated financial assets of ₱6.7M, increase in financial assets at FVPL by ₱17.2M, increase in fund in other brokers by ₱42.6M mostly due to additional funding made to support HK trading operations, and decrease in trade payable due to net client trading deployment of ₱124.0M.

#### *Year 2018*

Net cash flows used in operating activities was ₱131.3M. The net cash used in operations comprise the loss before tax position of ₱7.1M, other income amounting to ₱11.5M due to refundable status of previously expensed contributions with Securities Clearing Corporation of the Philippines (SCCP), increase in fund in other brokers by ₱60.5M mostly due to additional funding made to support global trading operations, and decrease in trade payable due to net client trading deployment of ₱54.8M.

### **Net Cash Flows in Investing Activities**

#### *Nine Months Ended September 30, 2021*

The net cash flows used in investing activities of ₱0.8M was mainly due to the purchase and/or upgrade of certain office equipment.

#### *Nine Months Ended September 30, 2020*

The net cash flows used in investing activities of ₱50.2M was mainly due to investment in a government security with a face value of ₱50.0M. The investment earns a coupon rate of 4.375% per annum, payable on a quarterly basis, and will mature on February 11, 2023.

#### *Year 2020*

The net cash flows used in investing activities of ₱50.2M was mainly due to investment in a government security with a face value of ₱50.0M. The investment earns a coupon rate of 4.375% per annum, payable on a quarterly basis, and will mature on February 11, 2023.

#### *Year 2019*

The net cash flows used in investing activities of ₱1.6M was mainly due to the purchase of certain office equipment.

#### *Year 2018*

The net cash flows used in investing activities of ₱7.0M was mainly due to contributions to retirement plan asset

### **Net Cash Flows in Financing Activities**

#### *Nine Months Ended September 30, 2021*

The net cash flows provided by financing activities of ₱48.4M was mainly due to the fresh capital received amounting to ₱50.0M to support the Company's trading operations and working capital requirements.

#### *Nine Months Ended September 30, 2020*

The net cash flows used in financing activities of ₱7.6M was mainly due to stock issuance costs amounting to ₱4.2M and lease payments amounting to ₱3.4M.

*Year 2020*

The net cash flows used in financing activities of ₱7.9M was mainly due to stock issuance costs amounting to ₱4.2M and lease payments amounting to ₱3.7M.

*Year 2019*

The net cash flows provided by financing activities of ₱295.4M was mainly due to the deposits for future stock subscriptions received amounting to ₱300.0M to support the Company's trading operations and working capital requirements.

*Year 2018*

There are no cash flows from financing activities in 2018.

**Table 30: Key Performance Indicators**

	Nine Months Ended September 30			Year Ended December 31	
	2021	2020	2020	2019	2018
Revenues (₱)	107,743,026	81,282,860	172,261,206	46,987,735	54,851,305
Revenue Growth <sup>(1)</sup>	32.55%	137.59%	266.61%	-14.34%	-43.48%
Gross Profit (₱)	37,082,085	35,395,646	100,540,724	(2,200,287)	7,530,150
Gross Margins <sup>(2)</sup>	34.42%	43.55%	58.37%	-4.68%	13.73%
Capital Stock (₱) <sup>(3)</sup>	550,000,000	500,000,000	500,000,000	200,000,000	200,000,000
Revenue/Capital Stock Ratio <sup>(4)</sup>	19.59%	16.26%	34.45%	23.49%	27.43%
Trader Headcount <sup>(5)</sup>	40	39	39	47	35
Average Revenue per Trader (₱) <sup>(6)</sup>	2,693,575	2,084,175	4,416,954	999,739	1,567,180
Net Liquid Capital <sup>(7)</sup>	545,829,042	418,907,226	467,180,948	400,913,997	158,996,484
Risk Based Capital Adequacy (RBCA) Ratio <sup>(8)</sup>	1302%	572%	2368%	1240%	664%

- (1) Revenue Growth is computed by subtracting the previous period's revenue from the current period's revenue, and then dividing that number by the previous period's revenue.
- (2) Gross Margin is computed as gross profit divided by revenues.
- (3) Capital Stock is measured at par value for all shares issued and outstanding.
- (4) Revenue/Capital Stock Ratio is computed as revenues divided by the capital stock. This is a metric of the firm's efficiency in producing profits out of capital.
- (5) Trader Headcount is the number of traders at the end of each period.
- (6) Average Revenue per Trader is computed as revenues divided by trader headcount.
- (7) Net Liquid Capital (NLC) is the Equity Eligible for Net Liquid Capital of a Broker Dealer, adjusted for non-allowable current and non-current assets. The Company is required, at all times, to have an NLC of at least ₱5.0 million or 5% of its Aggregate Indebtedness, whichever is higher.
- (8) RBCA Ratio is computed as NLC divided by its Total Risk Capital Requirement. The Company is required, at all times, to meet at least 110%. The ratio ensures that the Company has sufficient capital to sustain operating losses, if any, while maintaining a safe and efficient market.

## **Quantitative and Qualitative Disclosure of Market Risk**

The Company's financial instruments consist mainly of cash and cash equivalents, financial assets at FVPL, trade receivables and other various financial instruments such as interest and dividend receivables, investment in a retail treasury bond, refundable deposits, trade payables, other current liabilities, and lease liabilities. The main risks arising from the Company's use of financial instruments include credit risk, liquidity risk, foreign currency risk and equity price risk.

The Company's overall risk management process focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

### **Credit Risk**

The Company's exposure to credit risk arises from the failure of a counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The Company limits its exposure to credit risk by depositing its cash with highly reputable and pre-approved financial institutions. In addition, customers are initially assessed for creditworthiness based on their profile (i.e., financial capacity, reputation, collateral). The Company mitigates its credit risk by transacting with recognized and creditworthy counterparties. The Company also monitors receivable balances regularly. In accordance with the Risk-Based Capital Adequacy (RBCA) requirements, limits are imposed to avoid large exposure to a single client or counterparty and single equity relative to a particular issuer company or group of companies. Furthermore, credit exposures are minimized by collateral held in the form of securities purchased.

### **Liquidity Risk**

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Company's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The Company monitors its cash flows, particularly the funding requirements of operations and receivables from customers' collections, to ensure an adequate balance of cash inflows and outflows.

### **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk. The Company's policy is to maintain foreign currency exposure within acceptable limits and within the existing regulatory guidelines. The Company believes that its profile of foreign currency exposure on its assets is within conservative limits for a financial institution engaged in the type of business in which the Company is engaged.

### **Equity Price Risk**

Equity price risk is the risk that the fair values of quoted equity securities would decrease as the result of the adverse changes in the quoted equity prices as affected by both rational and irrational market forces. The equity price risk exposure of the Company arises mainly from its financial assets at FVPL. The Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.



## **Discussion and Analysis of Material Events and Uncertainties**

1. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
2. The Company does not anticipate any cash flow or liquidity problem in the next 12 months. The Company is not in default or breach of any of its notes, loan, lease or other indebtedness or financing arrangement requiring payments. The Company has paid its trade payables within trade terms stated.
3. There are no other events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation of the Company.
4. Aside from the planned capital expenditures discussed under the Use of Proceeds section of this prospectus, the Company has no material commitments for capital expenditures.
5. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Company.
6. There are no significant elements of income or loss that did not arise from the Company's continuing operations.
7. There are no known seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

## **Audit Opinion by External Auditor**

The Audited Financial Information as at September 30, 2021, including the notes thereto that are incorporated by reference in this Prospectus, have been audited without qualification by RT&Co., as stated in their reports appearing herein. Furthermore, the financial statements as at and for the full years ended December 31, 2020, 2019 and 2018 were likewise audited by RT&Co.

There are no plans to change independent auditors for the succeeding years.

## INDEPENDENT AUDITORS' REPORTS

The financial statements of the CTS Global as of September 30, 2021, December 31, 2020, 2019, and 2018 were audited by Reyes Tacandong & Co., independent auditors, as stated in their report attached to this Prospectus. Reyes Tacandong & Co. has acted as CTS Global's external auditor since 2012. Emmanuel Clariño is the current audit partner for CTS Global and has started only this year 2021 while Joseph Bilangbilin was the previous audit partner and has served as such since 2014. CTS Global has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. Reyes Tacandong & Co. has neither shareholdings in CTS Global nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. Reyes Tacandong & Co. will not receive any direct or indirect interest in CTS Global 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 paid to Reyes Tacandong & Co. for professional services rendered in respect of the audit of the Company's historical financial statements, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Audit and Audit Related Fees (in ₱)	450,000	450,000	450,000	425,000

Audit and Audited-Related Fees refer to the professional services rendered by Reyes Tacandong & Co. for audit of the annual financial statements of the Company and services that are normally provided in connection with statutory and regulatory filings for the said calendar years. The fees presented above exclude out-of-pocket expenses incidental to the services of the Independent Auditors.

### **Tax Fees**

The Company has not engaged an external auditor for professional services covering tax accounting, compliance, advice, planning and any other form of tax services.

### **All Other Fees**

The Company has not engaged an external auditor for products and services other than the services reported under Audit and Audit-Related Fees subsection.

### **Audit Committee Approval Policies**

Under the Company's Manual on Corporate Governance, the policies and procedures for the audit rendered by the independent public auditors are to be taken up, discussed, and approved by the Company's Audit Committee.

The Audit Committee's decisions are based on the standards set forth by the Company for the purpose of audit or tax services, as the case may be. If the proposal submitted by the independent public auditor is within the standards set forth, then the proposal is forwarded to the Board of Directors for approval.

## REGULATORY FRAMEWORK

### GENERAL BUSINESS REGULATORY FRAMEWORK

#### Revised Corporation Code

The Revised Corporation Code was signed into law on 20 February 2019, and became effective on 08 March 2019. The salient features, among others, of the Revised Corporation Code are as follows:

1. Corporations are granted perpetual existence, unless the Articles of Incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Commission that it elects to retain its specific corporate term under its current Articles of Incorporation;
2. Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same;
3. The right of stockholders to vote in the election of directors or trustees, or in stockholders' meetings, may now be done through remote communication or in absentia if authorized by the corporation's by-laws. However, as to corporations vested with public interest, voting through remote communication or in absentia are deemed allowed, even if not expressly stated in the by-laws. The stockholders who participate through such means are deemed present for purposes of quorum. When attendance, participation, and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and
4. In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring, creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

#### Republic Act No. 10173 (Data Privacy Act of 2012)

Republic Act No. 10173, otherwise known as the Data Privacy Act, protects all forms of information, be it private, personal, or sensitive. It covers all natural and juridical persons involved in the processing of information whether in the government or private sector, and whether in or outside the Philippines.

Under the Data Privacy Act, personal information is defined as any information, whether recorded in a material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information, would directly and certainly identify an individual. The processing of information is defined as any operation or any set of operations performed upon personal data including, but not limited to, the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure, or destruction of data.

The processing of personal information shall be allowed, subject to compliance with the requirements under the Data Privacy Act, and other laws allowing disclosure of information to the public and adherence to the principles of transparency, legitimate purpose and proportionality. The guidelines for the processing of personal information are as follows:

1. Collected for specified and legitimate purposes determined and declared before, or as soon as reasonably practicable after collection, and later processed in a way compatible with such declared, specified and legitimate purposes only;

2. Processed fairly and lawfully;
3. Accurate, relevant and, where necessary for purposes for which it is to be used the processing of personal information, kept up to date; inaccurate or incomplete data must be rectified, supplemented, destroyed or their further processing restricted;
4. Adequate and not excessive in relation to the purposes for which they are collected and processed;
5. Retained only for as long as necessary for the fulfillment of the purposes for which the data was obtained or for the establishment, exercise or defense of legal claims, or for legitimate business purposes, or as provided by law; and
6. Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected and processed.

As a general rule, the processing of personal information is permitted, unless otherwise prohibited by law, and when at least one of the following conditions exist:

1. The data subject has given his or her consent;
2. The processing of personal information is necessary and is related to the fulfillment of a contract with the data subject or in order to take steps at the request of the data subject prior to entering into a contract;
3. The processing is necessary for compliance with a legal obligation to which the personal information controller is subject;
4. The processing is necessary to protect vitally important interests of the data subject, including life and health;
5. The processing is necessary in order to respond to national emergency, to comply with the requirements of public order and safety, or to fulfill functions of public authority which necessarily includes the processing of personal data for the fulfillment of its mandate; or
6. The processing is necessary for the purposes of the legitimate interests pursued by the personal information controller or by a third party or parties to whom the data is disclosed, except where such interests are overridden by fundamental rights and freedoms of the data subject which require protection under the Philippine Constitution.

The Data Privacy Act further requires the appointment of a Data Protection Officer (DPO) for all personal information controllers (PICs) and personal information processors (PIPs). The DPO is accountable for ensuring the company's compliance with all data privacy and security laws and regulations. A PIC may be a natural or juridical person who exercises control over the processing of personal data and furnishes instructions to another person or entity to process personal data on its behalf. A PIP on the other hand, refers to a person or body instructed or outsourced by a PIC to engage in the processing of the personal data of a data subject. The PIC or PIP that employs fewer than 250 persons shall not be required to register unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes sensitive personal information of at least 1,000 individuals.

### **Republic Act No. 9160 (Anti-Money Laundering Act)**

Republic Act No. 9160, otherwise known as the Anti-Money Laundering Act or AMLA, is a special law which aims to investigate and criminalize money laundering and other financial crimes, protects financial institutions and other covered entities under the act, and ensures that the Philippines will not be used as a money laundering site for the proceeds of any unlawful activity.

In so doing, the AMLA serves the following functions: (1) creates the financial intelligence unit known as the "Anti-Money Laundering Council" or "AMLC"; (2) imposes to Covered Entities specific obligations such as customer identification, record keeping, and reporting of covered and suspicious transactions; (3) relaxes strict bank deposit secrecy laws; and (4) provides for remedies, such as bank inquiry and freeze orders, and *ex parte* petitions, seizure, forfeiture, and recovery of dirty money or property.

Money Laundering is defined under the AMLA as a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. It is committed by any person:

1. Knowingly transacting or attempting to transact any money/property which represents, involves or relates to the proceeds of an unlawful activity;
2. Knowingly performing or failing to perform an act in relation to any money/property involving the proceeds of any unlawful activity as a result of which he facilitated the offense of money laundering; and
3. Knowingly failing to disclose and file with the AMLC any report required to be disclosed and filed.

In addition, the AMLA also considers the failure to keep records, malicious reporting, and breach of confidentiality as punishable acts.

The AMLA requires all covered entities, the exhaustive list is provided in the law, to register with the AMLC. Obligations of reporting or covered institutions include Customer Identification, Recordkeeping, and the Reporting of Covered and Suspicious Transactions.

Covered transactions are defined as single transactions in cash or other equivalent monetary instrument involving a total amount in excess of Five Hundred Thousand (₱500,000) Pesos within one (1) banking day. Suspicious Transactions, on the other hand, are defined as transactions with covered institutions, regardless of the amounts involved, where any of the following circumstances exist:

- There is no underlying legal/trade obligation, purpose or economic justification or the client is not properly identified;
- The amount involved is not commensurate with the business or financial capacity of the client;
- The transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- There is a deviation from the client's profile/past transactions;
- The transaction is related to an unlawful activity/offense under the AMLA; and
- Transactions similar or analogous to the above

In 2018, the AMLC Regulatory Issuance (ARI) A, B, C, No. 2 was issued, on the Guidelines on Digitization of Customer Records. Under said issuance, covered persons are required to digitize all customer records that are within the 5-year retention period for recordkeeping as provided by the AMLA. It also requires all covered persons to develop a central database where the customer records can be easily uploaded and retrieved, accessible at any time by their compliance officer or any other duly authorized officer.

#### **Republic Act No. 1161, as amended (Social Security Law)**

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("SSS"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

#### **Republic Act No. 9679 (Home Development Mutual Fund Law)**

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

#### **Republic Act No. 7875, as amended (National Health Insurance Act of 1995)**

Under Republic Act No. 7875, Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health, tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions, and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is an employer-employee relationship.

## **Securities Trading Related Laws, Rules and Regulations**

### **Republic Act No. 8799 (Securities and Regulation Code)**

Republic Act No. 8799, otherwise known as the Securities and Regulation Code (SRC) is the special law that governs and regulates the issuance and trading of securities in the Philippines. It aims at establishing a socially conscious and self-regulating free market with wide public ownership of business enterprises.

Under Chapter VIII of the SRC on the Regulation of Securities Market Professionals, Section 28 provides for the Registration of Brokers, Dealers, Salesmen and Associated Persons. This Section states that persons who engage in the business of buying or selling of securities in the Philippines as a broker or dealer must be registered with the Securities and Exchange Commission, and lists down the guidelines for registration with the SEC. Moreover, Rule 28 of the Implementing Rules and Regulations (IRR) of the Securities Regulation Code lists down the specific requirements and terms and conditions for Initial and Continuing Registration of Broker Dealers.

### **Capital Markets Integrity Corporation (CMIC) Rules**

A Securities Broker is also required to abide by the rules and regulations of the Capital Markets Integrity Corporation (CMIC).

The Capital Market Integrity Corporation (CMIC) was established by the Philippine Stock Exchange (PSE) to act as the independent audit, surveillance and compliance arm of the Exchange. This results in reinforcing the confidence of the investing public in capital market institutions, which leads to an increase in market participation.

CMIC was granted its self-regulatory status on 3 February 2012 by the Securities and Exchange Commission (SEC) and currently acts as the primary regulator of the Trading Participants (TP) of the Exchange. As a regulator, CMIC is tasked to maintain the integrity of the market and minimize the risk of the investing public by ensuring that all TPs follow applicable rules and regulations, including but not limited to, the code of conduct of CMIC and the PSE, as well as provisions of the Securities Regulations Code.

The CMIC Rules define a ‘Trading Participant’ as “brokers and/or dealers duly licensed by the Commission and authorized to exercise a Trading Right pursuant to the rules of the Exchange. Unless the context requires otherwise, the term shall include directors, officers, Associated Persons, Salesmen and other agents of Trading Participants.”

Under the CMIC Rules, CMIC has the power to enforce compliance by TPs with securities laws. Thus, CMIC has the jurisdiction to investigate and resolve all violations of the securities laws and CMIC rules, any trading-related irregularities and any unusual trading activities of issuers, based on any of the following:

- Written complaints filed directly with the CMIC
- Examination findings of CMIC based on regular annual examinations or for cause examinations of TPs
- Reports of trading-related irregularities or unusual trading activities
- All other matters which CMIC determines requires to be investigated and resolved to enforce the securities laws and CMIC rules<sup>7</sup>

A TP shall be responsible to the CMIC for the conduct of its agents, thus, under the CMIC Rules, the acts and omissions of an agent of a TP shall be deemed an act or omission of the TP.<sup>8</sup>

The CMIC rules require every TP to prepare and file with the CMIC such periodic, special or other reports which the Securities laws, the Commission or the CMIC requires. The TPs are also required to prepare and file with the CMIC such reports and other documents that the CMIC may require.<sup>9</sup>

Another requirement for a TP is to comply with the Risk Based Capital Adequacy Ratio (RBCA Ratio). This is defined as the minimum level of capital that has to be maintained by firms which are licensed, or securing a Broker Dealer license, taking into consideration the firm size, complexity and business risk. Such risks that are considered in determining the capital requirement include, among others, operational, position, counter-party, large exposure, underwriting and margin financing risks.<sup>10</sup>

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<sup>7</sup> CMIC Rules, Article II, Section 1

<sup>8</sup> CMIC Rules, Article II, Section 2

<sup>9</sup> CMIC Rules, Article I, Section 5

<sup>10</sup> CMIC Rules, Article I, Section 2

Employees of TPs are required to register first with the SEC before being employed as a ‘Salesman’ or ‘Associated Person’. The registration shall be renewed on an annual basis and the registration shall cease to be effective upon his resignation or termination of employment with the TP.<sup>11</sup> All salesmen, traders, dealers, agents and Associated persons are mandated to sign the CMIC’s Pledge of Commitment and abide by the Code of Ethics for Salesmen and Traders,<sup>12</sup> under pain of penalty to be imposed by the CMIC.

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<sup>11</sup> CMIC Rules, Article IV, Section 2

<sup>12</sup> CMIC Rules, Article IV, Section 3

## MATERIAL CONTRACTS AND AGREEMENTS

The Company has no material contracts and agreements.

The Company has not entered into the following contracts within the last two years from the date of this Prospectus, to wit:

1. Any contract to which the directors, officers, promoters voting trustees, security holders named in the registration statement or report, or underwriters are parties, other than contracts involving only the purchase or sale of current assets having a determinable market price, such as market price;
2. Any contract upon which the Company's business is substantially dependent, as in the case of continuing contracts to sell the major part of Company's requirements of goods, services or raw materials or any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which Company's business depends to a material extent;
3. Any contract calling for the acquisition or sale of any property, plant or equipment for a consideration exceeding fifteen percent (15%) of such fixed assets of the Company;
4. Any material lease under which a part of the property described in the registration statement or report is held by the Company;
5. Any management contract or any compensatory plan, contract or arrangement, including but not limited to plans relating to options, warrants or rights, pensions, retirement or deferred compensation or bonus, incentive or profit sharing in which any director or any of the named executive officers of the Company participates.



## MANUAL ON CORPORATE GOVERNANCE

*The Company's Manual on Corporate Governance (the "Manual") was approved by the Board of Directors on 24 July 2014 and amended on 5 November 2021. The Manual is a supplement to the Company's Amended By-Laws.*

### **Adoption and Implementation**

The CTS Global Board of Directors approved its Manual on Corporate Governance on 24 July 2014 which was amended on 5 November 2021 ("Manual"). In accordance with said Manual, CTS Global elected three (3) independent directors, namely Mr. Martin T. Lee who was elected at the meeting of the stockholders on 31 March 2021, and Messrs. Emmanuel L. Samson and Donald R. Felbaum who were appointed during the meeting of the board of directors on 30 April 2021 following vacancies in the board of directors. The said independent directors are qualified as such independent directors under Rule 38 of the Securities Regulations Code.

The Manual also provides for the formation of the following committees: Audit, Nomination, and Remuneration Committees.

To measure the level of compliance of the Board of Directors and Management with its Manual, the Company is required to submit to the SEC an Integrated Annual Corporate Governance Report (IACGR) detailing the Company's compliance with certain provisions of the Manual.

Furthermore, to ensure the Company's adherence to corporate principles and best practices, the Board is mandated to appoint a Compliance Officer who shall perform the following duties:

- Promote awareness of good corporate governance and accountability within the Company.
- Monitor compliance with the provisions and requirements of the Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- Appear before the Securities and Exchange Commission upon summons on matters relative to corporate governance that need to be clarified;
- Determine violations of the Manual and recommend the appropriate penalty for violation thereof for further review and approval of the Board;
- After the end of each year, update the Annual Corporate Governance Report and submit updates to the Securities and Exchange Commission;
- Plan and organize seminars for the continuing progression of all directors and key officers of the Company, and
- Identify, monitor and control compliance risks.

### **Independent Directors**

The Manual requires the Company to have independent directors comprising at least twenty percent (20%) of its Board of Directors, which shall not be less than two (2) members. The Manual requires certain Board Committees to be chaired by or the membership thereof composed by at least one (1) independent director. Apart from his fees and shareholdings, an independent director must hold no interests or relationships with the Company that may hinder his independence from the Company or its Management and would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under the SEC Code of Corporate Governance for Publicly-Listed Companies, an independent director is required to attend board meetings for quorum requirements, unless he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

### **Audit Committee**

The Manual requires that the Audit Committee be composed of at least three (3) members of the Board of Directors, at least one (1) of whom must be an independent director. The Chairman of the Committee shall be an independent

director. Each member is required to be financially literate, have an adequate understanding of the Company's financial management systems and environment. At least one member of the Committee is required to have accounting or related financial management expertise or relevant business experience as determined by the Board.

At present, the Company has an Audit Committee composed of three (3) members, one (1) of whom is an independent director, who also serves as the Chairperson of the Committee.

The Audit Committee's duties and responsibilities include:

- Assisting the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations;
- Endorsing the appointment, re-appointment, and removal of the External Auditor;
- Performing oversight functions over the Company's external auditors and internal auditors, if any;
- Reviewing the annual audit plan to ensure its conformity with the objectives of the Company;
- Prior to the commencement of the audit, discussing with the external auditor the nature, scope, and expenses of the audit, and, if more than one audit firm is involved, ensure proper coordination in the activity to secure proper coverage and minimize duplication of efforts;
- Organizing an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of his/her engagement and removal;
- Monitoring and evaluating the adequacy and effectiveness of the Company's internal control system, including financial reporting controls and information technology security;
- Reviewing the reports submitted by the internal and external auditors;
- Reviewing financial statements (i.e. quarterly, mid-year and annual) before submission to the Board considering its completeness and consistency with information known to the Committee and compliance with accounting principles and standards and regulatory requirements;
- Reviewing the impact of significant accounting and reporting issues, including complex or unusual transactions and recent professional and regulatory pronouncements on the financial statements;
- Reviewing with Management and the External Auditors the results of the audit including any difficulties encountered;
- Coordinating, monitoring, and facilitating compliance with laws, rules, and regulations;
- Evaluating and determining the non-audit work, if any, of the external auditor and disallow any non-audit work that will conflict with his duties as external auditor or may pose a threat to his independence;
- Establishing and identifying the reporting line of the Internal Auditor (if any) to enable him to properly fulfill his duties and responsibilities;
- Identifying, monitoring and evaluating related party transactions; and
- Reporting to the Board the exposures to related parties, ensuring the appropriate disclosures to regulators, overseeing the implementation of the system on related party transactions, including a periodic review of the policies.

At the meeting of the Board of Directors held on 30 April 2021, Mr. Emmanuel L. Samson was appointed as the Chairman of the Audit Committee while Mr. Raymond C. Yu and Mr. Hernan G. Lim were appointed as members.

### **Nomination Committee**

The Manual requires that the Nomination Committee be composed of at least three (3) members, one (1) of whom must be an independent director. The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

At present, the Company has a Nomination Committee composed of three (3) members, one (1) of whom is an independent director who also serves as the Chairperson of the Committee.

The Nomination Committee's duties and responsibilities include:

- Overseeing and periodically reviewing the Company's corporate governance framework;
- Overseeing the periodic performance evaluation of the Board and its committees as well as executive management;
- Reviewing and monitoring the training and continuous professional development of the directors and management;

- Reviewing and overseeing the structure, size and composition of the Board in compliance with applicable regulations;
- Reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval; and
- Determining and evaluating the nomination and election process for the Company's directors, including reviewing the succession plans for the members of the Board.

At the meeting of the Board of Directors held on 30 April 2021, Mr. Donald R. Felbaum was appointed as the Chairman of the Nomination Committee while Ms. Catherine L. Ong and Ms. Sharon T. Lim were appointed as members.

### **Remuneration Committee**

The Manual requires that the Remuneration Committee be composed of at least three (3) members, one (1) of whom must be an independent director. The Remuneration Committee shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

The Remuneration Committee's duties and responsibilities include:

- Establishing a formal and transparent procedure to develop a policy for determining the remuneration of directors and key officers consistent with the Company's culture and strategy and the business environment which it operates;
- Reviewing the structure and competitiveness of the Company's executive officer compensation programs;
- Participating in such training activities to keep Committee members updated of the necessary knowledge and expertise in order to discharge their responsibilities effectively;
- Reviewing the policies of the Company on the remuneration of directors and officers, and proposing any amendments thereto to the Board for its approval.

At the meeting of the Board of Directors held on 30 April 2021, Mr. Alexander C. Yu was appointed as the Chairman of the Remuneration Committee while Ms. Catherine L. Ong and independent director, Mr. Martin T. Lee were appointed as members.

### **Compliance with Rules on Corporate Governance**

To the best of its knowledge, the Company and its personnel, including its directors, officers, and employees, have complied with the best practices and principles on good corporate governance as embodied in its Manual. The Company has established an evaluation system to measure and determine the level of compliance of the Board of directors and top management with the Manual. In particular, the Board of Directors should conduct an annual self-assessment of its performance – this includes the performance of each of the members of the Board and its committees. This self-assessment may be supported by one conducted with an external facilitator every three (3) years. Results of the evaluation shall be discussed, and action plans should be developed for points of improvement identified during the assessment. In addition, the Board of Directors and members of top management shall participate in relevant continuing educational programs or training to strengthen their competencies and keep abreast of the developments in corporate governance.

The Company is not aware of any non-compliance with or deviation from its Manual. The Company will continue to monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.

## LEGAL AND OTHER MATTERS

Legal matters in connection with the Offer have been passed upon by Tan Venturanza Valdez, the Legal Counsel to the Underwriter and Attys. Sharon T. Lim and Stephanie Faye B. Reyes, Legal Counsel to the Issuer. The required expert opinions (on legality, on taxation and on permits and licenses) from independent counsel have been rendered by Atty. Bernard Gorospe. Except as disclosed in the immediately succeeding paragraph, each of the foregoing counsel has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the standards of independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

Tan Venturanza Valdez Law does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and have not acted as promoter, underwriter, voting trustee or employee.

Atty. Bernard Gorospe does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and have not acted as promoter, underwriter, or voting trustee. From 1995 to 1999, Atty. Gorospe was an employee, Head of Equity Research, of CTS Global (then known as Citisecurities, Inc.).

Attys. Sharon T. Lim and Stephanie Faye B. Reyes are the Corporate Secretary and the Assistant Corporate Secretary, respectively, of the Company.

Copies of the following documents may be inspected during business hours at the Company's principal office:

- Articles of Incorporation and By-Laws of the Company, as amended;
- Financial Statements and Independent Auditors' Report as at and for the years ended December 31, 2018, 2019, and 2020; and
- Report of Independent Auditors to Accompany Supplementary Information Required by the SEC Filed Separately from the Basic Financial Statements

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

In the ordinary course of business, CTS enters into various transactions with related parties and affiliates, principally consisting of stockbrokerage services and purchase of goods. The Company's policy is to settle intercompany receivables and payables on a net basis. Transactions entered with related parties are made at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market. Outstanding balances owed to related parties at a certain reporting date are non-interest bearing, unsecured and payable/collectible in cash on demand.

Related party transactions are a normal feature of commerce and business. Entities frequently carry on parts of their activities through subsidiaries, joint ventures or affiliates. Although such transactions are a common feature of business, a related party relationship may give rise to specific risks on illicit financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong.

To address these risks, it is the policy of CTS that transactions between the Company and its related parties must be based at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market. Related party transactions are entered in the ordinary course of business and are compliant with the rules prescribed in Philippine Accounting Standards 24, *Related Party Disclosures*, and prevailing BIR Revenue Regulations no. 19-2020 and 34-2020 on related party transaction disclosures.

The amount of transactions and outstanding balances for the nine-months ended September 30, 2021, and for the years ended December 31, 2020 and 2019 is as follows:

Nature of Relationship	Nature of Transactions	September 30, 2021		December 31, 2020		December 31, 2019		Terms and Conditions
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	
<b>Trade Receivables</b>								
Affiliate with common officers and stockholders	Transaction costs	<b>₱5,076,265</b>	<b>₱45,832,159</b>	₱11,633,389	₱71,486,887	₱-	₱65,165,842	3-day; noninterest-bearing; secured; settled in cash
<b>Trade Payables</b>								
Other related parties:								
Affiliate with common officers and stockholders	Commission income	<b>₱618,658</b>	<b>₱28,795,264</b>	₱601,244	₱122,247,520	₱1,575,943	₱145,831,102	3-day; noninterest-bearing; secured; no guarantee; settled in cash
Key management personnel	Commission income	<b>127,740</b>	<b>27,228,095</b>	85,006	9,082,014	230,584	37,096,332	
			<b>₱56,023,359</b>		₱131,329,534		₱182,927,434	
<b>Other Current Liabilities</b>								
Affiliate with common officers and stockholders	Purchase of goods	₱-	₱-	₱9,380	₱-	₱-	₱-	Noninterest-bearing; unsecured; settled in cash within one (1) year
<b>Deposits for Future Stock Subscriptions</b>								
Stockholders	Deposits for future stock subscriptions	₱-	₱-	₱-	₱-	₱300,000,000	₱300,000,000	Received in cash and to be applied as payment for future issuance of capital stock
<b>Personnel Costs</b>								
Key management personnel	Short-term employee benefits	<b>₱4,646,772</b>	₱-	₱6,194,084	₱-	₱7,076,487	₱-	Noninterest-bearing, unsecured and payable upon retirement
	Retirement benefits	<b>260,340</b>	<b>3,377,559</b>	276,205	2,990,498	147,236	2,096,536	

Other than the above disclosed related party transactions and those disclosed in CTS' audited financial statements, CTS has no material transactions with negotiated terms that are not available from other, more clearly independent parties on an arm's length basis.

## THE PHILIPPINE STOCK MARKET

*The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, or any of their respective subsidiaries, associates or advisors in connection with listing of the Offer Shares.*

### **Brief History**

The PSE is the only stock exchange in the Philippines. The Philippines initially had two (2) 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 (2) separate exchanges were revoked. While the PSE maintains two (2) trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system that integrates all bids and ask quotations from the bourses.

In June 1998, the SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring TPs and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

Each of the 184 member-brokers was granted 50,000 common 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 (7) brokers and eight (8) 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.

As of the date of this Prospectus, the PSE has an authorized capital stock of One Hundred Twenty Million Pesos (₱120,000,000.00). As of 30 June 2021, PSE had 85,017,642 issued shares, of which 3,513,951 are treasury shares, resulting in 81,503,691 total shares outstanding.

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. 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, however, represents the numerical average of the prices of component stocks. 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 is composed of stocks of 30 selected companies listed on the PSE. On July 25, 2010, PSE’s trading system, known as PSE Trade, was launched. On June 22, 2015, the PSE migrated to its new trading system, the PSEtrade XTS using NASDAQ’s X-stream trading 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, including providing more products and services

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE replaced its online disclosure System (“OdiSy”) with a new disclosure system, the PSE Electronic Disclosure Generation Technology (“EDGE”). EDGE was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors’ disclosure searching and viewing experience and (iii) enhance overall issuer transparency in the market.

In January 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 common shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering will be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

On September 12, 2019, the SEC approved the creation of 3,500,000 preferred shares with a par value of ₱1.00 per share through the reclassification of 14,000,000 unissued common shares into 14,000,000 preferred shares with a par value of ₱1.00 per share.

### Selected Stock Exchange Data

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2020 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,928.8	221	1,373.7	408.7
1999	2,142.9	222	1,936.5	781.0
2000	1,494.5	225	2,576.5	357.7
2001	1,168.1	229	2,141.4	159.6
2002	1,014.4	231	2,083.2	159.7
2003	1,442.4	234	2,973.8	145.4
2004	1,822.8	236	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,796.2	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,150.0	1,740.0
2019	7,815.3	268	16,710.0	1,770.0
2020	7,139.71	27	15,890.0	1,770.9

Source: The Philippine Stock Exchange, Inc. and PSE Annual Reports

### Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid 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. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

On regular days, wholesale trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one hour lunch break. In the afternoon, trading resumes at 1:00 p.m. and ends at 3:00 p.m. with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price set prior to the market run-off and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed. During the implementation of the community quarantine, trading hours for the PSE starts at 9:30 p.m. and ends at 1:00 p.m., with no trading recess. On 22 November 2021, the PSE announced that starting 6 December 2021 it will resume its pre-pandemic five (5) hour trading schedule.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. 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, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled 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:

1. In case 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% above and 30% below 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.
2. In case 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.

### **Non-Resident Transactions**

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, the transaction must be registered with the BSP by submitting, within three (3) business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

### **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:

1. Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also TPs;
2. Guaranteeing the settlement of trades in the event of a TP's default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
3. Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.



The SCCP settles the PSE trades on a three (3) -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 n.n. 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 eight (8) existing Settlement Banks of SCCP, which are Banco De Oro Unibank, Inc. (“**BDO Unibank**”), Rizal Commercial Banking Corporation (“**RCBC**”), Metropolitan Bank & Trust Company (“**Metrobank**”), Deutsche Bank (“**DB**”), Union Bank of the Philippines (“**Unionbank**”), The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”), Maybank Philippines, Inc. (“**Maybank**”) and Asia United Bank Corporation (“**AUB**”). 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 on May 29, 2006. Central Clearing & Central Settlement 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 PDTC, 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 Unibank, RCBC, Metrobank, DB, Unionbank, HSBC, Maybank and AUB.

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 Corporation (“**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 cancelled 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 Philippine 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 via 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 execute 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 (T+3) 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 Procedure 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 generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. 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. 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 Article III Part A of the Revised Listing Rules. The amended rule on lodgment is applicable to (1) the offer shares of the applicant company in the case of an initial public offering; (2) the shares that are lodged with PDTC or any other entity duly authorized by the SEC in the case of listing by way of introduction, (3) new securities to be offered and applied for listing by an existing listed company, and (4) additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

- For a new company to be listed at the PSE as at July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date.
- For existing listed companies, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee Jumbo Certificates and upon such advice, the PDTC shall surrender all PCD Nominee Jumbo Certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

### **Issuance of Stock Certificates for Certificated Shares**

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. 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 uplifting of the shares lodged under the name of the 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.

Upon the issuance of stock certificates for the 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 the shares into 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**

Under the PSE Amended Rule on Minimum Public Ownership, newly-listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 20.0% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (a) individuals (for as long as the shares held are not of a significant size (i.e. less than 10.0%) and are non-strategic in nature; (b) trading participants (for as long as the shares held are nonstrategic in nature); (c) investment and mutual funds; (d) pension funds; (e) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (f) social security funds.

Listed companies that become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on companies that undertake initial public offerings was increased from 10.0% to 20.0%, while existing publicly listed companies as of December 2017 remain to be subject to the 10.0% MPO. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares.

On 3 August 2020, the PSE issued Memorandum Circular 2020-0076 which contains the Guidelines on Minimum Public Ownership Requirement for Initial and Backdoor Listings (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:

<b>Market Capitalization</b>	<b>Public Offer</b>
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

Consistent with SEC Memorandum Circular No. 13 Series of 2017, a 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.

## PHILIPPINE TAXATION

*The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions, treaties, administrative practices, and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequence to the prospective investor.*

*The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.*

*This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the 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 shares in such other jurisdictions.*

***EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.***

*As used in this Section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof.*

*A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. 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 engaged in trade or 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 engaged in trade or business in the Philippines.*

*A "domestic corporation" is created or organized under the laws of the Philippines; while a "foreign corporation" is one which is not domestic.*

*A "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business in the Philippines.*

### **Corporate Income Tax**

Under the recently passed Republic Act 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE law, starting July 1, 2020, a domestic corporation is generally subject to regular corporate income tax at the rate of twenty-five percent (25%) on its taxable income from all income sources within and outside the Philippines except certain passive incomes that are subject to final withholding tax. As an exception, the rate of twenty percent (20%) shall be applied if (a) the domestic corporation's net taxable income is not more than five million pesos (P5,000,000.00); and (b) if the total assets of the corporation do not exceed one hundred million pesos (P100,000,000.00), excluding the land on which the corporation's office, plant, or equipment are situated.

Taxable net income refers to pertinent items of gross income specified under Section 32 (A) of the NIRC less deductions, if any, authorized by the NIRC or those allowed under special laws, or the optional standard deduction ("OSD") equivalent to an amount not exceeding forty percent (40%) of the corporation's gross sales or gross receipts.

Passive incomes of the domestic corporation are as follows: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties derived from sources within the Philippines which are generally taxed at the lower final withholding tax rate of twenty percent (20%) of the gross amount of such income; (b) interest income from a depository bank under the expanded foreign exchange deposit system which is subject to a final tax of fifteen percent (15%) of such income; (c) net capital gains from the sale, exchange or other disposition of shares of stock in a domestic corporation not traded in the stock exchange which is subject to a final tax of fifteen percent (15%); and (d) capital gains presumed to have been realized on the sale, exchange, or disposition of lands and/or buildings that are treated as capital assets

which is subject to final tax of six percent (6%) based on the gross selling price or fair market value, whichever is higher.

A resident foreign corporation (except certain types of corporations enumerated in the NIRC) is subject to a tax of twenty-five percent (25%) of its taxable income (gross income less allowable deductions, or OSD) from all sources within the Philippines except those passive incomes subject to final withholding tax, such as: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit 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 twenty percent (20%) of the gross amount of such income; (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 fifteen percent (15 %) of such income; (c) income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with local commercial banks including branches of foreign banks as authorized by the Bangko Sentral ng Pilipinas (BSP) which is taxed at the rate of ten percent (10%) of such income; and (d) net capital gains from the sale, exchange or other disposition of shares of stock in a domestic corporation not traded in the stock exchange is subject to tax at the final tax rate of fifteen percent (15%).

Generally, a minimum corporate income tax of two percent (2%) of the gross income as of the end of the taxable year is imposed on domestic corporations and resident foreign corporations 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 regular corporate income tax for the taxable year. However, with the enactment of the CREATE law, the minimum corporate income tax rate was reduced from two percent (2%) to one percent (1%) for the period between July 1, 2020 to June 30, 2023.

Nevertheless, any excess of the minimum corporate income tax over the regular corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers losses on account of a prolonged labor dispute, force majeure, or legitimate business reverses.

A final withholding tax of twenty-five percent (25%) is imposed, as a general rule, upon the gross income received during each taxable year of a non-resident foreign corporation from all sources within the Philippines, subject to the provisions of tax treaties between the Philippines and the country of residence of such foreign corporation.

### **Tax on Dividends**

Cash and property dividends received from a domestic corporation by individual stockholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of ten percent (10%), which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a twenty percent (20%) final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines or business in the Philippines from a domestic corporation are generally subject to tax at the rate of twenty-five percent (25%) of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

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 non-resident foreign corporations (i.e. foreign corporations not engaged in trade or business in the Philippines) are generally subject to a final withholding tax at the rate of twenty-five percent (25%).

The twenty-five percent (25%) rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a lower rate of fifteen percent (15%) whenever its country of domicile: (a) imposes no tax on foreign sourced dividends; or (b) 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 ten percent (10%), which represents the difference between the regular income tax of twenty-five percent (25%) and the fifteen percent (15%) tax on dividends.

Philippine tax authorities have prescribed certain procedures, through an administrative issuance, for availment of tax treaty relief.

Revenue Memorandum Order No. 8-2017 provides for new procedures in claiming preferential tax treaty benefits on dividend income of nonresidents, following a system of self-assessment and automatic withholding of taxes subject to post-reporting validation, in lieu of obtaining a Tax Treaty Relief Application (“TTRA”) ruling under Revenue Memorandum Order No. 72-2010. In order to claim tax treaty relief hereunder, the recipient must submit a duly accomplished Certificate of Residence for Tax Treaty Relief (“CORTT”) Form to the Company before the dividend income is paid or credited. The CORTT Form serves as the proof of residency of the nonresident recipient. The withholding agent or income payor can withhold at a reduced rate or exempt the nonresident based on the duly accomplished CORTT Form submitted to it. The Company, on its part, must timely file the withholding tax returns and must also submit an original of the CORTT Form (together with the prescribed certificate of residency, as applicable) to the International Tax Affairs Division (“ITAD”) of the BIR and to Revenue District Office (“RDO”) No. 39 within thirty (30) days after payment of the withholding taxes due on the nonresident’s dividend income based on the applicable tax treaty. Failure to submit a CORTT Form to the Company would mean that the nonresident recipient is not claiming any tax treaty relief and, therefore, such income will be subject to the normal tax rate under the NIRC. For these purposes, the CORTT Form shall be valid for two (2) years from the date of issuance, unless a prescribed certificate of residency is used, in which case the date of validity of the prescribed certificate of residency will prevail.

The Company must submit an updated Part II of the CORTT Form within thirty (30) days after payment of the withholding taxes if the CORTT Form filed with the ITAD and RDO No. 39 is used for another dividend payment within its prescribed period of validity.

Compliance check and post-reporting validation on withholding tax obligations and confirmation of appropriateness of availment of treaty benefits shall be part of the BIR’s regular audit investigations conducted by the RDO where the Company is registered.

Transfer taxes (e.g. documentary stamp tax, 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 any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the stockholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

## Tax Treaties

The following table lists some countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	<b>Dividends</b>	<b>Stock transaction tax on sale or disposition effected through the PSE (%)<sup>(9)</sup></b>	<b>Capital Gains tax due on disposition of shares outside the PSE (%)</b>
Canada	25 <sup>(1)</sup>	0.6	May be exempt <sup>(13)</sup>
China	15 <sup>(2)</sup>	Exempt <sup>(10)</sup>	May be exempt <sup>(13)</sup>
France	15 <sup>(3)</sup>	Exempt <sup>(11)</sup>	May be exempt <sup>(13)</sup>
Germany	15 <sup>(4)</sup>	Exempt <sup>(12)</sup>	May be exempt <sup>(13)</sup>
Japan	15 <sup>(5)</sup>	0.6	May be exempt <sup>(13)</sup>
Singapore	25 <sup>(6)</sup>	0.6	May be exempt <sup>(13)</sup>
United Kingdom	25 <sup>(7)</sup>	0.6	Exempt <sup>(14)</sup>
USA	25 <sup>(8)</sup>	0.6	May be exempt <sup>(13)</sup>

**Notes:**

- (1) 15% if the recipient company which is a resident of Canada controls at least 10.0% of the voting power of the company paying the dividends; 25% in all other cases
- (2) 10% if the beneficial owner is a company which holds directly at least 10.0% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends; 15% in all other cases
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70.0% of the capital of the company paying the dividends; 10.0% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases;
- (5) 10% if the recipient company holds directly at least 10.0% 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 (6) months immediately preceding the date of payment of the dividends; 15% in all other cases
- (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 15.0% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10.0% of the voting power of the company paying the dividends; 25% in all other cases.
- (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 10.0% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in all other cases. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15.0% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.
- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by Section 39 of the TRAIN Law.
- (10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic signed on January 9, 1976 was signed in Paris, France on June 26, 1995.
- (12) Article 2(3)(a) of the Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxed on Income and Capital signed on September 9, 2013.
- (13) 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.
- (14) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of a Philippine corporation 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.

Non-resident recipients are no longer required to file a TTRA with the BIR to claim preferential tax treatment on their receipt of dividend income based on the provisions of a tax treaty. In lieu of the TTRA required by Revenue Memorandum Order No. 72-2010, the BIR adopts a self-assessment system and automatic withholding of tax using treaty rates subject to post-reporting validation and compliance checks on the withholding agent. See "Tax on Dividends" of the Prospectus.

Pursuant to Revenue Memorandum Order No. 72-2010, when availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office for the processing the CAR.

The TTRA shall be filed with the BIR before the first taxable event as defined under RMO 72-2010, which is, in respect of capital gains tax on the sale of shares, before the deadline for the payment of the documentary stamp tax on the sale of shares, or the fifth day following the end of the month when the document transferring ownership was

executed. The TTRA's requirements are set out in the applicable tax treaty and BIR Form No. 0901-C. These include, among others, proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

### **Tax on Initial Public Offering**

Section 6 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" repealed Section 127(B) of the National Internal Revenue Code of 1997, effectively removing the tax on sale of shares traded through initial public offering.

Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the National Internal Revenue Code of 1997 is repealed. Every sale or other disposition through IPO of shares of stock, therefore, shall no longer be subject to IPO Tax.

### **Sale, Exchange, or Disposition of Common Shares**

#### ***Capital Gains, if the Sale Was Made Outside the PSE***

Unless an applicable treaty exempts the sale from tax or provides for preferential rates, pursuant to the TRAIN Law, the net capital gains realized by a person or a corporation (other than a dealer in securities) during each taxable year from the sale, exchange, or disposition of shares outside the facilities of the PSE are subject to capital gains tax at the rate of fifteen percent (15%) of the net capital gains realized.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, such exemption shall be availed only after an application for tax treaty relief has been filed with and approved by the Bureau of Internal Revenue ("BIR").

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies, through the issuance of a Certificate Authorizing Registration ("CAR"), that capital gains tax 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 such other conditions to qualify for exemption or reduction in tax rate have been met.

#### ***Taxes on Transfer of Shares Listed and Traded at the PSE***

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock listed and traded through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is generally subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, Value-Added Tax ("VAT") of 12% is imposed on the gross receipts of dealers in securities (PSE-registered broker), and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("MPO") which requires listed companies to maintain a minimum percentage of listed securities held by the public at ten percent (10%) of the listed companies issued and outstanding shares at all times. Consequently, the sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains



tax as discussed in the next section, documentary stamp tax, and/or possibly donor's tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor's tax under Section 100 of the NIRC).

In connection with the foregoing, the PSE has previously issued Memo Circular No. 2012-0003 which states that listed companies that become non-compliant with the MPO requirement on or after January 1, 2013 shall be suspended from trading for a period of not more than six (6) months, and shall automatically be delisted if it remains non-compliant after the lapse of the trading suspension. The non-compliant company may request for a grace period from the PSE. The PSE may grant the same if it determines that there is a justifiable cause to do so.

Furthermore, BIR Revenue Regulations ("RR") No. 16-2012 requires publicly-listed companies to submit public ownership reports to the BIR within fifteen (15) days after the end of each quarter.

### **Value Added Tax**

A Value-Added Tax of 12% is imposed on the gross receipts derived by dealers in securities from the sale of stock or securities in the Philippines, which is generally passed on to the client.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant, buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

### **Documentary Stamp Tax**

Beginning January 1, 2018, the original issue of shares of stock is subject to documentary stamp tax, or DST, of ₱2.00 for each ₱200.00, or a fraction thereof, of the par value, of such shares of stock, and shall be paid and remitted to the BIR by the issuing corporation. On the other hand, the secondary transfer of shares of stock is subject to DST of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of such shares of stock, and may be paid by any of the parties (vendor or vendee of the shares).

In addition, the borrowing and lending of securities executed under the Securities Borrowing and Lending ("SBL") Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority will likewise be exempt from DST. However, such 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. Otherwise, such agreement would be subject to the DST on debt instruments at the rate of ₱1.50 on each ₱200.00, or the fractional part thereof, of the issue price of such debt instrument.

### **Tax Treatment of Securities Borrowing and Lending Transactions Involving Shares of Stock or Securities Listed in the PSE**

Section 2 of BIR RR No. 01-2008 states that SBL involves the lending of shares of stocks or securities by the Lender, who owns or controls them, to the Borrower who needs the shares of stocks/securities borrowed to support trading strategies or settlement obligations, in exchange for a collateral and the promise to return the equivalent shares of stocks/securities at the end of the borrowing period. The borrowing period in any agreement cannot be more than two (2) years. Typically, the Borrower will use or dispose of the shares of stocks/securities borrowed strictly in connection with a particular purpose or purposes as herein mentioned. Being fungible in nature, the borrowed shares of stocks/securities are transferred from the Lender to the Borrower. For the duration of the borrowing and lending period under the agreement, the Lender temporarily loses ownership of the shares of stock/securities lent but acquires a contractual right to receive all benefits accruing to the shares of stock/securities. The objective is to put the Lender into the same economic position as the Lender would have been had the securities not been lent. This means that in case of corporate actions like stock rights, dividend declarations, and other benefits accruing to the shares of stock, the Borrower would have to "manufacture" the corresponding benefits thereon and return the same to the Lender as if the shares of stock/securities "never left his hands". Upon demand of the Lender or at the end of the stipulated borrowing period, the Borrower is then obligated to return the equivalent shares of stock/securities and the Lender, in turn, returns the collateral put up by the Borrower. If the borrower fails to return the shares of stock/securities or the

equivalent Shares of Stock/Securities, the Lender/Lending Agent, as part of the SBL transactions, may purchase shares of stock/securities from the stock exchange. In effect, SBL is similar to a simple collateralized cash loan transaction. However, instead of cash, what is borrowed are listed shares of stock/securities and what is provided as collateral is either cash, government or equity securities, or standby letter of credit issued by a bank.

Furthermore, Section 5 of the same RR provides that the SBL transactions of shares of stock/securities listed in the PSE, as well as the delivery to, and return by, the Lender/Lending Agent of collateral appurtenant thereto or the Equivalent Shares of Stock/Securities, shall not be subject to the stock transaction tax, capital gains tax, and documentary stamp taxes; provided, that: (1) a valid Master Securities Lending Agreement (MSLA), which is a written contract between the Borrower and the Lender or the Lending Agent embodying the general terms and conditions for the conduct of SBL transactions, is executed by the parties and registered with and approved by the BIR; (2) the SBL Program is in accordance with the rules and regulations of the SEC; and (3) such SBL Program is under the administration and supervision of the PSE. Otherwise, all other applicable taxes prescribed by the Tax Code and special laws shall continue to apply.

### **Estate and Gift Taxes**

Philippine situs, and any transfer thereof by way of donation or succession, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax.

Beginning January 1, 2018, the transfer of shares upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, will be subject to an estate tax of six percent (6%) which is levied on the net estate of the deceased. On the other hand, individuals, whether or not citizen or residents of the Philippines, who transfer shares by way of gift or donation will be liable to donor's tax of six percent (6%) based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year, regardless of the donor's relationship to the donee(s).

The estate or donor's taxes payable in the Philippines may be credited with amount of any estate or donor's taxes imposed by the tax authority of a foreign country, subject to limitations on the amount to be credited, and the tax situs of the donor.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the 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 (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows 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.

In case the shares are transferred for less than an adequate and full consideration in money or money's worth, then the amount by which the fair market value of the Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Shares, based on Section 100 of the NIRC. The TRAIN Law, however, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at 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.

### **Taxation outside the Philippines**

Shares of stock issued by a corporation organized under Philippine laws are deemed to have a Philippine situs, and any gain derived from their sale is entirely from Philippine sources; hence, such gain is generally subject to Philippine income tax and the transfer of such shares by gift (donation), or succession, is generally subject to the donor's or estate taxes as above-stated.

As above-mentioned on taxes on transfer of shares through the PSE, unless an applicable income tax treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock listed and traded through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is generally subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client.

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.

**EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.**

## **PHILIPPINE FOREIGN INVESTMENT, EXCHANGE CONTROLS, AND FOREIGN OWNERSHIP**

### **Foreign Investment**

Foreign investors are permitted to invest in the securities of a Philippine corporation unless otherwise limited by restrictions on foreign ownership imposed under the Constitution and Philippine statutes, as provided in the Foreign Investment Negative List.

### **Registration of Foreign Investment and Exchange Controls**

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Company's Common 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 that accrue thereon will be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration is not required.

The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any Authorized Agent Bank or offshore banking unit in the Philippines 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) a purchase invoice, or subscription agreement and/or proof of listing in the PSE, and (b) a credit advice or bank certification showing the amount of foreign currency inwardly remitted and converted to Pesos through a commercial bank; and (c) in certain instances, transfer instructions from the shareholder and/or dealer, as the case may be. Upon submission of the required documents, a Bangko Sentral Registration Document will be issued by the BSP or the investor's custodian bank.

Proceeds of divestments or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the Bangko Sentral Registration Document, at the exchange rate applicable on the date of actual remittance. Pending repatriation 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, and is also remittable 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 the Monetary Board of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Subject Shares shall be the responsibility of the foreign investor.

### **Restriction on Foreign Ownership**

The Offer Shares may be purchased and owned by any person or entity regardless of citizenship, subject to applicable nationality limits under Philippine law.

The Philippine Constitution, statutes and government regulations lay down restrictions on maximum foreign ownership for corporations engaged in certain activities, such as but not limited to operation of public utilities and ownership of private lands. The Company, operating as a broker/dealer in securities, is not subject to any foreign ownership limitation.