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Company Information

SEC Registration No.: CS201102137
Company Name: Cirtek Holdings Philippines Corporation
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST1042920228345371
Document Type: Financial Statement
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Period Covered: December 31, 2021
Submission Type: Consolidated
Remarks: None

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 1 0 2 1 3 7

Company Name

C I R T E K   H O L D I N G S   P H I L I P P I N E S

C O R P O R A T I O N   A N D   S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town)Province)

1 1 6   E A S T   M A I N   A V E N U E ,   P H A S E   V

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

L A G U N A

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	C R M D	S T O C K I S S U E R

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	(632) 7729-6205	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
26	27-May	31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Brian Gregory Liu	brian.liu@cirtek.ph	(632) 7729-6205	N/A

Contact Person's Address

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

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

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

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.S. Bernaldo & Associates, the independent auditors appointed by the stockholders has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JERRY LIU
Chairman of the Board

JORGE AGUILAR
Vice-Chairman and President

BRIAN GREGORY LIU
EVP & Chief Financial Officer

Signed this 11th day of April 2022.

APR 1 2 2022

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2022 affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

Name	CTC No.	Date of Issue	Place of Issue
JERRY LIU	**CCI2022 09555032**	**January 10,2022**	**City of Manila**
JORGE AGUILAR	**CCI2022 09555034**	**January 10,2022**	**City of Manila**
BRIAN GREGORY LIU	**CCI2022 09555029**	**January 10,2022**	**City of Manila**

Doc. No. 115;
Page No. 24;
Book No. 4;
Series of 2022

ATTY. DOMINGO H.SAN JOAQUIN, JR.
Notary Public for the City of Sta. Rosa
Until December 31, 2021 extended until
June 30, 2022 as per B.M. No. 3795
Notarial Commission A.N.C. No. 0024-SRCL
Unit 5 Estrellita Bldg., Sta. Rosa-Tagaytay Rd
Don Jose, Sta. Rosa City, Laguna
MCLE Compliance No. VI-0001715; 4.14.2022
PTR No. 4359157; 01.03.22; Sta. Rosa City
IBP OR No. 169977; 12.9.2021; Pasig City
SC Roll No. 27723

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matter 1

The Risk

The risk of improper treatment and recognition of the detachable warrants.

The Board of Directors and stockholders of Parent Company, in their special meetings held on September 28, 2020 and November 27, 2020, respectively, approved the following:

1. The approval to offer to all eligible stockholders of record of the Parent Company, as of the date to be set by its management in accordance with existing law and regulations (the 'Record Date'), rights to subscribe (the "Rights Offer") to the common shares of the Parent Company (the 'Rights Shares') with a bonus detachable warrant for each Rights Share (the 'Detachable Warrant'), subject to: (i) the approval of the increase in the Corporation's authorized capital stock; (ii) the registration or exemption requirements, whichever may be applicable, of the Securities and Exchange Commission ('SEC'); and (iii) the listing requirements of the Philippine Stock Exchange ('PSE').

2. The approval of the authority of any one (1) of the Chairman of the Board, the President, the Chief Financial Officer, and/or other senior officers of the Parent Company to fix the terms and conditions of the Rights Offer, including, but not limited to, the final issue size which shall be up to 250,000,000 common shares, the entitlement ratio, the offer price, the payment terms, the terms of the detachable warrant including the exercise price, the procedure for lodging the application to subscribe, the details and procedures for the various rounds of offer including the treatment of rump shares, as applicable, the Record Date and other relevant dates, and other terms, without the necessity of obtaining further approval from the stockholders and Board of Directors (BOD).

On January 6, 2021, the BOD passed resolutions approving a new the conduct of a Stock Rights Offering with issuance of bonus detachable warrants, which approval was refreshed on February 5, 2021.

On June 23, 2021, the Board of Directors of the Philippine Stock Exchange, Inc. in its meeting approved, the application of the Company to list up to 250,000,000 common shares (the "Right Shares"), with a par value of Php1.00 per share, to cover its Stock Rights Offering ("SRO") to all stockholders as of the proposed record date, at an Offer Price of ₱4.50 to ₱7.25 per Right Share, as well as its application to list up to 250,000,000 Bonus Detachable Warrants ("Detachable Warrants"), free of charge, with up to 250,000,000 underlying common shares at Exercise Price of ₱4.50 to ₱7.25

Our Response

Our procedures in relation to Management's treatment and recognition of detachable warrants include the examination of supporting documents, and the assessment of applicable accounting treatment based on PFRS 9, *Financial Instruments*. Moreover, proper valuation of the account was identified based on the available market price of the warrants upon issuance.

Key Audit Matter 2

The Risk

In our view revenue recognition is significant to our audit since the Group is a profit-oriented business and a publicly-listed. The accounting policies for revenue recognition are set out in Note 4.

Our Response

Our audit procedures relating to revenue recognition included: understanding the Group's revenue cycle, performing system documentation and walkthrough, testing of controls, performing cut-off tests, and tracing of invoice to records.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is **ROMEO A. DE JESUS, JR.**

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8855247
Issued on January 5, 2022 at Makati City

April 11, 2022

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

(In US Dollars)

	NOTES	2021	2020
A S S E T S			
Current Assets			
Cash	7	**71,415,234**	31,816,374
Trade and other receivables – net	8	**61,392,329**	56,654,779
Due from related parties	21	**191,570**	193,592
Inventories – net	9	**58,767,864**	57,101,037
Other financial asset at amortized cost	12	**19,862**	476,871
Prepayment and other current assets	10	**5,844,689**	10,026,812
		197,631,548	156,269,465
Assets held for sale	13	**-**	10,605,040
		197,631,548	166,874,505
Non-current Assets			
Other financial asset at amortized cost – net of current portion	12	**478,876**	-
Property, plant and equipment – net	14	**40,664,393**	41,951,841
Intangible assets – net	15	**93,779,952**	94,072,122
Right-of-use asset – net	16	**566,290**	443,009
Deferred tax assets	28	**208,724**	329,361
Other non-current assets	17	**6,284,553**	5,413,615
		141,982,788	142,209,948
TOTAL ASSETS		**339,614,336**	309,084,453
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Current Liabilities			
Trade and other payables	18	**23,518,342**	14,989,780
Short-term loan	19	**41,460,364**	86,039,146
Long-term debt – current portion	19	**17,391,810**	8,113,098
Due to related parties	21	**626,327**	618,881
Dividend payable	33	**126,955**	126,955
Lease liabilities – current portion	20	**447,419**	301,901
Deposit for future stock subscription	33	**-**	189,107
Income tax payable		**347,114**	130,616
		83,918,331	110,509,484
Non-current Liabilities			
Long-term debt – net of current portion	19	**32,836,942**	50,317,388
Lease liabilities – net of current portion	20	**144,003**	162,983
Retirement benefit obligation	26	**2,597,274**	2,747,557
Deferred tax liabilities	28	**3,143,601**	3,913,575
		38,721,820	57,141,503
TOTAL LIABILITIES		**122,640,151**	167,650,987
S T O C K H O L D E R S ' E Q U I T Y			
Common Stock	33	**14,562,067**	9,594,321
Preferred Stock	33	**3,925,528**	3,032,140
Additional Paid-in Capital	33	**179,726,321**	120,053,514
Stock Warrants	33	**6,458,070**	-
Equity Reserve	32	**4,030,214**	4,030,214
Other Comprehensive Income	26,32	**3,032,298**	1,365,298
Retained Earnings	32	**5,275,552**	28,144,471
Parent Company shares held by a subsidiary	33	**(35,865)**	(24,786,492)
TOTAL STOCKHOLDERS' EQUITY		**216,974,185**	141,433,466
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**339,614,336**	309,084,453

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021, 2020 and 2019
(In US Dollars)

	NOTES	**2021**	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS	22	**70,177,628**	68,907,198	80,118,716
COST OF SALES	23	**49,647,764**	48,263,661	57,091,070
		20,529,864	20,643,537	23,027,646
OPERATING EXPENSES	24	**8,158,118**	7,976,801	9,844,960
FINANCIAL EXPENSE (INCOME)				
Finance costs	19	**5,492,474**	5,375,227	4,907,331
Finance income	7,12	**(23,505)**	(72,412)	(55,629)
OTHER INCOME (EXPENSE) – net	27	**1,131,536**	(319,804)	481,065
PROFIT BEFORE TAX		**8,034,313**	7,044,117	8,812,049
INCOME TAX EXPENSE (BENEFIT)	28	**(105,687)**	446,905	390,468
PROFIT		**8,140,000**	6,597,212	8,421,581
DISCONTINUED OPERATION	34	**-**	-	13,730,086
OTHER COMPREHENSIVE INCOME				
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:				
Remeasurement – net	26	**-**	2,272,271	348,857
TOTAL COMPREHENSIVE INCOME		**8,140,000**	8,869,483	22,500,524
Basic Earnings per Share	29	**0.0061**	0.0057	0.0127

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021, 2020 and 2019

(In US Dollars)

	Note	Common Stock	Preferred Stock	Stock Warrants	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income (Loss): Remeasurement	Other Comprehensive Income (Loss): Net Changes in Fair Value of Equity Investment at FVOCI	Retained Earnings	Parent Company shares held by a subsidiary	Total
Balance, January 1, 2019		9,594,321	2,615,995	-	100,469,659	4,030,214	411,170	(1,667,000)	23,660,010	(26,812,680)	**112,301,689**
Profit									8,421,581		**8,421,581**
Other comprehensive income	26						348,857				**348,857**
Cash dividends declared	33								(5,872,511)		**(5,872,511)**
Acquisition of subsidiary of Parent Company's shares	33									(940,448)	**(940,448)**
Balance, December 31, 2019		**9,594,321**	**2,615,995**	**-**	**100,469,659**	**4,030,214**	**760,027**	**(1,667,000)**	**26,209,080**	**(27,753,128)**	**114,259,168**
Profit									6,597,212		**6,597,212**
Other comprehensive income	26						2,272,271				**2,272,271**
Cash dividends declared	33								(4,661,821)		**(4,661,821)**
Issuance of preferred stock	33		416,145		19,583,855						**20,000,000**
Sale by subsidiary of Parent Company's shares	33									2,966,636	**2,966,636**
Balance, December 31, 2020		**9,594,321**	**3,032,140**	**-**	**120,053,514**	**4,030,214**	**3,032,298**	**(1,667,000)**	**28,144,471**	**(24,786,492)**	**141,433,466**
Profit									8,140,000		**8,140,000**
Cash dividends declared	33								(5,401,573)		**(5,401,573)**
Issuance of common stock	33	4,967,746			15,896,790						**20,864,536**
Issuance of stock warrants	33			6,458,070							**6,458,070**
Issuance of preferred stock	33		893,388		43,776,017						**44,669,405**
Transfer of cumulative net changes in fair value to retained earnings	11,33							1,667,000	(25,607,346)	23,940,346	**-**
Sale by subsidiary of Parent Company's shares	33									810,281	**810,281.00**
Balance, December 31, 2021		**14,562,067**	**3,925,528**	**6,458,070**	**179,726,321**	**4,030,214**	**3,032,298**	**-**	**5,275,552**	**(35,865)**	**216,974,185**

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021, 2020 and 2019
(In US Dollars)

	NOTES	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**8,140,000**	7,044,117	8,812,049
Adjustments for:				
Depreciation and amortization	23,24	**7,301,048**	7,311,399	5,711,686
Finance costs	19	**5,492,474**	5,375,227	4,907,331
Loss on disposal of assets	13	**674,298**	-	-
Effect of prior period error		**-**	-	(1,484,680)
Gain from discountinued operations	34	**-**	-	(13,730,086)
Finance income	7,12	**(23,505)**	(72,412)	(55,629)
Retirement benefit costs	26	**(194,745)**	221,824	317,749
Net unrealized foreign exchange losses (gains)	27	**(598,983)**	1,217,394	242,283
Gain on condonation of loan	19	**(748,700)**	-	-
Operating cash flows before changes in working capital		**20,041,887**	21,097,549	4,720,703
Decrease (Increase) in operating assets:				
Trade and other receivables		**(96,645)**	(12,905,004)	(29,023,897)
Inventories		**(1,666,827)**	(20,259,942)	(8,538,090)
Prepayment and other current assets		**4,224,697**	(704,638)	(1,492,761)
Increase (Decrease) in trade and other payables		**8,182,523**	(1,110,644)	11,960,433
Cash generated from (used in) operations		**30,685,635**	(13,882,679)	(22,373,612)
Interest received	7,12	**23,505**	75,230	54,295
Income taxes paid		**(433,900)**	(889,338)	(881,300)
Net cash from (used in) operating activities		**30,275,240**	(14,696,787)	(23,200,617)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Assets held for sale	13	**9,930,742**	-	-
Decrease (Increase) in other noncurrent assets		**(840,806)**	(9,270,279)	1,049,623
Redemption of assets at amortized cost	12	**456,055**	-	-
Acquisition of asset at amortized cost	12	**(478,876)**	-	-
Acquisitions of:				
Product development costs	15	**(1,958,741)**	(1,715,290)	(1,575,947)
Property, plant and equipment	14	**(7,768,177)**	(10,442,513)	(3,169,953)
Net cash from (used in) investing activities		**(659,803)**	(21,428,082)	(3,696,277)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of preferred stock	33	**44,669,405**	20,000,000	-
Availment of short-term loan	19	**22,993,324**	111,083,761	69,449,593
Issuance of common stock	33	**20,864,536**	-	-
Issuance of stock warrants	33	**6,458,070**	-	-
Sale by a subsidiary of Parent Company's shares	33	**831,237**	2,966,636	-
Availment of long-term loan	19	**-**	748,700	-
Payments of:				
Lease liabilities	20	**(185,793)**	-	(28,194)
Cash dividends	33	**(5,401,573)**	(4,564,004)	(5,863,974)
Finance costs	19	**(5,585,998)**	(5,561,585)	(2,118,477)
Long-term loan	19	**(7,453,033)**	(4,259,135)	(10,865,751)
Short-term loan	19	**(66,401,908)**	(89,744,208)	(58,460,000)
Acquisition by subsidiary of the Parent Company's shares	33	**-**	-	(940,448)
Net movement in amounts owed by and owed to related parties	21	**9,468**	21,723,943	33,995,610
Refund of deposit for future stock subscription	33	**(189,107)**	-	-
Net cash from financing activities		**10,608,628**	52,394,108	25,168,359
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH	7	**(625,205)**	192,424	(359,755)
NET INCREASE (DECREASE) IN CASH		**39,598,860**	16,461,663	(2,088,290)
CASH AT BEGINNING OF YEAR		**31,816,374**	15,354,711	17,443,001
CASH AT END OF YEAR		**71,415,234**	31,816,374	15,354,711

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2021 and 2020 and for each of the Three Years in the Period Ended December 31, 2021

1. CORPORATE INFORMATION AND STATUS OF OPERATION

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

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

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

Camerton, Inc. is the immediate parent of TECH, while Carmetheus Holdings, Inc. is the ultimate parent of TECH and its subsidiaries (the “Group”).

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

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

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

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

Acquisition of Quintel

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

In accordance with the Agreement, CCL was merged with and into Quintel, with the latter surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from TECH and Cirtek Corporation. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished, and be converted automatically into the right to receive a portion of the purchase price.

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

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

Commercial Papers

On February 19, 2020, the Securities and Exchange Commission (SEC) approved the $39,515,539 or ₱2,000,000,000 worth of Commercial Papers (CPs) of the Parent Company. On the following day, the CPs have been listed in the Philippine Dealing and Exchange Corporation. The CPs may be issued in lump-sum or in tranches as follows:

Series	Discount Rate	Tenor	Denomination
A	5.332%	91 days	Minimum of $98,789 face value and increments of $1,976
B	5.582%	182 days	Minimum of $98,789 face value and increments of $1,976
C	5.832%	364 days	Minimum of ₱9,878 face value and increments of $1,976

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

On April 28, 2021 the Company listed its $20,657,743 or ₱1,000,000,000 worth of Commercial Papers (CP) with the Philippine Dealing and Exchange Corp as part of TECH's $123,946 or ₱6,000,000 CP Program. The CPs may be issued in lump-sum or in tranches as follows:

Series	Discount Rate	Tenor	Denomination
D	4.00%	182 days	Minimum of $103,289 face value and increments of $2,066
E	4.25%	364 days	Minimum of $103,289 face value and increments of $2,066

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

Effect of Corona Virus Disease 2019 (COVID-19)

In order to hasten the achievement of herd immunity against COVID-19 within the Group and ensure the good health of its employees, the Group has extended its support to facilitate the drive to have majority of its employees vaccinated against COVID-19. The Group has cooperated with Laguna Technopark's vaccination facility by fielding its own set of medical volunteers. It thereby provided the employees easier access to a vaccination facility directly adjacent to the company's facility. This droves the workforce's vaccination rate to 99.70% as of present. Currently, the Group's medical team is moving forward to provide COVID-19 booster shots to strengthen herd immunity and pave the way to opening its doors again to international customers and visitors. Cash incentives were also given to employees that are vaccinated which helps for the encouragement of further protection against COVID-19. Shuttle services in selected areas/route are still provided by the Group, thus protecting its employees for possible infection. The Group continues to implement/enforce its policy Workplace Policy and Program on COVID-19 Prevention and Control in compliance with DOLE and DOH regulations.

Amidst the global pandemic, the Group is experiencing a good booking in product orders for medical chips supplied to medical equipment end customers globally. In view of the manifestation of COVID-19 around the world, it is critical for hospitals to have enough medical equipment to save lives, flatten the curve, prevent further spread of the virus and control the pandemic. The Group has been tapped by several of its customers for chips used in medical equipment desperately needed all over the world. The Company's medical chips are continuously growing from 1,000,000 units per week to 1,700,000 units per week in 2021 due to strong demand of medical chips from its major customers, it is expected to grow up to 2,000,000 units per week in 2022.

During the year, there was a strong demand of semi-conductor devices due to shortage because of insufficient production last 2020 from semi-conductor companies particularly large multinational companies who did not invest from additional capex to increase in capacity because of global pandemic. The global semi-conductor sales are expected to have a significant growth, all the markets are increasing in orders particularly telecommunications, industrial, automotive, medical, computing including IOT because of the shortage.

The pandemic has brought about global catastrophe but out of adversity comes opportunity. COVID-19 has trailblazed the rapid shift to the digital age. Whether the Management like it or not, people will have to adapt and learn to thrive in a new digital world. As vaccines are developed and approved in lightspeed, so will digital trends such as Internet of Things, Smart Cities, Artificial Intelligence, Autonomous Vehicles, Telemedicine, Augmented and Virtual Reality will all be closer.

The sector the Company are in: Technology, Connectivity and Communications are indeed pandemic and recession-proof. It is for this very reason Telco operators in the US are spending billions of dollars acquiring airwaves to support the upcoming 5G Super Cycle where cellular infrastructure act as the super highway responsible for enabling these digital trends.

COVID-19 pandemic accelerated digital transformation that triggers high demand of semiconductor chips globally. In the report of International Data Corporation (IDC), 2022 is expected to record high record of growth. 5G semiconductor which covers wireless communications revenues will increase by 128%, with total mobile phone semiconductors expected to grow by 28.5%. Consumers Electronics like Game consoles, smart home, home appliances and wearables will grow by 34%, 20% and 21% respectively. Automotive semiconductor revenues will also increase by 22.8% as shortages are mitigated by year end. Parent Company is expected to grow its business in 2022 up to 2023 to support the high demand of semiconductors.

Despite the global pandemic, the Group is still able to continue its Corporate Social Responsibility activities such as:

- Tree Planting activity at Caliraya Lumot Water Shed, Lumban Laguna dated July 31, 2021.
- Volunteer in COVID-19 Vaccination site in Laguna Technopark facility started last August 2021.
- Go GREEN Project: "Lead the Scene to keep it Green" launched last March 2021. Harvested vegetables were given to quarantine pantry and some were sold out to employees for a minimal price.
- Cash donation and relief goods for the affected employees of Typhoon Odette.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Consolidated Financial Statements

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

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

  The following are the amendments to PFRS 16:

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

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

2.02 New and Revised PFRSs in Issue but Not Yet Effective

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

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PFRS 16, *COVID-19-Related Rent Concessions beyond June 30, 2021*

  The following are the amendments to PFRS 16:

  - permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
  - require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
  - specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRS Standards 2018-2020 Cycle

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

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

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

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

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

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

  The amendments to PAS 1 are the following:

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

  The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in consolidated financial statements that are subject to measurement uncertainty".

  The amendment also clarifies the following:

  - Entities develop accounting estimates if accounting policies require items in consolidated financial statements to be measured in a way that involves measurement uncertainty.

- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*

  The amendments to PAS 1 are the following:

  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  The amendments also clarify the following:

  - accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - accounting policy information is material if users of an entity's consolidated financial statements would need it to understand other material information in the consolidated financial statements; and
  - if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- Amendment to PAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

- PFRS 17, *Insurance Contracts*

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

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

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

- Amendments to PFRS 17, *Insurance Contracts*

  The amendments cover the following areas:

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

  The amendments are affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9- Comparative Information*

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of consolidated financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

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

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

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

3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONDOLIDATED FINANCIAL STATEMENTS

3.01 Statement of Compliance

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or amortized cost, inventories carried at lower of cost or net realizable value, and assets held for sale that are stated at lower of carrying amount and fair value less costs to sell.

3.02 Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using United States Dollar ($), the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group chose to present its consolidated financial statements using its functional currency.

3.03 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its subsidiaries as of December 31, 2021 and 2020:

			Percentage of Ownership			
			2021		2020	
	Country of Incorporation	**Functional Currency**	**Direct**	**Indirect**	Direct	Indirect
CEC	Philippines	USD	**100%**		100%	
CEIC	BVI	USD	**100%**		100%	
CATS	BVI	USD		**100%**		100%
CATS – Philippine Branch	Philippines	USD		**100%**		100%
RBW Realty and Property, Inc. (RBWRP)	Philippines	USD		**100%**		100%
Cirtek Corporation	United States of America	USD		**100%**		100%
Quintel	Cayman Islands	USD		**100%**		100%
Quintel Technology, Ltd.	United Kingdom	USD		**100%**		100%
Quintel USA	United States of America	USD		**100%**		100%
Telecom Quintel Mauritius, Ltd.	Republic of Mauritius	USD		**100%**		100%

Telecom Quintel Mauritius, Ltd. and Quintel Technology, Ltd. were liquidated, as disclosed in Note 34.

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (its subsidiaries) up to December 31 of each year. Control is achieved when the Parent Company has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

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

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

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

At acquisition, the assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit and loss in the period of acquisition.

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction.

Upon the loss of control, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Group recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

3.04 Current and Non-Current Presentation

The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Business Combination

Business combination is a transaction or event in which an acquirer obtains control of one or more businesses. The Group accounts for each business combination by applying the acquisition method in accordance with PFRS 3. The Group elects to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

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

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

The Group recognizes goodwill as of the acquisition date as the excess of (a) and over (b) below:

a) The aggregate of:

   i. The consideration transferred, which is generally measured at acquisition-date fair value;

   ii. The amount of any non-controlling interest in the acquiree; and

   iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

Common control combination is a business combination wherein the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

The Group applied pooling of interest method in accounting for common control business combinations. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Furthermore, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

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

4.02 Segment Information

An operating segment is a component of the Group: (a) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and inter-segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments, provided that ; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

For management purposes, the Group is currently organized into 4 business segments: CEC, CEIC, CATS- Philippine Branch and Quintel. These divisions are the basis on which the Group reports its primary segment information.

4.03 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Group considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.04 Financial Assets

4.04.01 Initial Recognition and Measurement

The Group recognizes a financial asset in its consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Group measures receivables that do not have a significant financing component at their transaction price.

4.04.02 Classification

- Financial Asset at Amortized Cost

  A financial asset shall be measured at amortized cost if both of the following conditions are met:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  The Group's financial assets measured at amortized costs include cash in banks, trade and other receivables, due from related parties, rental deposit, loans to employees, security deposits presented under 'other current assets', other financial asset at amortized cost, and loans to employees and miscellaneous deposits presented under 'other non-current assets'.

  a) Cash

  Cash in banks are deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

  b) Receivables

  Receivables include trade and other receivables, due from related parties, rental deposits, loans to employees and security deposits. These are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- Financial Asset at Fair Value through Profit or Loss

  A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

  The Group's financial assets at fair value through profit or loss pertains to its Unit Investment Trust Fund (UITF).

- Financial Asset at Fair Value through Other Comprehensive Income

  The Group makes an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value through other comprehensive income.

  The Group's financial assets measured at financial asset at fair value through other comprehensive income pertains to an investment in unquoted equity shares.

4.04.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.04.02. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.04.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.04.05 Impairment

The Group shall measure expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopted the following approaches in accounting for impairment.

➢ General Approach

The Group applied the general approach to cash in banks, other receivables, due from related parties, rental deposit, security deposits, other financial assets at amortized cost, and miscellaneous deposit. At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Group measures the loss allowance equal to 12-month expected credit losses.

The Group compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Group did not apply the 30 days past due rebuttable presumption because the Group determines that there have been no significant increases in credit risk even the amounts are past due for more than 30 days.

If the Group has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Group performs the assessment of significant increases in credit risk on an individual basis.

The Group did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not since based on the Group's historical experience and aging schedules, past due amounts even over 90 days are still collectible.

The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty; and
- A breach of contract, such as a default or past due event.
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

➢ Simplified Approach

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.04.06 Derecognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.04.07 Write-off

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.05 Inventories

Inventories includes raw materials, spare parts and other materials which are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined using first-in, first-out (FIFO) method. For finished goods and work-in-process, costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income. The amount of reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are used in operation or sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.06 Prepayment and Other Current Assets

4.06.01 Prepayment

Prepayment represents expenses not yet incurred, but already paid in cash. This is initially recorded as assets and measured at the amount of cash paid. Subsequently, this is charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayment is classified in the consolidated statements of financial position as current asset when the expenses related to prepayment are expected to be incurred within one (1) year or Group's normal operating cycle whichever is longer. Otherwise, prepayment is classified as non-current assets.

4.06.02 Advances to Suppliers

Advances to suppliers represents down payments for production materials that are still to be delivered. These are initially recorded as asset and will be subsequently reclassified to appropriate account once delivery is made.

4.07 Assets Held for Sale

Non-current assets and disposal groups are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell except for the following assets which shall continue to be measured in accordance with the corresponding standards:

- Non-current assets that are accounted for in accordance with the fair value model in PAS 40, *Investment Property*
- Deferred tax assets
- Assets arising from employee benefits
- Financial assets within the scope of PFRS 9, *Financial Instruments*
- Non-current assets that are measured at fair value less costs to sell in accordance with PAS 41, *Agriculture*
- Contractual rights under insurance contract as defined in PFRS 4, *Insurance Contracts*

4.08 Property, Plant and Equipment

Property, plant and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Machinery and equipment	10 to 15 years
Buildings and improvements	5 to 25 years
Facility and production tools	5 to 8 years
Furniture, fixtures and equipment	2 to 5 years
Transportation equipment	5 to 7 years

Construction in progress is a property under construction and development which is initially measured at cost. Cost includes construction costs, professional fees, taxes and licenses and other expenses which are directly related with the construction of the project. Subsequently, upon completion, this will form part of property, plant and equipment and will be measured at cost less accumulated depreciation and accumulated impairment losses.

The residual value, useful lives and depreciation method of the Group's property, plant and equipment is reviewed, and adjusted prospectively if appropriate, if there is an indication of a change since the last reporting date.

An item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible asset with finite life is amortized over its economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment can be supported. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset is identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contract legal" criterion)

The Group's intangible assets recognized from business combination pertain to customer relationship, trademark and technology. Trademark and customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing. The Group estimates that technology will have an economic life of ten (10) years.

4.09.01 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit, which is estimated to be five (5) to ten (10) years. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.10 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any of its assets other than financial assets that are within the scope of PFRS 9, *Financial Instruments,* inventories, and assets held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.11 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.12 Financial Liabilities and Equity Instruments

4.12.01 Financial Liabilities

4.12.01.01 Initial Recognition and Measurement

The Group recognizes a financial liability in its consolidated statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.12.01.02 Classification

The Group classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liabilities at amortized cost pertain to trade and other payables (excluding contract liabilities and others), short-term loans, long-term debts, dividends payable, due to related parties, and deposit for future stock subscription.

The Group does not have financial liabilities at fair value through profit or loss in both years.

4.12.01.03 Deposit for Future Stock Subscription

Deposit for future stock subscription is defined as a subscription agreement which, among other things, states that the Group is not contractually obliged to return the consideration received and that the Group is obliged to deliver fixed number of own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Deposit for future stock subscription is classified as equity if all the conditions required for such recognition have been met as of the end of the reporting period otherwise, if not, classified as liability.

Deposit for future stock subscription is classified as equity when all of the following conditions are met as of the end of the reporting date:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; and
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

4.12.01.04 Derecognition

The Group removes a financial liability (or part of a financial liability) from its consolidated statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.13 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

If the instrument will or may be settled in the issuer's own equity instruments, it is a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

4.14 Employee Benefits

4.14.01 Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages and other employee benefits.

4.14.02 Defined Benefit Plans

CEC and CATS are covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the Projected Unit Credit Method (PUCM).

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when reimbursement is virtually certain.

4.14.03 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group has a defined contribution plan covering substantially all employees of Quintel USA and Quintel Technology, Inc.

4.15 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.16 Revenue Recognition

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.16.01 Performance Obligations Satisfied at a Point in Time

Revenue from sale of goods is recognized at a point in time when the goods have been transferred to the customer (i.e. upon delivery). The Group's normal credit term is 30 to 120 days upon delivery. Discounts, returns and other allowances are not significant to the Group.

The Group's revenue encompasses sale of semiconductor packages and solid-state devices.

4.16.02 Dividend and Finance Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.17 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the consolidated statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.18 Leases

4.18.01 The Group as Lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Group assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Group measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent to initial recognition, ROU are carried at cost less accumulated depreciation and accumulated impairment losses. The Group depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

The Group has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

ROU asset is presented as a separate line item on the consolidated statements of financial position.

Lease Liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Group recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

Lease liabilities is presented as a separate line item on the consolidated statement of financial position.

4.19 Foreign Currency Transactions

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.20 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Group that is preparing its consolidated financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.21 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.21.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.21.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.21.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.21.04 Final Tax on Dividend

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. In many jurisdictions, this amount is referred to as a withholding tax. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.

4.21.01 Impact of Change in Tax Regime

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account.

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

4.22 Earnings per Share

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.23 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the consolidated financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to consolidated financial statements when material.

4.24 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Notes 2.01 and 2.02, was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

5.01.01 Functional Currency

The Group determines its functional currency based on the economic substance of the underlying circumstances relevant to them. The US Dollar ($) is the currency that most faithfully represent the primary economic environment in which the Group operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Group. Hence, Management believes that US Dollar ($) is the Group's functional currency since it represents the economic substance relevant to the Group.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets (except for financial assets at fair value through other comprehensive income and fair value through profit or loss) are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2021 and 2020, the aggregate amounts of the aforementioned assets amounted to $135,704,345 and $91,276,304, respectively, as disclosed in Note 31.

5.01.03 Assessment on the Bifurcation of Embedded Derivative

The Group determines whether the embedded derivative component of the Group's Note Facility Agreement (NFA) should be modified in relation to changes in a variable, such as an interest rate, commodity price, credit rating, or foreign exchange rate.

The Group assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9. As of December 31, 2021 and 2020, carrying amounts of long-term loans amounted to $50,228,752 and $57,681,785, respectively, as disclosed in Note 19.

5.01.04 Assessment of 30 days Rebuttable Presumption

The Company determines when a significant increase in credit risk occurs on its financial assets based on the credit management practice of the Company.

Management believes that the 30 days rebuttable presumption on determining whether credit risk has increased significantly or not is not applicable since based on the Group's historical experience credit risk has not increased significantly even if collections are more than 30 days past due.

5.01.05 Assessment of 90 days Rebuttable Presumption

The Group determines when a default occurs on its financial assets based on the credit management practice of the Group.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired or not is not applicable because based on the Group's historical experience past due amounts even over 90 days are still collectible.

5.01.06 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that the performance obligation is satisfied at point in time from the sale of its semiconductor and solid-state devices.

In 2021, 2020 and 2019, revenue recognized from such sale amounted to $70,177,628, $68,907,198 and $80,118,716, respectively, as disclosed in Note 22.

5.01.07 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price is not applicable since the only obligation identified is the sale of semiconductor and solid-state devices.

5.01.08 Determining Whether or not a Contract Contains a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Management assessed that its lease agreements as disclosed in Note 25 qualified as a lease since the contract contains an identified asset, the Group has the right to obtain substantially all of the economic benefits, and the Group has the right to direct the use of the identified asset throughout the period of use.

5.01.09 Estimating the Lease Term

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

In both years, Management assessed that the lease term should only include the non-cancellable period since the option to extend is not enforceable under the Philippine laws.

5.01.10 Assessment of Classification of Spare Parts, Stand-by Equipment and Servicing Equipment as Property, Plant and Equipment or Inventory

The Group determines whether spare parts, stand-by equipment and servicing equipment qualifies as property, plant and equipment or inventory. In making its judgments, the Group considers whether spare parts, stand-by equipment and servicing equipment are held for use in the production or supply of good and services, for rental to others or for administrative purposes and are expected to be used during more than one period or assets which are held for sale in the ordinary course of business, in the process of production of such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment if they are held for use in the production or supply of good and services, for rental to others or for administrative purposes and are expected to be used during more than one period. Spare parts, stand-by equipment and servicing equipment are classified as inventory if they are held for sale in the ordinary course of business, in the process of production of such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Whether spare parts, stand-by equipment and servicing equipment are property, plant and equipment or inventory depend on the substance of the transaction rather than the form of the contract.

As of December 31, 2021 and 2020, Management assessed that the spare parts and others amounting to $1,462,669 and $5,239,446, respectively, qualify as inventories since these are being used in producing the Group's finished goods inventory, as disclosed in Note 9.

5.01.11 Uniform Accounting Policies

Consolidated financial statements are prepared under line-by-line basis for consolidation. Full amount of subsidiaries' accounts, irrespective of the percentage of ownership, are combined with those of the Group on a line-by-line bases by adding together similar or like items of assets, liabilities, revenues and expenses. Application of line-by-line basis for consolidation requires judgment in determining that the Parent and its subsidiaries have uniform accounting policy for like transactions and events in similar circumstances between the Parent and the subsidiaries. While the Group regularly conducts review of the subsidiaries' accounting policy to ensure the uniformity in accounting policy, there would be instances that the policy over these transactions would be different from that of the Parent. In the event that significant differences in the accounting policy for a given transaction exist between the Parent and its subsidiaries, the Parent makes appropriate adjustment in the financial statements of the subsidiary to conform to the Group's policy for the purpose of consolidation.

The consolidated financial statements are prepared under PFRS. Management assessed that the accounting policies of the Parent and its subsidiaries are substantially similar for like transactions and events, thus, no adjustment has been made in the consolidated financial statements.

5.01.12 Assessment of Control

The Group determines whether an entity qualifies as a subsidiary when it has control over an entity. The Group controls an entity when it has the three elements of control as disclosed in Note 4. In making its judgments, the Group considers all facts and circumstances when assessing control over an investee.

A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Group having one hundred percent (100%) ownership and voting interest, assessed that it has control over all of its subsidiaries since it has power over the subsidiaries, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns.

5.01.13 Aggregation of Operating Segments

In accordance with the provisions of PFRS 8, *Operating Segments*, the Group's reporting segment is based on the management approach with regard to the segment identification, under which information regularly provided to the chief operating decision maker for decision-making purposes is considered as decisive. The segments are also evaluated under the management approach.

The Group reports its segment based on the operating entities. The Management identifies its operating segments as generally based on nature and location of its customers. The Group has four (4) reportable segments: CEC, CEIC, CATS- Philippine Branch and Quintel. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of net trading gains (losses), other income, equity in net earnings, operating expenses and income tax.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Expected Credit Losses of Financial Assets

The Group evaluates the expected credit losses related to its financial assets based on an individual assessment and available facts and circumstances, including, but not limited to historical loss experience and current and forecast macro-economic information.

The Group uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its bank deposits. In view of the foregoing factors, Management believes that the expected credit loss is nil.

The Group uses historical experience and current and forecast macro-economic information to assess the expected credit losses on its trade and other receivables and due from related parties. In view of the foregoing factors, Management believes that the expected credit loss on trade and other receivables, and due from related parties is nil.

As of December 31, 2021 and 2020, the Group's financial assets measured at amortized cost amounted to $135,704,345 and $91,276,304, respectively, as disclosed in Note 31.

5.02.02 Estimating Inventories at Net Realizable Values

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

In 2021 and 2020, Management believes that the net realizable values of the inventories approximate their costs. Thus, no additional provision for obsolescence was recognized. As of December 31, 2021 and 2020, carrying amount of the Group's inventories amounted to $58,767,864 and $57,101,037, respectively, as disclosed in Note 9.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property, Plant, Equipment

The residual values, useful lives and depreciation method of the Group's property, plant and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recognized operating expenses and decrease non-current assets.

The Group uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which a Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, it shall change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in the pattern used by the Group to consume assets' future economic benefits. As of December 31, 2021 and 2020, the carrying amount of property, plant and equipment amounted to $40,664,393 and $41,951,841, respectively, as disclosed in Note 14.

5.02.04 Reviewing Residual Values, Useful Lives and Amortization Method of Product Development Costs and Technology Costs

The residual values, useful lives and amortization method of the Group's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible assets are available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

In both years, Management assessed that there were no significant changes on the estimates since the most recent annual reporting period. As of December 31, 2021 and 2020, the carrying value of product development costs and technology amounted to $7,029,495 and $7,321,665, respectively, as disclosed in Note 15.

5.02.05 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of other current assets (except rental deposit, security deposits, loan to employees, and financial asset at FVTPL under others), property, plant and equipment, right-of-use asset, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees), which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. In assessing value in use, the estimated future cash flows shall be discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (CGU) (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statements of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the reporting date.

The recoverable amounts of the CGUs have been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rates applied to cash flow projection is 10% in 2021, 2020 and 2019, and cash flows beyond the five year-period was extrapolated using a steady growth rate of 20%-10% in 2021, 2020 and 2019.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment losses were recognized for goodwill, customer relationships and trademark for the years ended December 31, 2021 and 2020.

In both years, Management believes that there is no indication of impairment in the value of prepayment and other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), property, plant and equipment, right-of-use asset, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees). As of December 31, 2021 and 2020, the aggregate carrying amounts of the foregoing assets amounted to $145,104,485 and $149,449,016 respectively, as disclosed in Notes 10, 14, 15, 16 and 17.

5.02.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

For the years ended December 31, 2021, 2020 and 2019, retirement benefits expense amounted to ($194,745), $221,824, and $317,749, respectively, as disclosed in Note 26. Retirement benefit obligation amounted to $2,597,274 and $2,747,557 as of December 31, 2021 and 2020, respectively, as disclosed in Note 26. Remeasurement gain amounted to nil, $2,272,271, and $348,857 in 2021, 2020, and 2019, respectively, as disclosed in Note 26.

5.02.07 Deferred Tax Assets

The Group reviews the carrying amount at reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to its expiration. The Group has recognized net deferred income tax assets amounting to $208,724 and $329,361 as of December 31, 2021 and 2020, respectively as disclosed in Note 28.

Moreover, the Group's NOLCO, MCIT and deductible temporary differences for which no deferred taxes have been recognized, as disclosed in Note 28, are as follows:

		2021		2020
NOLCO	**$**	**2,780,583**	$	1,322,466
Unrealized foreign exchange losses		**70,060**		1,319,000
MCIT		-		8,438

Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilized.

5.02.08 Estimating the Appropriate Discount Rate to Use

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

Management used its incremental borrowing rate of 5%-5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

5.02.09 Estimating Fair value of Financial Asset at Fair Value through Other Comprehensive Income

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the statement of income and the statement of changes in equity.

The Company's financial asset at fair value through other comprehensive income pertains to unlisted shares that are not traded in an active market. The Management believes that the cost of the investment approximates its fair value.

In 2021, the Group wrote off the investment since the investee already ceased operations. Accordingly, the cumulative net changes in fair value amounting to $1,667,000 was transferred to retained earnings, as disclosed in Note 11.

As of December 31, 2021 and 2020, the carrying amounts of financial asset through other comprehensive income amounted to nil, as disclosed in Note 11.

6. SEGMENT INFORMATION

Financial information on the Group's business segments as of and for the years ended December 31, 2021, 2020 and 2019 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the year ended December 31, 2021:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
Integrated circuits	$ 8,348,887	$ -	$ -	$ -	$ 8,348,887
8 port antennas	-	4,038,872	3,738,687	-	7,777,559
6 port antennas	-	4,433,945	3,215,498	-	7,649,443
Discrete	7,644,449	-	-	-	7,644,449
Remec manufacturing services	-	7,530,373	-	-	7,530,373
Multichips	7,348,240	-	-	-	7,348,240
Dual and quad flat no-leads	6,973,587	-	-	-	6,973,587
New product	-	-	5,421,156	-	5,421,156
Hermetics	3,402,276	-	-	-	3,402,276
12 port antennas	-	1,607,266	251,460	-	1,858,727
Indoor radio frequency unit	-	567,476	-	-	567,476
Cougar	-	554,605	-	-	554,605
Brackets	-	-	367,437	-	367,437
Outdoor unit	-	140,536	-	-	140,536
10 port antennas	-	56,567	22,900	-	79,467
Bridgewave	-	5,656	6	-	5,656
Others	-	4,053,203	454,551	-	4,507,754
	$ 33,717,440	$ 22,988,499	$ 13,471,689	$ - -	$ 70,177,628

Balance forwarded

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Segment depreciation and amortization	$ 3,801,834	$ 1,015,180	$ 303,419	$ 1,174,920	$ 6,295,353
Segment interest income	16,009	7,490	5	-	23,504
Segment interest expense	5,459,096	-	29,346	-	5,488,442
Segment profit (loss) before income tax	17,910,371	6,148,682	614,270	(16,674,920)	7,998,403
Segment provision for (benefit from) income tax	242,200	(185,613)	48,596	(223,235)	(118,052)
Segment profit (loss) after income tax	**$ 17,668,171**	**$ 6,334,295**	**$ $565,674**	**$ $(16,451,685)**	**$ 8,116,455**

Other financial information of the operating segments as of December 31, 2021 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 377,500,726	$ 85,391,456	$ 8,905,013	$ (278,832,625)	$ 192,964,570
Non-current assets	125,477,939	13,613,338	5,249,174	(11,031,097)	133,309,354
	$ 502,978,665	$ 99,004,794	$ 14,154,187	$ (289,863,722)	$ 326,273,924
Liabilities					
Current liabilities	$ 133,498,550	$ 76,088,107	$ 8,837,447	$ (195,626,182)	$ 22,797,922
Non-current liabilities	35,527,182	147,306	15,245,001	3,386,968	54,306,457
	$ 169,025,732	$ 76,235,413	$ 24,082,448	$ (192,239,214)	$ 77,104,379

For the year ended December 31, 2020:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
Integrated circuits	$ 3,259,032	$ -	$ -	$ -	$ 3,259,032
8 port antennas	-	4,509,991	6,485,254	-	10,995,245
6 port antennas	-	7,389,342	6,304,668	-	13,694,010
Discrete	5,947,718	-	-	-	5,947,718
Remec manufacturing services	-	4,326,585	-	-	4,326,585
Multichips	7,516,411	-	-	-	7,516,411
Dual and quad flat no-leads	4,535,365	-	-	-	4,535,365
New product	8,129,605	-	2,120,009	-	10,249,614
Hermetics	2,145,934	-	-	-	2,145,934
12 port antennas	-	962,628	932,286	-	1,894,914
Indoor radio frequency unit	-	1,587,150	-	-	1,587,150
Cougar	-	357,147	-	-	357,147
Brackets	-	-	429,204	-	429,204
Outdoor unit	-	125,347	-	-	125,347
10 port antennas	-	26,853	46,909	-	73,762
Bridgewave	-	9,273	-	-	9,273
Others	-	1,228,390	532,097	-	1,760,487
Total	$ 31,534,065	$ 20,522,706	$ 16,850,427	$ -	$ 68,907,198

Balance forwarded

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

Other financial information of the operating segments as of December 31, 2020 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 379,972,634	$ 79,670,998	$ 11,915,968	$ (34,177,282)	$ 437,382,318
Non-current assets	129,062,374	13,355,623	8,845,373	(9,540,280)	141,723,090
	$ 509,035,008	$ 93,026,621	$ 20,761,341	$ (43,717,562)	$ 579,105,408
Liabilities					
Current liabilities	$ 227,928,509	$ 49,966,747	$ 11,369,371	$ (1,132,449)	$ 288,132,178
Non-current liabilities	52,984,561	-	19,885,906	3,495,197	76,365,664
	$ 280,913,070	$ 49,966,747	$ 31,255,277	$ 2,362,748	$ 364,497,842

For the year ended December 31, 2019:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
Integrated circuits	$ 6,079,549	$ -	$ -	$ -	$ 6,079,549
8 port antennas	-	7,237,015	11,768,808	-	19,242,837
6 port antennas	-	7,334,957	6,439,297	-	13,774,254
Discrete	6,425,672	-	-	-	6,425,672
Remec manufacturing services	-	5,729,194	-	-	5,729,194
Multichips	6,110,854	-	-	-	6,110,854
Dual and quad flat no-leads	5,001,100	-	-	-	5,001,100
New product	4,809,661	-	1,385,533	-	6,195,194
Hermetics	1,328,190	-	-	-	1,328,190
12 port antennas	-	2,119,306	4,308,756	-	6,428,062
Indoor radio frequency unit	-	981,759	-	-	981,759
Cougar	-	211,164	-	-	211,164
Brackets	-	-	466,836	-	466,836
Outdoor unit	-	120,114	-	-	120,114
10 port antennas	-	-	171,075	-	171,075
Bridgewave	-	11,794	-	-	11,794
Others	1,385,533	-	692,549	-	2,078,082
Total	31,140,559	$ 23,745,303	$ 25,232,854	$ -	$ 80,118,716

Balance forwarded

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Segment depreciation and amortization	$ 3,728,320	$ 734,037	$ 185,817	$ 1,174,920	$ 5,996,914
Segment interest income	19,310	8,915	27,404	-	55,629
Segment interest expense	4,826,419	-	69,056	-	4,895,475
Segment profit (loss) before income tax	10,212,877	7,003,878	13,491,720	(7,916,340)	22,792,135
Segment provision for (benefit from) income tax	559,105	25,663	28,935	(223,235)	390,468
Segment profit (loss) after income tax	$ 9,653,772	$ 6,978,215	$ 13,462,785	$ (7,693,105)	$ 22,401,667

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

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 76,048,497	$ 67,786,574	$ 11,841,571	$ (21,767,782)	$ 133,908,860
Non-current assets	29,969,954	7,845,290	4,433,983	89,785,667	132,034,894
	$ 106,018,451	$ 75,631,864	$ 16,275,554	$ 68,017,885	$ 265,943,754
Liabilities					
Current liabilities	$ 79,593,866	$ 17,091,057	$ 16,587,589	$ (19,912,551)	$ 93,359,961
Non-current liabilities	54,559,174	596,008	360,000	3,673,470	59,188,652
	$ 134,153,040	$ 17,687,065	$ 16,947,589	$ (16,239,081)	$ 152,548,613

Inter-segment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The operating income and profit before and after income tax for each operating segment inter-segment cost of sales of nil, nil and $33.4 million in 2021, 2020 and 2019, respectively and inter-segment operating expenses aggregating to nil, nil and $0.6 million in 2021, 2020 and 2019, respectively.

The Group's external customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the USA. Following shows the distribution of external customers by revenue contribution (amounts in thousands):

		2021		2020		2019
USA	**$**	**28,777**	$	27,003	$	40,519
Europe		**11,773**		12,357		15,266
Asia		**29,628**		29,547		24,334
	$	**70,178**	$	68,907	$	80,119

7. CASH

For the purpose of the consolidated statements of cash flows, cash include cash on hand and in banks.

Cash at the end of the reporting periods as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

		2021		2020
Cash on hand	**$**	**247**	$	253
Cash in banks		**71,414,987**		31,816,121
	$	**71,415,234**	$	31,816,374

Cash in banks earn interest at prevailing deposit rates.

Finance income earned and received amounted to $17,090, $63,397, and $51,434 in 2021, 2020 and 2019, respectively.

In 2021, 2020 and 2019, unrealized foreign exchange gains (losses) recognized amounted to ($625,205), $192,424, and ($359,755), respectively.

8. **TRADE AND OTHER RECEIVABLES** – net

The Group's trade and other receivables are as follows:

		2021		2020
Trade receivables	$	**46,897,711**	$	45,638,986
Less: Allowance for expected credit losses		**(741,012)**		(741,012)
		46,156,699		44,897,974
Others		**15,235,630**		11,756,805
	$	**61,392,329**	$	56,654,779

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

In 2021 and 2020, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer to a financial institution. In 2021 and 2020, the Group sold its receivables amounting to $8.03 million and $12.18 million, respectively. Sale of receivables under this arrangement convey all rights to the financial institution without recourse at a discount of LIBOR plus 1.05%. Quintel USA incurred discounting fees and charges amounting to $20,086 and $57,207 pertaining to this arrangement in 2021 and 2020, respectively.

Others include accrued interest receivable from short-term deposits amounting to nil and $2,818, in 2021 and 2020, respectively, and nontrade receivable from suppliers which are expected to be collected within one (1) year.

9. **INVENTORIES** – net

Details of the Group's inventories are as follows:

		2021		2020
Raw materials	$	**40,809,391**	$	28,184,131
Finished goods		**11,884,635**		19,758,706
Work-in-process		**1,269,967**		1,492,420
Spare parts and others		**1,462,669**		5,239,446
Supplies and others		**3,341,202**		2,426,334
	$	**58,767,864**	$	57,101,037

The cost of inventories charged to expenses amounted to $25,312,574, $25,926,859 and $34,159,682, in 2021, 2020 and 2019, respectively, as disclosed in Note 23.

Inventories are expected to be recovered within one (1) year from the reporting dates.

10. PREPAYMENT AND OTHER CURRENT ASSETS

The details of the Group's prepayment and other current assets are shown below:

		2021		2020
Prepaid expenses	**$**	**167,981**	$	205,923
Advances to suppliers		**4,795,889**		2,749,566
Loans to employees		**619,406**		547,935
Security deposits		**179,809**		180,507
Advances to brokers		-		4,966,194
Rental deposit (Note 25)		-		1,248,654
Others		**81,604**		128,033
	$	**5,844,689**	$	10,026,812

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

As of December 31, 2021 and 2020, loans to employees include loans extended to key management personnel amounting to $200,000 and $300,000, respectively, as disclosed in Note 21.

Advances to brokers is associated with the disposal of TECH shares.

Others include investment classified as financial asset at FVTPL amounting to $568 and $3,378, as of December 31, 2021 and 2020, respectively.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's financial asset at FVOCI pertains to investment in an unquoted equity share acquired at a cost of $1,667,000 in 2015. The financial asset is carried at cost amounting to $1,667,000 as of December 31, 2017 but has been revalued as of January 1, 2018 amounting to nil. The fair value of the financial asset is obtained through market comparable approach (Level 3). The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

In 2020, the fair value of the investment in unquoted equity instrument was based on the adjusted net asset value (NAV) approach. Under NAV approach, the fair value was derived by determining the fair value of each identifiable assets and liabilities of the investee. As of December 31, 2021 and 2020, the investee company is at start-up phase and has not yet commenced operations.

In 2021, the Group wrote off the investment since the investee already ceased operations. Accordingly, the cumulative net changes in fair value amounting to $1,667,00 was transferred to retained earnings.

12. OTHER FINANCIAL ASSET AT AMORTIZED COST

Current and non-current portion of other financial asset at amortized cost is as follows:

		2021		2020
Current				
Time deposit	$	**19,862**	$	20,816
Government bonds		-		456,055
Non-current				
Government bonds		**478,876**		-
	$	**498,738**	$	476,871

In 2021, the time deposit with face value amounting to $19,862 was acquired on March 4, 2021 with 357 days term while in 2020, the time deposit with face value amounting to $19,172 was acquired on March 09, 2020 with 360 days term. In 2021, 2020 and 2019 finance income earned and received from the time deposit amounted to $182, $164 and nil, respectively.

The government bonds were purchased in compliance with the requirement for foreign corporations doing business in the Philippines to deposit with SEC securities worth at least $2,000 or ₱100,000 and additional securities with market values equivalent to a certain percentage of the amount of Branch's gross income exceeding $100,000 or ₱5,000,000. On April 22, 2021, the Group acquired government bonds amounting to $478,876 which will mature on February 24, 2028. While the bond amounting to $456,055 was redeemed in the current year. Effective interest rates per annum amounts to 3.57% and 2.87% in 2021 and 2020, respectively. Finance income earned from the government bonds amounted to $6,233, $8,851 and $4,195 in 2021, 2020 and 2019, respectively. Finance income received from the government bonds amounted to $6,233, $11,669 and $2,861 in 2021, 2020 and 2019, respectively.

13. ASSETS HELD FOR SALE

Below is the movement of assets held for sale:

		2021		2020
Balance, January 1	$	**10,605,040**	$	10,605,040
Sale		**(10,605,040)**		-
Balance, December 31	$	**-**	$	10,605,040

When Cirtek Electronic International Corporation (CEIC) acquired RBW Realty and Property Inc. and Cirtek Advanced Technologies and Solutions – Philippine Branch (CATS - PH), the manufacturing activities of CATS - PH had been transferred to Cirtek Electronics Corporation (CEC) facility for operational efficiency measures. As a result, the investment properties and building improvements owned by the Company and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose these assets to interested buyers.

Hence, the properties were accounted for in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* from classification until December 31, 2017.

In 2018, the Group is no longer committed to sell these properties due to failure to locate buyers who are willing to pay at market value. Management planned to hold the land for currently undeterminable future use and the building will remain vacant but held to be leased out under operating leases. Hence, Management reclassified the non-current assets held for sale to investment properties in accordance with PAS 40, *Investment Properties.*

Investment properties were reclassified as asset held for sale on December 31, 2020, as the Management becomes committed to sell the properties in the subsequent year.

As of December 31, 2020, assets held for sale is measured at its fair value.

No impairment loss was recognized in relation to the reclassification.

The sale was completed in December 15, 2021. The assets sold includes a forty-thousand square meter lot, buildings, and machineries which are all located in Lot 04, Innovation Drive, Camelray Industrial Park I, Calamba City, 4027, Laguna, Philippines.

Loss on disposal of assets amounted to $674,298 in 2021, as disclosed in Note 27. Total proceed from sale is $9,930,742 net of documentary stamp tax and withholding taxes amounting to $101,294.

14. PROPERTY, PLANT AND EQUIPMENT – net

The carrying amounts of the Group's property, plant and equipment are as follows:

	Machinery and Equipment	Building and Improvements	Facility and Production Tools	Furniture, Fixtures, and Equipment	Transportation Equipment	Construction in Progress	Total
January 1, 2020							
Cost	$ 65,326,339	$ 9,347,356	$ 12,583,808	$ 1,638,892	$ 171,177	$ 346,699	$ **89,414,271**
Accumulated depreciation	37,621,292	6,373,262	7,122,939	1,403,893	153,634	-	**52,675,020**
Carrying amount	**27,705,047**	**2,974,094**	**5,460,869**	**234,999**	**17,543**	**346,699**	**36,739,251**
Movements during 2020							
Balance, January 1, 2020	27,705,047	2,974,094	5,460,869	234,999	17,543	346,699	**36,739,251**
Cost:							
Additions	9,418,091	40,216	853,190	104,185	26,831	-	**10,442,513**
Disposal	-	-	-	-	(38.325)	-	**(38,325)**
Accumulated Depreciation:							
Depreciation (Notes 23 and 24)	(3,279,523)	(565,208)	(1,130,107)	(238,146)	(16,939)	-	**(5,229,923)**
Disposal	-	-	-	-	38,325	-	**38,325**
Carrying amount	33,843,615	2,449,102	5,183,952	101,038	27,435	346,699	**41,951,841**
December 31, 2020							
Cost	74,744,430	9,387,572	13,436,998	1,743,077	159,683	346,699	**99,818,459**
Accumulated depreciation	40,900,815	6,938,470	8,253,046	1,642,039	132,248	**-**	**57,866,618**
Carrying amount	$ **33,843,615**	$ **2,449,102**	$ **5,183,952**	$ **101,038**	$ **27,435**	$ **346,699**	$ **41,951,841**

Continuation:

	Machinery and Equipment	Building and Improvements	Facility and Production Tools	Furniture, Fixtures, and Equipment	Transportation Equipment	Construction in Progress	Total
Movements during 2021							
Balance, January 1, 2021	$ 33,843,615	$ 2,449,102	$ 5,183,952	$ 101,038	$ 27,435	$ 346,699	**$ 41,951,841**
Cost:						-	
Additions	6,390,918	-	1,286,233	66,344	24,677	-	**7,768,172**
Disposal	(4,640,905)	-	-	-	-	-	**(4,640,905)**
Accumulated Depreciation:						-	
Depreciation (Notes 23 and 24)	(2,969,090)	(541,759)	(1,188,678)	(140,673)	(9,600)	-	**(4,849,800)**
Disposal	435,085	-	-	-	-	-	**435,085**
	33,059,623	**1,907,343**	**5,281,507**	**26,709**	**42,512**	**346,699**	**40,664,393**
December 31, 2021							
Cost	76,494,443	9,387,572	14,723,231	1,809,421	184,360	346,699	**102,945,726**
Accumulated depreciation	(43,434,820)	(7,480,229)	(9,441,724)	(1,782,712)	(141,848)	-	**(62,281,333)**
Carrying amount	**$ 33,059,623**	**$ 1,907,343**	**$ 5,281,507**	**$ 26,709**	**$ 42,512**	**$ 346,699**	**$ 40,664,393**

In both years, additions were all paid in cash.

In 2021, the Group disposed machinery and equipment with carrying amount of $4,205,820 for the same amount. No gain or loss was incurred in this transaction.

Construction in progress pertains to the construction of Building 3 – Phase 2 which will cater additional capacity for the Group.

In both years, fully depreciated assets with original cost of $2,684,696 are still in use in the operations.

In both years, the Group determined that there is no indication that impairment occurred on its of property, plant and equipment.

15. **INTANGIBLE ASSETS** – net

The carrying amounts of the Group's intangible assets are as follows:

	2021	2020
Goodwill	**$ 55,541,157**	$ 55,541,157
Customer relationships	**23,736,500**	23,736,500
Trademark	**7,472,800**	7,472,800
Technology	**685,370**	1,860,290
Product development costs	**6,344,125**	5,461,375
	$ 93,779,952	$ 94,072,122

Goodwill

The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition, the Group recognized goodwill amounting to $55,541,157 as of December 31, 2021 and 2020.

Customer Relationships

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

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

Technology

Movements of technology are as follows:

		2021		2020
Carrying amount				
Cost	**$**	**5,874,600**	$	6,068,336
Accumulated amortization		**(4,014,310)**		(2,839,390)
		1,860,290		3,228,946
Movements during the year				
Balance, January 1		**1,860,290**		3,228,946
Reclassification to product development		-		(193,736)
Amortization (Notes 23 and 24)		**(1,174,920)**		(1,174,920)
Balance, December 31	**$**	**685,370**	$	1,860,290

The fair values of the Quintel's technology and trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the required assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of five (5) years.

Trademark is estimated to have an indefinite useful life.

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

Product Development Cost

Movements of product development cost are as follows:

		2021		2020
Carrying amount				
Cost	**$**	**7,391,310**	$	5,482,284
Accumulated amortization		**(1,929,935)**		(1,141,967)
		5,461,375		4,340,317
Movements during the year				
Balance, January 1		**5,461,375**		4,340,317
Additions		**1,958,741**		1,715,290
Reclassification from Technology		-		193,736
Amortization (Notes 23 and 24)		**(1,075,991)**		(787,968)
Balance, December 31	**$**	**6,344,125**	$	5,461,375

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

Of the total additions in 2019, only $1,382,211 has been paid in cash. The remaining balance amounting to $1,155,733 pertains to non-cash adjustment related to Quintel's product development cost capitalized in the books of the Group. On the other hand, additions in 2021 and 2020 were all paid in cash.

Software

As of December 31, 2021 and 2020, CEC has software with a total cost of $39,278 which are fully amortized but are still used for in operations.

Impairment Testing of Goodwill, Customer Relationship and Trademark

Goodwill acquired through business combinations have been allocated to only one (1) CGU, which is the Group's Quintel business. The recoverable amount of CGU has been determined based on value-in-use calculations using cash flows projections from financial budgets covering a five-year period.

Key assumptions with respect to the calculation of value-in-use of the CGU as of December 31, 2021 and 2020 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2021	2020
Discount rate	**10%**	10%
Terminal growth rate	**1.5%**	1.5%
Revenue growth rates	**10%-20%**	10%-20%

- Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group's Quintel business, derived from weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).
- Terminal growth rate is the sustainable growth rate computed based on Quintel's comparable
- Revenue growth rates are based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment losses were recognized for goodwill, customer relationships and trademark for the years ended December 31, 2021 and 2020.

16. RIGHT-OF-USE ASSET – net

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

		2021		2020
January 1				
Cost	**$**	**509,015**	$	509,015
Accumulated depreciation		**(66,006)**		(18,208)
Carrying amount		**443,009**		490,807
Movements during the year				
Balance, January 1		**443,009**		490,807
Additions		**323,618**		-
Depreciation (Notes 23 and 24)		**(200,337)**		(47,798)
Carrying amount		**566,290**		443,009
December 31				
Cost		**832,633**		509,015
Accumulated depreciation		**(266,343)**		(66,006)
Carrying amount	**$**	**566,290**	**$**	443,009

As of December 31, 2021 and 2020, lease liabilities related to right-of-use asset amounted to $591,422 and $464,884, respectively, as disclosed in Note 21.

In both years, the Group determined that there is no indication that impairment occurred on its right-of-use assets.

17. OTHER NON-CURRENT ASSETS

Below is the composition of the Group's other non-current assets:

		2021		2020
Advances to suppliers	**$**	**4,862,663**	$	4,879,349
Rental deposit (Note 25)		**1,235,609**		-
Miscellaneous deposits		**177,909**		177,909
Loans to employees		-		300,000
Others		**8,372**		56,357
	$	**6,284,553**	$	5,413,615

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

In 2021 and 2020, unrealized foreign exchange gain amounted to $51,089 and nil, respectively.

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

18. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2021		2020
Trade	**$**	**17,268,313**	$	10,058,852
Accruals		**3,422,768**		1,962,157
Contract liabilities (Note 22)		**1,906,600**		2,001,473
Provisions		**435,022**		469,297
Others		**485,639**		498,001
	$	**23,518,342**	$	14,989,780

Trade payables are noninterest-bearing and are generally on sixty (60) to ninety (90) day's terms.

Accruals comprise mainly of amounts accrued for payroll, utilities, communication, security, shuttle services and professional services. Accruals also include amounts accrued for interest amounting to $354,254, $447,778 and $634,136 as of December 31, 2021, 2020 and 2019, respectively, as disclosed in Note 19.

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

Others pertain to statutory liabilities.

The movements in the provisions are as follows:

		2021		2020
Balance at January 1	**$**	**469,297**	$	866,948
Reversal of warranty claims (Note 27)		**(34,275)**		(397,651)
	$	**435,022**	$	469,297

19. LOANS PAYABLE

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

		Current		Non-current		Total
December 31, 2021						
Short-term loans (Note 19.01)	**$**	**41,460,364**	**$**	**-**	**$**	**41,460,364**
Long-term loans (Note 19.02)		**17,391,810**		**32,836,942**		**50,228,752**
	$	**58,852,174**	**$**	**32,836,942**	**$**	**91,689,116**
December 31, 2020						
Short-term loans (Note 19.01)	$	86,039,146	$	-	$	86,039,146
Long-term loans (Note 19.02)		7,364,398		50,317,388		57,681,785
	$	93,403,544	$	50,317,388	$	143,720,931

19.01 Short-term Loans

Details of short-term loans are as follows:

		2021		2020
Rizal Commercial Banking Corporation (RCBC)	**$**	**17,782,645**	$	28,442,435
United Coconut Planters Bank (UCPB)		**5,000,000**		5,000,000
Shinhan Bank		**2,600,000**		3,600,000
Security Bank Corporation (SBC)		**2,450,000**		7,350,000
	$	**27,832,645**	$	44,392,435
Commercial paper		**13,627,719**		41,646,711
	$	**41,460,364**	$	86,039,146

19.01.01 Bank Loans

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

- Revolving loan facilities with RCBC, which have payment terms of 180 days, unsecured and charged interest of 4.75% and 3.45% in 2021 and 2020, respectively.
- Revolving loan facilities with UCPB have payment terms of 180 days. The facilities charged interest of 4.75% and nil per annum in 2021 and 2020.
- Loan agreement with Shinhan Bank - Manila Branch is unsecured, payable in one (1) year and has a fixed rate of 4.8% per annum. In 2021, the term of loan was extended until August 30, 2022 with interest of 3.75% per annum.
- Revolving loan facilities with SBC have payment terms ranging from 177 days to 180 days. The facilities charged interest of 1.95% to 6.00% per annum in 2020 and 2019.

19.01.02 Commercial Paper

The Securities and Exchange Commission (the "Commission") has approved on February 19, 2020 the Company's Amended Registration of up to Two Billion Pesos (Php2,000,000,000) or $39,401,103 worth of Commercial Paper (CP), which is listed on the Philippine Dealing and Exchange Corp. on February 20, 2020. The Commission has subsequently issued a Certificate of Permit to Offer Securities for Sale authorizing the sale and distribution of the aforesaid securities. The CPs may be issued in lump-sum or in tranches and shall have an interest rate fixed prior to the issuance. The succeeding tranches, if any, shall be issued within three (3) years from the date of effectivity of the subject Amended Registration Statement.

The initial issuance of Series A, B and C will carry discount rates of 5.332%, 5.582%, and 5.832%, respectively, calculated on a true-discount basis. The initial issuance will have the following tenors: 91 days, 182 days, and 364 days for Series A, B and C, respectively. Multinational Investment Bancorporation as a Sole Arranger and Lead Underwriter.

On May 29, 2020, listing of re-issued CP maturing on February 18, 2021 amounted to ₱275,000,000 or $5,421,176.

On July 15, 2020, listing of re-issued CP maturing on February 18, 2021 amounted to ₱494,000,000 or $9,892,861.

On September 1, 2020, listing of reissued CP maturing on February 18, 2021 amounted to ₱545,200,000 or $11,245,179.

On April 28, 2021, listing of re-issued CP maturing on April 28, 2023 amounted to ₱1,000,000,000 or $20,643,414.

Movements of the short-term loans are as follows:

	2021	2020
Balance at January 1	**$ 86,039,146**	$ 64,699,593
Proceeds from availment of loan	**22,993,324**	111,083,761
Unrealized foreign exchange gain	**(1,170,198)**	-
Loan repayments	**(66,401,908)**	(89,744,208)
Balance at December 31	**$ $41,460,364**	$ 86,039,146

In 2021, 2020 and 2019, finance costs incurred and paid on short-term loans amounted to $1,892,161, $2,494,715 and $2,118,477, respectively.

In both years, the Group is not required to maintain ratios to comply with the requirements of short-term loans.

The Group is in compliance with the debt covenants as of December 31, 2021 and 2020.

19.02 Long-term Loans

Details of long-term loans are as follows:

	Current	**Non-current**	**Total**
December 31, 2021			
Principal			
2016 NFA	**$ 14,500,000**	**$ -**	**$ 14,500,000**
2018 NFA	**3,000,000**	**33,000,000**	**36,000,000**
Deferred finance cost	**(108,190)**	**(163,058)**	**(271,248)**
	$ 17,391,810	**$ 32,836,942**	**$ 50,228,752**
December 31, 2020			
Principal			
2016 NFA	$ 6,500,000	$ 14,500,000	$ 21,000,000
2018 NFA	1,000,000	36,000,000	37,000,000
Deferred finance cost	(135,602)	(182,613)	(318,215)
	$ 7,364,398	$ 50,317,387	$ 57,681,785

Movements of long-term loans are as follows:

	2021	2020	2019
Balance at January 1	**$ 57,681,785**	$ 61,940,920	$ 72,806,671
Loan repayments	**(7,453,033)**	(4,259,135)	(10,865,751)
Balance at December 31	**$ 50,228,752**	$ 57,681,785	$ 61,940,920

Movements of deferred financing costs are as follows:

		2021		2020		2019
Balance at January 1	$	**318,215**	$	309,082	$	443,329
Transaction costs recognized during the year		**3,155,748**		3,309,923		3,667,820
Amortization		**(3,202,715)**		(3,300,790)		(3,802,067)
Balance at December 31	$	**271,248**	$	318,215	$	309,082

19.02.01 2016 NFA

On September 20, 2016, the Group entered into a $30,000,000 NFA with Bank of the Philippine Islands (Initial Note Holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 4.0% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used for capital expenditures, including production facilities and to refinance existing debt obligation and for working capital requirement.

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

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

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

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

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

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

The carrying amount of the loan from the 2016 NFA as of December 31, 2021 and 2020 amounted to $14,500,000 and $21,000,000, respectively.

The Group is compliant with the terms and conditions of the aforementioned loan agreement.

19.02.02 2018 NFA

On April 12, 2018, the Group entered into a $40,000,000 NFA with Bank of Philippine Islands and Rizal Commercial Banking Corporation (each a "Noteholder" and collectively, the "Noteholders"), RCBC Trust and Investments Group (Facility and Paying Agent) and RCBC Capital Corporation (Issue Manager). The NFA provided for the conversion of the outstanding balance of the Parent Company's short-term bridge loan facilities with the Noteholders amounting $20,000,000 each Noteholder into long term credit facilities. The NFA provided for the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used to refinance the bridge loan facilities used to acquire the 100% ownership of Quintel Cayman.

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

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

The Group assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PFRS 9.

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

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

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

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

The carrying amount of the loan from the 2018 NFA amounted to $36,000,000 and $37,000,000 as of December 31, 2021 and 2020, respectively.

The Group is compliant with the terms and conditions of the aforementioned loan agreement.

19.02.03 Quintel USA

On August 7, 2020, the Quintel USA, Inc. received a loan from the US Small Business Administration (SBA) under the Paycheck Protection Program (PPP). The loan amount is $748,700 with five (5) year term and 1% interest rate with maturity date on August 7, 2025. On May 24, 2021, the Small Business Administration (SBA) has rendered a final decision regarding the approval of the forgiveness of Paycheck Protection Program (PPP) loan.

In 2021, the Group recognized a gain on condonation of a loan from related parties in the amount of $748,700, as disclosed in Note 27.

Total finance costs (including amortization of deferred financing costs) amounted to $3,596,281, $5,375,227, and $2,779,588 in 2021, 2020 and 2019, respectively. In 2021, 2020 and 2019, finance cost paid amounted to $5,488,442, $2,880,512 and nil, respectively.

Total finance costs for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to $ 5,492,474, $5,375,227, and $4,907,331 in 2021, 2020, and 2019, respectively.

As of December 31, 2021, 2020, and 2019, accrued interest payable amounted to $354,254, $447,778 and $634,136, respectively, as disclosed in Note 18. In 2021, 2020 and 2019, finance cost paid amounted to $5,585,998, $5,561,585 and $2,118,477, respectively.

The Group is in compliance with the debt covenants as of December 31, 2021 and 2020.

20. LEASE LIABILITIES

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Notes 21 and 25. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2021	2020	**2021**	2020
Not later than one year	**$ 126,337**	$ 25,427	**$ 123,801**	$ 16,163
Later than one year but not later than five years	**345,160**	102,037	**339,677**	83,206
Later than five years	**129,380**	391,360	**127,945**	365,515
	600,877	518,824	**591,423**	464,884
Discount	**(9,455)**	(53,940)	**-**	-
Present value of minimum lease payments	**591,422**	464,884	**591,423**	464,884
Current lease liabilities	**447,419**	301,901	**447,419**	301,901
Non-current lease liabilities	**$ 144,003**	$ 162,983	**$ 144,004**	$ 162,983

Movement in the lease liabilities is as follows:

	2021	2020
Balance, January 1	**$ 464,884**	$ 464,884
Additions	**312,332**	-
Lease payments	**(185,793)**	-
Balance, December 31	**$ 591,423**	$ 464,884

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

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

21. RELATED PARTY TRANSACTIONS

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

Related Party	Nature of Relationship
Carmetheus Holdings, Inc.	Ultimate Parent
Camerton Inc. (CI)	Immediate Parent
Cayon Holdings, Inc. (Cayon)	Under Common Control
Cirtek Land Corporation (CLC)	Under Common Control
Stockholders	Key Management Personnel

21.01 Due from Related Parties

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

21.01.01 Under Common Control

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

	December 31, 2021		December 31, 2020	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Cayon				
Advances	**$ -**	**$ 191,570**	$ 10,008	$ 193,592

The following are the nature, terms and conditions:

a) *Transactions with Cayon*

The Company granted advances to Cayon to finance its working capital requirements. The amounts are unsecured and non-interest bearing, due and demandable and will be settled in cash. No guarantees have been received.

21.02 Due to Related Parties

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

21.02.01 Under Common Key Management Personnel

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

	December 31, 2021		December 31, 2020	
	Amount/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
CLC				
Rental	**$ 1,199**	**$ 469,074**	$ 36,155	$ 467,875
Cayon				
Rental	**6,247**	**121,325**	16,859	115,078
	$ 7,446	**$ 590,399**	$ 53,014	$ 582,953

The following are the nature, terms and conditions:

a) *Transactions with CLC*

The Group had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another twenty-five (25) years at the option of the Group. The lease agreement provided for an annual rental of $0.15 Million subject to periodic adjustments upon mutual agreement of both parties.

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

b) *Transactions with Cayon*

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

21.02.02 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2021		December 31, 2020	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	**$ -**	**$ 35,928**	$ -	$ 35,928

21.03 Remuneration of Key Management Personnel

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

	2021	2020	2019
Short-term	**$ 1,171,546**	$ 1,788,483	$ 1,788,483
Post-employment benefit	**6,160**	6,160	6,160
Balance at December 31	**$ 1,177,706**	$ 1,794,643	$ 1,794,643

The remunerations above include the carrying amount of the loan as of December 31, 2021 and 2020, amounting to $200,000 and $300,000, respectively, as disclosed in Note 10.

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below is the disaggregation of the Group's revenue from contracts with customers in 2021, 2020 and 2019, respectively:

	2021	2020	2019
Integrated circuits	**$ 8,348,887**	$ 3,259,032	$ 6,079,549
8 port antennas	**7,777,559**	10,995,245	19,242,837
6 port antennas	**7,649,443**	13,694,010	13,774,254
Discrete	**7,644,449**	5,947,718	6,425,672
Remec manufacturing services	**7,530,373**	4,326,585	5,729,194
Multichips	**7,348,240**	7,516,411	6,110,854
Dual and quad flat no-leads	**6,973,587**	4,535,365	5,001,100
New product	**5,421,156**	10,249,616	6,195,194
Hermetics	**3,402,277**	2,145,934	1,328,190
12 port antennas	**1,858,726**	1,894,914	6,428,062
Indoor radio frequency unit	**567,476**	1,587,150	981,759
Cougar	**554,605**	357,147	211,164
Brackets	**367,437**	429,204	466,836
Outdoor unit	**140,536**	125,347	120,114
10 port antennas	**79,467**	73,762	171,075
Bridgewave	**5,656**	9,273	11,794
Others	**4,507,754**	1,760,485	1,841,068
	$ 70,177,628	$ 68,907,198	$ 80,118,716

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

The Group's contract liabilities pertain to advance payments from customers amounting to $1,906,600 and $2,001,473 as at December 31, 2021 and 2020, respectively, as disclosed in Note 18.

23. COST OF SALES

Components of cost of sales account are as follows:

	2021	2020	2019
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 9)	$ **25,312,574**	$ 25,926,859	$ 34,159,682
Salaries, wages and employees' benefits (Note 26)	**9,751,676**	9,420,010	9,450,859
Depreciation and amortization (Notes 14, 15 and 16)	**6,994,565**	6,647,115	5,275,072
Inward freight and duties and others	**4,181,029**	3,026,216	4,234,641
Utilities	**3,407,920**	3,243,461	3,970,816
	$ **49,647,764**	$ 48,263,661	$ 57,091,070

24. OPERATING EXPENSES

The account is composed of the following expenses:

	2021	2020	2019
Salaries, wages and employees' benefits (Note 26)	$ **3,361,073**	$ 3,752,752	$ 3,782,002
Professional fees	**976,574**	953,427	965,697
Commissions	**713,636**	866,204	1,022,828
Taxes and licenses	**696,721**	411,891	362,081
Utilities	**306,887**	495,906	993,787
Depreciation and amortization (Notes 14,15 and 16)	**306,483**	664,284	436,614
Entertainment, amusements and recreation	**112,948**	178,338	189,833
Transportation and travel	**100,397**	107,662	595,526
Insurance	**93,741**	100,761	142,563
Supplies	**36,004**	17,600	23,971
Provision for estimated credit losses (Note 8)	**-**	-	250,000
Others	**1,453,654**	427,976	1,080,058
	$ **8,158,118**	$ 7,976,801	$ 9,844,960

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

Other expenses pertain to repairs and maintenance and bank charges.

25. LEASE AGREEMENTS

The Group has leases for its land. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group's sales) are excluded from the initial measurement of the lease liability and asset.

25.01 The Group as a Lessee

25.01.01 Cirtek Land Corporation

The Group entered into a lease agreement with Cirtek Land Corporation (CLC), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,674 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of $12,189 for a period of 16 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $1,016. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

25.01.02 Cayon Holdings, Inc.

The Group entered into a lease agreement with Cayon Holdings, Inc (Cayon), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,064 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CHI to lease the land where Building 2 is erected. The agreement calls for a fixed annual rate of $11,075 for a period of 5 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $923. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

Rental security deposits amounted to $1,235,609 and $1,248,654 as of December 31, 2021 and 2020, respectively, as disclosed in Notes 10 and 20.

25.01.03 Eastman Kodak Company

On February 7, 2021, the Group entered into lease agreement with Eastman Kodak Company for a lease of manufacturing plant in Eastman Business Park, Rochester, Monroe County, New York. The agreement calls for a fixed annual rate of $11,287 for a period of 3 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon.

As of December 31, 2021 and 2020, the Group's ROU asset amounted to $556,290 and $443,009, respectively, as disclosed in Note 16.

Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as follows:

		2021		2020
Current	$	**447,419**	$	301,901
Non-current		**144,003**		162,983
	$	**591,422**	$	464,884

26. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

		2021		2020		2019
Short-term benefits (Note 26.01)	$	**12,823,453**	$	12,950,938	$	12,915,112
Retirement benefits (Note 26.02)		**(194,745)**		221,824		317,749
	$	**12,628,708**	$	13,172,762	$	13,232,861

26.01 Short-term Benefits

Short-term benefits as disclosed in Notes 23 and 24 comprised of:

		2021		2020		2019
Salaries, wages and other labor costs	$	**11,298,158**	$	11,193,955	$	9,606,737
SSS, PHIC and HDMF contributions		**1,525,295**		1,756,983		3,308,375
	$	**12,823,453**	$	12,950,938	$	12,915,112

26.02 Retirement Employee Benefits

26.02.01 Defined Benefit Plan

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

Under the existing regulatory framework, R.A. 7641 requires provision for retirement pay to qualified private sector employees' in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

26.02.02 Retirement Benefit Costs

Below are the summarized components of retirement benefit costs recognized in consolidated statements of comprehensive income:

	December 31, 2021					
		CEC		**CATS – Philippine Branch**		**Total**
Current service cost	**$**	**289,296**	**$**	**-**	**$**	**289,296**
Net interest cost		**-**		**(484,041)**		**(484,041)**
	$	**289,296**	**$**	**(484,041)**	**$**	**(194,745)**

	December 31, 2020					
		CEC		CATS – Philippine Branch		Total
Current service cost	$	187,190	$	74,027	$	261,217
Net interest cost		99,530		(138,923)		(39,393)
	$	286,720	$	(64,896)	$	221,824

	December 31, 2019					
		CEC		CATS – Philippine Branch		Total
Current service cost	$	142,464	$	59,331	$	201,795
Net interest cost		108,920		7,034		115,954
Effect of asset ceiling		-		22,381		22,381
	$	251,384	$	88,746	$	340,130

26.02.03 Retirement Benefit Obligation

Below are the summarized components of retirement benefit obligation recognized in consolidated statement of financial position:

December 31, 2021			
	CEC	**CATS – Philippine Branch**	**Total**
Present value of defined benefit obligation	**$ 3,702,031**	**$ -**	$ **3,702,031**
Fair value of plan assets	**(1,104,757)**	**-**	**(1,104,757)**
	$ 2,597,274	**$ -**	$ **2,597,274**

December 31, 2020			
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 3,528,100	$ -	$ 3,528,100
Fair value of plan assets	(780,543)	-	(780,543)
	$ 2,747,557	$ -	$ 2,747,557

26.02.04 Present Value of the Defined Benefit Obligation

Changes in the presented value of the defined benefit obligation are as follows:

December 31, 2021			
	CEC	**CATS – Philippine Branch**	**Total**
Opening present value defined benefit obligation	**$ 3,169,729**	**$ (115,005)**	**$ 3,054,724**
Current service cost	**289,296**	**-**	**289,296**
Interest cost (income)	**-**	**(554,417)**	**(554,417)**
	$ 3,459,025	**$ (669,422)**	**$ 2,789,603**

December 31, 2020			
	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	$ 2,544,100	$ 214,912	$ 2,759,012
Current service cost	187,190	74,027	261,217
Interest cost (income)	131,696	(138,923)	(7,227)
Remeasurement gains	385,411	(35,011)	350,400
Benefits paid from working capital	(209,817)	-	(209,817)
Benefits paid from plan assets	(22,623)	-	(22,623)
Translation difference	153,772	-	153,772
	$ 3,169,729	$ (115,005)	$ 3,054,734

26.02.05 Fair Value of Plan Assets

Changes in the fair value of plan assets of CEC are as follows:

	2021	2020
Opening fair value of plan assets	**$ 665,538**	$ 617,693
Interest income included in net interest cost	**247,430**	32,166
Remeasurement losses	-	(115,003)
Contribution paid	-	119,258
Past service cost	-	(22,623)
Translation difference	-	34,047
	$ 912,968	$ 665,538

CEC has an agreement with an insurance company to fund the retirement benefits of its employees. CEC believers that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to play or fund the retirement benefits.

26.02.06 Remeasurement Losses (Gains)

Details of the remeasurement losses (gains) in other comprehensive income are as follows:

	December 31, 2021		
	CEC	**CATS – Philippine Branch**	**Total**
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in financial assumptions	$ -	$ -	$ -
Experience adjustments	-	-	-
Remeasurement losses on plant assets	-	-	-
	$ -	$ -	$ -

	December 31, 2020		
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in financial assumptions	$ 2,463,798	$ (40,904)	$ 2,272,271
Experience adjustments	-	4,870	-
Remeasurement losses on plant assets	-	(155,493)	-
	$ 2,463,798	$ (191,527)	$ 2,272,271

December 31, 2019						
		CEC		CATS – Philippine Branch		Total
Remeasurement losses (gains) on defined benefit obligation arising from:						
Changes in assumptions	$	325,397	$	4,822	$	325,397
Experience adjustments		(17,576)		-		(17,576)
Remeasurement losses on plant assets		41,036		-		41,036
	$	348,857	$	4,822	$	348,857

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2021		2020	
	CEC	**CATS – Philippine Branch**	CEC	CATS – Philippine Branch
Discount rate	**3.70%**	**3.50%**	3.70%	3.50%
Expected rate of salary increase	**3.00%**	**2.00%**	3.00%	2.00%

The sensitivity analysis of the defined benefit obligation of changes in the weighted principal assumption for 2021 and 2020 are as follows:

	2021			2020		
	Impact on Defined Benefit Obligation					
	Change in Assumption		**Increase in Assumption**	**Change in Assumption**		**Decrease in Assumption**
CEC						
Discount rate	**+1.00%**	**$**	**(315,405)**	+1.00%	$	(315,405)
	-1.00%		**374,269**	-1.00%		374,269
Expected rate of salary increase	**+1.00%**		**373,092**	+1.00%		373,092
	-1.00%		**(320,228)**	-1.00%		(320,228)
CATS – Philippine Branch						
Discount rate	**+1.00%**	**$**	**(4,696)**	+1.00%	$	(4,696)
	-1.00%		**5,377**	-1.00%		5,377
Expected rate of salary increase	**+1.00%**		**16,562**	+1.00%		16,562
	-1.00%		**(15,313)**	-1.00%		(15,313)

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The latest actuarial reports of the Group are as of December 31, 2019. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years.

Expected maturity analysis of undiscounted benefit obligation is as follows:

	2021		2020	
	CEC	**CATS – Philippine Branch**	CEC	CATS – Philippine Branch
1 year or less	$ **554,739**	$ **49,910**	$ 554,739	$ 49,910
More than 1 year to 5 years	**653,550**	**269,428**	653,550	269,428
More than 5 years	**10,126,464**	**1,187,705**	10,126,464	1,187,705

26.02.02 Defined Contribution Plan

Quintel USA has a retirement savings plan under Section 401(k) of the United States Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. Quintel USA makes a matching contribution of 100% of each employee's contributions up to 4% of such employee's compensation.

Quintel USA made matching contributions amounting to $0.08 million and $.009 million in for the year ended December 31, 2021 and 2020, respectively.

Quintel Technology, Ltd. has a defined contribution plan covering substantially all UK employees. In 2021 and 2020, Quintel Technology, Ltd. made contribution amounting to $.02 million, and nil, respectively.

27. OTHER INCOME (EXPENSES) – net

The account is composed of the following:

	2021	2020	2019
Gain on condonation of loan (Note 19)	$ **748,700**	$ -	$ -
Foreign exchange gain (loss) – net	**598,983**	(1,217,394)	(242,283)
Sale of scrap	**23,072**	-	91,552
Loss on sale of asset (Note 13)	**(674,298)**	-	-
Others	**435,079**	897,590	631,796
	$ **1,131,536**	$ (319,804)	$ 481,065

Others include reversal of warranty claims amounting to $34,275, $397,651 and $630,911 in 2021, 2020 and 2019, as disclosed in Note 18, respectively.

28. INCOME TAXES

28.01 CEC

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

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

28.02 CATS - Philippine Branch

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

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

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

	2021	2020	2019
Current	**$ 791,442**	$ 498,594	$ 720,640
Deferred	**(897,129)**	(51,689)	(330,172)
	$ (105,687)	$ 446,905	$ 390,468

The provision for current income tax in 2021, 2020 and 2019 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

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

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate is as follows:

	2021	2020	2019
Profit before tax	**$ 8,034,313**	$ 7,044,117	$ 8,812,049
Income tax at applicable statutory rate	**2,380,191**	3,752,747	595,233
Tax effects of:			
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for no deferred income tax assets were recognized	**2,850,220**	1,312,594	268,577
Other taxable income subject to 5%	**689,962**		(2,031)
Nondeductible expenses	**22,636**	74,294	(180,596)
Income subject to higher tax rate	-	(21,724)	19,767
Taxable income subject to ITH	-		(254,569)
Translation difference and others	**(2,167,821)**	1,617	(284)
Non-taxable income	**(3,880,875)**	(4,661,923)	(55,629)
	$ (105,687)	$ 446,905	$ 390,468

In 2021, 2020 and 2019, CATS - Philippine Branch has availed ITH for certain product lines. Total gross income for the registered activities of CATS - Philippine Branch under ITH in 2016 amounted to nil, $6.5 million, and $5 million, respectively.

The components of the net deferred income tax assets and liabilities of the Group as of December 31 are as follows:

28.03 Deferred tax assets

	2021	2020
Deferred income tax assets recognized in profit or loss:		
Retirement benefit obligation	**$ 208,724**	$ 329,361

28.04 Deferred tax assets

	2021	2020
Deferred income tax assets (liabilities) recognized in business combination:		
Intangible assets	**$ (7,204,421)**	$ (7,204,421)
NOLCO	**3,528,204**	3,528,204
Accrued expenses	**84,211**	86,137
	$ (3,592,006)	$ (3,590,080)
Deferred income tax assets (liabilities) recognized in profit or loss:		
Net fair value gain on change in fair market value of investment properties	**448,405**	(323,495)
	$ (3,143,601)	$ (3,913,575)

The following are the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized as the Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized:

	2021	2020
NOLCO	**$ 2,780,583**	$ 1,322,466
Unrealized foreign exchange losses	**70,060**	1,319,000
MCIT	-	8,438

Deferred income tax asset on MCIT amounting to $0.3 million is not recognized in 2020 and 2019. Management believes it is not probable that sufficient future taxable profits will be available against which the MCIT may be applied. MCIT incurred in 2018 can be utilized until 2021.

The undistributed retained earnings of foreign subsidiaries for which no deferred income tax liability was recognized amounted $10.0 million as of December 31, 2020 and 2019.

As of December 31, 2020, the Group and RBWRP incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year Incurred	**Amount**	**Applied Previous Year**	**Applied Current Year**	**Expired**	**Unapplied**	**Expiry Date**
2019	$ 856,786	$ -	$ -	$ -	$ 856,786	2022
2020	1,154,584	-	-	-	1,154,584	2025
2021	8,857,661	-	-	-	8,857,661	2026
	$ 10,869,031	**$ -**	**$ -**	**$**	**$ 10,869,031**	

RBWRP

Year Incurred	**Amount**	**Applied Previous Year**	**Applied Current Year**	**Expired**	**Unapplied**	**Expiry Date**
2018	$ 1,759	$ -	$ -	$ 1,759	$ -	2021
2019	2,432	-	-	-	2,432	2022
2020	1,430	-	-	-	1,430	2025
	$ 5,621	**$**	**$ -**	**$ 1,759**	**$ 3,862**	

The Bureau of Internal Revenue (BIR) has recently issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

Quintel USA

As of December 31, 2021 and 2020, Quintel USA incurred NOLCO that can be claimed as deduction from future taxable income amounting to $38,663,097 and nil, respectively.

		NOLCO		DTA	Expiration
Quintel USA	$	**32,764,855**	$	**6,880,620**	2027 to 2037

CEIC and CATS are exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

Changes in Legislation

United States of America (USA)

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

Philippines

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

29. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

		2021		2020		2019
Net income	$	**8,103,671**	$	6,597,212	$	8,421,581
Adjustment on dividends declared:						
Preferred A shares		**(8,537)**		(8,537)		(8,537)
Preferred B-1 shares		**(89,280)**		(89,280)		-
Preferred B-2 shares		**(3,077,813)**		(4,103,750)		(3,077,912)
Preferred B-2B shares		**(900,000)**		-		-
Net income attributable to common shareholders of the Group	$	**4,028,041**	$	2,395,645	$	5,335,132
Weighted average number of ordinary shares for the purposes of basic earnings per share		**668,505,825**		419,063,353		419,063,353

The Group's earnings per share are \$0.0061, \$0.0057, and \$0.0127 in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, the Group has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Group as adjusted with the effects of shares held by a subsidiary.

30. FAIR VALUE MEASUREMENTS

30.01 Fair Value of Financial Assets and Liabilities

As of December 31, 2021 and 2020, the carrying value of the Group's financial assets and liabilities, excluding financial assets at FVOCI because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

Cash, trade and other receivables, loans to employees presented under 'other current assets', trade and other payables (excluding contract liabilities and others), short-term loans, dividend payables and due to related parties

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

Financial assets at FVTPL - UITF

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

Financial assets at FVTOCI

The fair value of the financial asset is obtained through market comparable approach (Level 3). The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

Other financial assets at amortized cost

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

Miscellaneous deposits

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

Lease liabilities

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rate used was 5.5% in 2020 and 2019 (Level 3).

Long-term debt

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rate used was 7.5% in 2020 and 2019 (Level 3).

	December 31, 2021							
		Level 1		**Level 2**		**Level 3**		**Total**
Financial assets measured at fair value: Financial asset at FVPL	**$**	**-**	**$**	**568**	**$**	**-**	**$**	**568**
Financial assets measured at fair value: Financial asset at amortized cost	**$**	**478,876**	**$**	**-**	**$**	**-**	**$**	**478,876**
Long-term debt		**-**		**-**		**50,228,752**		**50,228,752**

	December 31, 2020							
		Level 1		Level 2		Level 3		Total
Financial assets measured at fairvalue: Financial asset FVTPL	$	-	$	3,378	$	-	$	3,378
Financial assets measured at fair value: Financial asset at amortized cost	$	456,055	$	-	$	-	$	456,055
Long-term debt		-		-		58,430,485		58,430,485

31. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's principal financial instruments comprise of cash, short term loans and long-term debt. The main purpose of these consolidated financial statements is to support the Group's operations. The Group has various other financial instruments such as trade and other receivables, due from related parties, rental deposits and loans to employees (presented as part of other current assets), miscellaneous deposits (presented under other noncurrent assets), trade and other payables, amounts due to related parties and derivative liability which generally arise directly from its operations.

31.01 Credit Risk Management

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

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

Credit Risk

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

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

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

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

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

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

- Gross domestic products
- Inflation rates

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

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

The aging per class of financial assets and expected credit loss as of December 31, 2021 and 2020 are follows:

December 31, 2021:

	12-Month ECL	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Not Credit Impaired**	**Simplified Approach**	**Total**
Amortized cost					
Cash	**$ 71,414,987**	**$ -**	**$ -**	**$ -**	**$ 71,414,987**
Trade and other receivables	-	-	**741,012**	**61,392,329**	**62,133,341**
Due from related parties	**191,570**	-	-	-	**191,570**
Other current assets:				-	
Loans to employees	**619,406**	-	-	-	**619,406**
Security deposit	**179,809**	-	-	-	**179,809**
Other financial assets at amortized cost	**498,738**	-	-	-	**498,738**
Rental deposits	**1,235,609**	-	-	-	**1,235,609**
Miscellaneous deposits	**177,909**	-	-	-	**177,909**
	$ 74,318,028	**$ -**	**$ 741,012**	**$ 61,541,025**	**$136,451,369**

**Excludes cash on hand*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2021.

Trade receivables and other receivables

	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**15.05%**	
Estimated total gross carrying amount at default	**12,132,214**	**23,910,183**	**13,467,407**	**1,907,561**	**1,054,540**	**4,924,372**	**57,396,277**
Expected credit loss	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 741,012**	**$741,012**

December 31, 2020:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash	$ 31,816,121	$ -	$ -	$ -	$ 31,816,121
Trade and other receivables		-	741,012	56,654,779	57,395,791
Due from related parties	193,592	-	-	-	193,592
Other current assets:				-	
Rental deposits	1,248,654	-	-	-	1,248,654
Loans to employees	344,070	-	-	-	344,070
Security deposit	182,587	-	-	-	182,587
Other financial assets at amortized cost	456,055	-	-	-	456,055
Miscellaneous deposits	177,909	-	-	-	177,909
	$ 34,418,988	$ -	$ 741,012	$ 56,654,779	$ 91,814,779

**Excludes cash on hand*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2020.

Trade receivables and other receivables

	Days past due						
	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	15.05%	
Estimated total gross carrying amount at default	12,132,214	23,910,183	13,467,407	1,907,561	1,054,54	4,924,372	57,395,791
Expected credit loss	$-	$-	$-	$-	-	$741,012	$741,012

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

December 31, 2021:

	Current	Days Past due <30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks	**$ 71,414,987**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 71,414,987**
Trade and other receivables	**20,894,736**	**19,457,883**	**15,529,347**	**2,254,954**	**3,996,421**	**(741,012)**	**61,392,329**
Due from parties	**191,569**	**-**	**-**			**-**	**191,569**
Other Current assets:							**0**
Financial asset at FVTPL	**568**	**-**	**-**	**-**	**-**	**-**	**568**
Loans to employees	**619,406**	**-**	**-**	**-**	**-**	**-**	**619,406**
Security Deposit	**179,809**	**-**	**-**	**-**	**-**	**-**	**179,809**
Other financial asset at amortized cost	**498,738**	**-**	**-**	**-**	**-**	**-**	**498,738**
Other noncurrent assets:		**-**	**-**	**-**	**-**	**-**	**0**
Rental deposit	**1,235,609**	**-**	**-**	**-**	**-**	**-**	**1,220,658**
Miscellaneous deposits	**177,909**	**-**	**-**	**-**	**-**	**-**	**177,909**
Others	**8,372**	**-**	**-**	**-**	**-**	**-**	**8,372**
	$1,421,890	**$ 19,457,883**	**$15,529,347**	**$2,254,954**	**$3,996,421**	**$(741,012)**	**$135,704,345**

December 31, 2020

	Current	Days Past due <30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks	$31,816,121	$ -	$ -	$ -	$ -	$ -	$ 31,816,121
Trade and other receivables	12,132,214	23,910,183	13,467,407	1,907,561	5,978,426	(741,012)	56,654,779
Due from parties	193,592	-	-	-	-	-	193,592
Other Current assets:							0
Financial asset at FVTPL	574	-	-	-	-	-	574
Rental deposit	1,221,835	-	-	-	-	-	1,221,835
Loans to employees	344,070	-	-	-	-	-	344,070
Security Deposit	182,587	-	-	-	-	-	182,587
Other financial asset at amortized cost	456,055	-	-	-	-	-	456,055
Other noncurrent assets:		-	-	-	-	-	-
Loans to employees	154,726	-	-	-	-	-	154,726
Miscellaneous deposits	177,909	-	-	-	-	-	177,909
Others	74,506	-	-	-	-	-	74,056
	$46,754,189	$ 23,910,183	$13,467,407	$1,907,561	$ 5,978.426	$ 741,012)	$ 91,276,304

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

December 31, 2021

	Neither Past due nor Impaired			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash	**$ 71,415,234**	**$ -**	**$ -**	**$ 71,415,234**
Trade and other receivables	**20,894,736**	**-**	**-**	**20,894,736**
Due from related parties		**191,569**	**-**	**191,569**
Other Current assets:				
Financial asset at FVTPL	**568**	**-**	**-**	**568**
Rental deposit	**1,220,658**	**-**	**-**	**1,220,658**
Loans to employees	**619,406**	**-**	**-**	**619,406**
Security Deposit	**179,809**	**-**	**-**	**179,809**
Other financial assets at amortized cost	**478,876**	**-**	**-**	**478,876**
Other noncurrent assets:				
Loans to employees	**4,862,663**	**-**	**-**	**4,862,663**
Miscellaneous deposits	**177,909**	**-**	**-**	**177,909**
Others	**8,372**	**-**	**-**	**8,372**
	$ 99,858,231	**$ 191,569**	**$ -**	**$ 100,049,800**

December 31, 2020

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash	$ 31,816,374	$ -	$ -	$ 31,816,121
Trade and other receivables	12,132,214	-	-	12,132,214
Due to related parties	-	193,592	-	193,592
Other Current assets:				
Rental deposit	1,221,835	-	-	1,221,835
Loans to employees	344,070	-	-	344,070
Security Deposit	182,587	-	-	182,587
Other financial assets at amortized cost	456,055	-	-	456,055
Other noncurrent assets:				
Loans to employees	154,726	-	-	154,726
Miscellaneous deposits	177,909	-	-	177,909
Others	74,056	-	-	74,056
	$ 46,559,826	$ 193,592	-	$ 46,753,165

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

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

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

Liquidity Risk

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

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

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

December 31, 2021

		On Demand		Less than 1 year		1 to 2 years		>2 to 5 years		Total
December 31, 2021										
Cash	**$**	**71,415,234**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**71,415,234**
Trade and other receivables		**-**		**61,392,329**		**-**		**-**		**61,392,329**
Due from related parties		**191,570**		**-**		**-**		**-**		**191,570**
	$	**71,606,804**	**$**	**61,392,329**	**$**	**-**	**$**	**-**	**$**	**132,999,133**
Trade and other payables:										
Trade payables	**$**	**-**	**$**	**17,268,313**	**$**	**-**	**$**	**-**	**$**	**17,268,313**
Accrued expense		**-**		**3,419,789**		**-**		**-**		**3,419,789**
Short-term loans		**-**		**41,460,364**						**41,460,364**
Due to related parties		**626,327**		**-**		**-**		**-**		**626,327**
Dividend payable		**126,955**		**-**		**-**		**-**		**126,955**
Long-term debts		**-**		**17,391,810**		**18,536,942**		**27,600,000**		**63,528,752**
	$	**753,282**	**$**	**$79,540,276**	**$**	**18,536,942**	**$**	**27,600,000**	**$**	**126,430,500**

December 31, 2020

		On Demand		Less than 1 year		1 to 2 years		>2 to 5 years		Total
December 31, 2020										
Cash	$	31,837,190	$	-	$	-	$	-	$	31,837,190
Trade and other receivables		-		56,654,779		-		-		56,654,779
Due from related parties		193,592		-		-		-		193,592
	$	32,030,782	$	56,654,779	$	-	$	-	$	88,685,561
Trade and other payables:										
Trade payables	$	-	$	10,058,852	$	-	$	-	$	10,058,852
Accrued expense		-		1,962,157		-		-		1,962,157
Short-term loans		-		86,039,146						86,039,146
Due to related parties		618,881		-		-		-		618,881
Dividend payable		126,955		-		-		-		126,955
Long-term debts		-		8,113,098		25,017,387		25,300,000		58,430,485
	$	745,836	$	106,173,253	$	25,017,387	$	25,300,000	$	157,236,475

Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2021 and 2020:

US Dollars

December 31, 2021				
		Original Currency in PHP		**Total Dollar Equivalent**
Financial Assets				
Cash	**₱**	**3,133,770,359**	**$**	**61,447,682**
Financial asset at amortized cost		**25,435,139**		**498,738**
Other current assets		**361,338,778**		**7,085,213**
Other noncurrent assets		**6,808,825**		**133,509**
Total Financial Assets		**3,527,353,101**		**69,165,142**
Financial Liabilities				
Trade and other payables		**136,653,452**		**2,679,532**
Borrowings		**695,000,000**		**13,627,718**
Total Financial Liabilities		**831,653,452**		**16,307,250**
Net Financial Assets	**₱**	**2,695,699,649**	**$**	**52,857,892**

December 31, 2020				
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash	₱	684,664,068	$	14,257,003
Financial asset at amortized cost		21,936,440		456,790
Other current assets		329,523,253		6,861,780
Other noncurrent assets		6,411,485		133,509
Total Financial Assets		1,042,535,246		21,709,082
Financial Liabilities				
Trade and other payables		103,627,699		2,157,876
Borrowings		2,000,000,000		41,646,711
Total Financial Liabilities		2,103,627,699		43,804,587
Net Financial Liabilities	₱	(1,061,092,453)	$	(22,095,505)

US Dollar

December 31, 2021						
	Foreign currency Appreciates by		**Effect on Income Before Tax**	**Foreign currency Depreciates by**		**Effect on Income Before Tax**
Peso denominated assets	**+6%**	**$**	**5,389,063**	**-6%**	**$**	**-5,389,063**
Peso denominated liabilities	**+6%**		**(13,627,718)**	**-6%**		**13,627,718**
		$	**(8,238,655)**		**$**	**8,238,655**

	December 31, 2020					
	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$	6,569,683	-5%	$	(6,569,683)
Peso denominated liabilities	+5%		(13,256,306)	-5%		13,256,306
		$	(6,686,623)		$	6,686,623

The change in currency rate is based on the Group's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Group's equity other than those already affecting income before tax.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

The Group's manages its capital structure, which pertains to its equity as shown in the consolidated statement of financial position, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2020.

The Group considers the following as capital:

		2021		2020
Common stock	**$**	**14,562,067**	$	9,594,321
Preferred stock		**3,925,528**		3,032,140
Stock Warrants		**6,458,070**		-
Additional paid-in-capital		**179,726,321**		120,053,514
Equity reserve		**4,030,214**		4,030,214
Other comprehensive income		**3,032,298**		1,365,298
Retained earnings		**5,275,552**		28,144,471
Parent company shares held by a subsidiary		**(35,865)**		(24,786,492)
	$	**216,974,185**	$	141,433,466

As of December 31, 2021 and 2020, the Group is subject to quantitative loan covenants and financial ratios on its long-term debts.

As of December 31, 2021 and 2020, the Group was able to meet its capital requirements and management objectives.

33. EQUITY

Components of issued capital are as follows:

		2021		2020		2019
Common shares (Note 33.01)	**$**	**14,562,067**	$	9,594,321	$	9,594,321
Preferred shares (Note 33.02)		**3,925,528**		3,032,140		2,615,995
Stock warrants		**6,458,070**		-		-
Additional paid-in capital		**179,726,321**		120,053,514		100,469,659
	$	**204,671,986**	$	132,679,975	$	112,679,975

33.01 Common Shares

Shown below are the details of common shares as of December 31, 2021, 2020 and 2019:

	2021			2020			2019		
	Shares		**Amount**	Shares		Amount	Shares		Amount
Authorized									
Common shares, ₱1.00 par value	**1,200,000,000**	**$**	**24,053,400**	520,000,000	$	1,190,523	520,000,000	$	1,190,523
Issued and fully paid									
Balance, January 1	**419,063,353**	**$**	**9,594,321**	419,063,353	$	9,594,321	419,063,353	$	9,594,321
Issuances	**249,442,472**		**4,967,746**						
Balance, December 31	**668,505,825**	**$**	**14,562,067**	419,063,353	$	9,594,321	419,063,353	$	9,594,321

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

In 2020, CEC sold Parent Company shares amounting to $2,966,636.

In 2021, CEC sold the Parent Company shares amounting to $831,237. Accordingly, transfer of cumulative net changes in fair value to retained earnings amounted to $23,940,346.

As of December 31, 2021 and 2020, the carrying value of Group shares held by a subsidiary amounted to $35,865 and $24,786,492, respectively.

Stock Rights Offering

The Board of Directors and stockholders of Parent Company, in their special meetings held on September 28, 2020 and November 27, 2020, respectively, approved the following:

1. The approval to offer to all eligible stockholders of record of the Parent Company, as of the date to be set by its management in accordance with existing law and regulations (the 'Record Date'), rights to subscribe (the "Rights Offer") to the common shares of the Parent Company (the 'Rights Shares') with a bonus detachable warrant for each Rights Share (the 'Detachable Warrant'), subject to: (i) the approval of the increase in the Corporation's authorized capital stock; (ii) the registration or exemption requirements, whichever may be applicable, of the Securities and Exchange Commission ('SEC'); and (iii) the listing requirements of the Philippine Stock Exchange ('PSE').

2. The approval of the authority of any one (1) of the Chairman of the Board, the President, the Chief Financial Officer, and/or other senior officers of the Parent Company to fix the terms and conditions of the Rights Offer, including, but not limited to, the final issue size which shall be up to 250,000,000 common shares, the entitlement ratio, the offer price, the payment terms, the terms of the detachable warrant including the exercise price, the procedure for lodging the application to subscribe, the details and procedures for the various rounds of offer including the treatment of rump shares, as applicable, the Record Date and other relevant dates, and other terms, without the necessity of obtaining further approval from the stockholders and Board of Directors (BOD).

On January 6, 2021, the BOD passed resolutions approving a new the conduct of a Stock Rights Offering with issuance of bonus detachable warrants, which approval was refreshed on February 5, 2021.

On June 23, 2021, the Board of Directors of the Philippine Stock Exchange, Inc. in its meeting approved, the application of the Company to list up to 250,000,000 common shares (the "Right Shares"), with a par value of ₱1.00 per share, to cover its Stock Rights Offering ("SRO") to all stockholders as of the proposed record date, at an Offer Price of ₱4.50 to ₱7.25 per Right Share, as well as its application to list up to 250,000,000 Bonus Detachable Warrants ("Detachable Warrants"), free of charge, with up to 250,000,000 underlying common shares at Exercise Price of ₱4.50 to ₱7.25.

The original offer period of the SRO is for the period of July 12 to 22, 2021. However, the Office of the President recently issued Proclamation No. 1189 declaring July 20, 2021 as a regular holiday in observance of Eid'l Adha. Thus, the Parent Company and the Joint Issue Managers and Lead Underwriters agreed to extend the offer period for the SRO until July 23, 2021 (originally set to end on July 22, 2021). The SEC-Markets and Securities Regulation Department confirmed to the Parent Company on July 16, 2021 that it has no objection to the extension of the offer period.

In 2021, proceeds from issuance of common stock amounted to $20,864,536. As of December 31, 2021, stock warrants amounted to $6,458,070.

33.02 Preferred Shares

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

	2021			2020			2019		
	Shares		**Amount**	Shares		Amount	Shares		Amount
Authorized									
Preferred shares A, ₱0.10 par value	**700,000,000**	**$**	**1,587,734**	700,000,000	$	1,587,734	700,000,000	$	1,587,734
Preferred shares B-1, ₱1.00 par value	**70,000,000**		**1,587,734**	70,000,000		1,587,734	70,000,000		1,587,734
Preferred shares B-2, ₱1.00 par value	**360,000,000**		**7,481,141**	200,000,000		4,536,382	200,000,000		4,536,382
	1,130,000,000		**10,656,609**	970,000,000		7,711,850	970,000,000		7,711,850
Issued and fully paid									
Balance, January 1									
Preferred shares A	**700,000,000**		**946,863**	700,000,000		946,863	700,000,000		946,863
Preferred shares B-1	**70,000,000**		**342,399**	70,000,000		342,399	70,000,000		342,399
Preferred shares B-2	**67.000.000**		**1.326.733**	67.000.000		1.326.733	67.000.000		1.326.733
Preferred shares B-2B	**20,000,000**		**416,145**	20,000,000		416,145	20,000,000		416,145
Issuances									
Preferred shares B-2C	**16,936,400**		**332,093**	-		-	-		-
Preferred shares B-2D	**28.625.500**		**561.295**	-		-	-		-
Preferred shares B-2B	-		-	20,000,000		416,145	-		-
Balance, December 31									
Preferred shares A	**700,000,000**		**946,863**	700,000,000		946,863	700,000,000		946,863
Preferred shares B-1	**70,000,000**		**342,399**	70,000,000		342,399	70,000,000		342,399
Preferred shares B-2	**67,000,000**		**1,326,733**	67,000,000		1,326,733	67,000,000		1,326,733
Preferred shares B-2B	**20.000.000**		**416.145**	20.000.000		416.145	-		-
Preferred shares B-2C	**16.936.400**		**332.093**	-		-	-		-
Preferred shares B-2D	**28.625.500**		**561.295**	-		-	-		-
Balance, December 31	**902,561,900**	**$**	**3,925,528**	857,000,000	$	3,032,140	837,000,000	$	2,615,995

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

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

a) From ₱560,000,000, consisting of:
    i. ₱520,000,000 worth of common shares divided in to 520,000,000 common shares with par value of ₱1.00 per share; and
    ii. ₱40,000,000 worth of preferred shares divided into 400,000,000 Preferred A shares with par value of ₱0.10 per share.
b) To ₱860,000,000 consisting of:
    i. ₱520,000,000 worth of common shares divided into 520,000,000 common shares with par value of ₱1.00 per share;
    ii. ₱70,000,000 worth of Preferred A shares divided into 700,000,000 preferred A shares with par value of ₱0.10 per share; and
    iii. ₱270,000,000 worth of preferred B shares with par value of ₱1.00 per share. The Preferred B shares are further classified into the following series: (a) ₱70,000,000 worth of preferred B-1 shares, and (b) ₱200,000,000 worth of preferred B-2 shares, both having a par value of ₱1.00 per share.

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

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

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

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

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company's BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company's BOD shall determine;

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

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

The Board of Directors, in its special meeting held on September 1, 2020, approved the following:

1. The designation of Subseries of Preferred B-2 Shares Consisting of 33 Million Unissued Existing Preferred B-2 Shares to be denominated as Preferred B2 Subseries B Shares and to denominate the Preferred B2 shares issued in 2017 consisting of 67 Million Preferred B-2 Shares as Preferred B-2 Subseries A Shares.
2. Approval of the Terms and Conditions of the Preferred B-2 Subseries B Shares and the filing of Enabling Resolutions/Directors' Certificate with the Securities and Exchange Commission for the Preferred B-2 Subseries B Shares.
3. The offer for sale or subscription of up to 33 Million of its Preferred B-2 Subseries B Shares by way of private placement and offer to qualified buyers for an offer price of up to One US Dollar (USD1.00) per share, and the listing of such shares with the Philippine Stock Exchange.

On September 1, 2020, the Corporation disclosed that in its Special Meeting, the Board of Directors approved the following:

1. The designation of Subseries of Preferred B-2 Shares Consisting of 33 Million Unissued Existing Preferred B-2 Shares to be denominated as Preferred B-2 Subseries B Shares and to denominate the Preferred B-2 shares issued in 2017 consisting of 67 Million Preferred B2 Shares as Preferred B-2 Subseries A Shares.
2. Approval of the Terms and Conditions of the Preferred B-2 Subseries B Shares and the filing of Enabling Resolutions/Directors' Certificate with the Securities and Exchange Commission for the Preferred B-2 Subseries B Shares.
3. The offer for sale or subscription of up to 33 Million of its Preferred B-2 Subseries B Shares by way of private placement and offer to qualified buyers for an offer price of up to One US Dollar (USD1.00) per share, and the listing of such shares with the Philippine Stock Exchange.

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

The Board of Directors, in its special meeting held on November 10, 2020, approved the subscription by Camerton, Inc. of up to 33,000,000 Preferred B2 Subseries B Shares of the Company at the subscription price of One US Dollar (USD1.00) per share.

The Board of Directors of TECH, in its special meeting held on December 2, 2020, approved the setting of the Dividend Rate of the Preferred B-2 Subseries B Shares to 6% per annum.

On December 21, 2020, the execution of the Subscription Agreement between Cirtek Holdings Philippines Corporation (the "Corporation" or "TECH") and Camerton, Inc. for the issuance of a total of ₱20,000,000,000 Preferred B-2 Subseries B Shares.

Preferred Shares Offering

The Board of Directors of Parent Company, in its special meeting held on November 5, 2021, approved the following:

1. Approval of the allocation of additional Preferred Class B-2 Subseries C and D Shares

   In line with the approved offering by way of primary offer of up to Seventy Million (70,000,000) cumulative, non-participating, non-voting, non-convertible, perpetual and redeemable peso-denominated Preferred Class B-2 shares with par value of Php 1.00 per share at an offer price of ₱50.00 per share, the Board approved the further allocation of the authorized and unissued Preferred Class B-2 Shares of Parent Company as follows: (i) up to Ten Million (10,000,000) Preferred Class B-2 Subseries B Shares as Preferred Class B-2 Subseries C Shares; and (ii) up to Thirty Million (30,000,000) Preferred Class B-2 Shares as Preferred Class B-2 Subseries D Shares, bringing the total number of unissued and outstanding Preferred Class B-2 Subseries C Shares is up to Sixty Million (60,000,000) and the total number of unissued and outstanding Preferred Class B-2 Subseries D Shares is up to Fifty Million (50,000,000).

   The Parent Company also clarified that the allocation of the up to Sixty Million (60,000,000) Preferred Class B-2 Subseries C Shares is not only as part of the Base Offer of 50,000,000 Preferred Class B-2 Shares but also in the event of oversubscription and that the allocation of up to Fifty Million (50,000,000) Preferred Class B-2 Subseries D Shares is not only in the event of oversubscription but as part of the Base Offer.

2. Approval of the updated terms and conditions of the Preferred Class B-2 Subseries C and D Shares

   The Board approved the updated terms and conditions of the Preferred Class B-2 Subseries C and D Shares as set forth in PNB Capital and Investment Corporation's latest Indicative Term Sheet as of November 3, 2021.

3. Approval and clarification of the offering and listing of the Preferred Class B-2 Subseries C and D Shares

The Board approved and clarified its authority to offer for sale or subscription up to Two Billion Five Hundred Million Pesos (₱2,500,000,000) or $50,000,000 in aggregate issue value, consisting of up to Fifty Million (50,000,000) Preferred Class B-2 Shares, composed of Preferred Class B-2 Subseries C and/or D Shares (the "Base Offer Shares"), by way of private placement, offer to qualified buyers and/or public offering at an offer price of Fifty Pesos (₱50.00) per share and that in the event of oversubscription, PNB Capital, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Corporation, has the right (but not the obligation) to offer up to an additional Twenty Million (20,000,000) Preferred Class B-2 Shares, composed of Preferred Class B-2 Subseries C and/or D Shares (the "Oversubscription Shares"), equivalent to an additional aggregate issue value of up to One Billion (₱1,000,000,000) or $20,000,000 at an offer price of Fifty Pesos (₱50.00) per share.

The Board also reiterated and clarified its authority to register the Base Offer Shares and/or Oversubscription Shares with the SEC and list the same in The Philippine Stock Exchange, Inc. ("PSE"), subject to compliance with SEC regulations and PSE listing rules.

On November 24, 2021, the SEC issued Order of Registration and Certificate of Permit to Sell in relation to the Company's registration of follow-on offering of 30,000,000 Preferred Class B-2 Shares (the "Base Offer Shares") with an over-subscription option of up to 20,000,000 Preferred Class B-2 Shares at an offer price of ₱50.00 per Preferred Class B-2 Shares and to be offered as either Subseries "C" or "D" (the "Offer").

The offer period will run from November 25, 2021 to December 3, 2021 with target issue date and listing date at the PSE on December 14, 2021.

In 2021, 2020 and 2019, proceeds from issuance of preferred stock amounted to $44,669,405, $20,000,000 and nil, respectively.

33.03 Retained Earnings

The Group's BOD has declared the following dividends to its equity holders:

Date of declaration	Date of record		Dividend per share	Shares outstanding		Total Dividends
2021						
March 1, 2021						
Preferred A	March 1, 2021	$	0.000012196	699,984,421	**$**	**8,541**
Preferred B1	March 1, 2021		1.011385	88,275		**89,280**
Preferred B2-A	March 1, 2021		0.015313	66,997,812		**1,025,938**
Preferred B2-B	March 1, 2021		0.015000	20,000,000		**300,000**
June 1, 2021						
Preferred B2-A	June 1, 2021	$	0.015313	66,997,812		**1,025,938**
Preferred B2-B	June 1, 2021		0.015000	20,000,000		**300,000**
September 1, 2021						
Preferred B2-A	September 1, 2021	$	0.015313	66,997,812		**1,025,938**
Preferred B2-B	September 1, 2021		0.015000	20,000,000		**300,000**
December 1, 2021						
Preferred B2-A	December 1, 2021	$	0.015313	66,997,812		**1,025,938**
Preferred B2-B	December 1, 2021		0.015000	20,000,000		**300,000**
					$	**5,401,573**
2020						
February 17, 2020						
Preferred B-2	March 9, 2020	$	0.015313	67,000,000	**$**	**1,025,938**
Preferred B-2	June 8, 2020		0.015313	67,000,000		**1,025,937**
Preferred B-2	September 8, 2020		0.015313	67,000,000		**1,025,938**
Preferred B-2	December 9, 2020		0.015313	67,000,000		**1,025,937**
March 06, 2020						
Preferred B-1	March 9, 2020	$	0.06125	70,000,000		**8,537**
March 06, 2020						
Preferred - A	March 8, 2020	$	0.000012196	700,000,000		**89,084**
July 17, 2020						
Common	August 11, 2020	$	0.001199	419,063,353		**460,450**
					$	**4,661,821**

Date of declaration	Date of record		Dividend per share	Shares outstanding		Total Dividends
2019						
January 30, 2019						
Preferred B-2	March 6, 2019	$	0.015313	67,000,000	$	1,025,971
Preferred B-2	June 6, 2019		0.015313	67,000,000		1,025,971
Preferred B-2	September 5, 2019		0.015313	67,000,000		1,025,971
Preferred B-2	December 5, 2019		0.015313	67,000,000		1,025,971
May 24, 2019						
Common	June 11, 2019	$	0.002366	419,063,353		757,927
Common	November 11, 2019		0.002386	419,063,353		1,002,163
May 24, 2019						
Preferred A	June 10, 2019	$	0.000012	700,000,000		8,537
					$	5,872,511

In 2021, 2020, and 2019, amounts of dividends declared were $5,401,567, $4,701,567, and $6,090,268, respectively.

In 2021, 2020 and 2019, cash dividends paid amounted to $5,401,573, $4,564,00 and $5,863,974, respectively. Accordingly, as of December 31, 2021 and 2020, dividends payable amounted to $126,955.

Retained earnings are further restricted for the payment of dividends to the extent of unrealized foreign exchange gains except those attributable to cash, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2021 and 2020.

34. DISCONTINUED OPERATIONS

In 2019, Cirtek Group decided to discontinue Quintel Technology, Ltd. (Quintel UK) in line with the Group's strategy to focus all its operations in the US market and bring down its operating costs. Consequently, Quintel UK operations including all its assets and liabilities were transferred to Quintel USA and manpower reduction was implemented as disclosed in Note 3.03.

By end of January 2019, management thru its legal counsel in the UK filed for liquidation of Quintel Technology, Ltd. wherein the final settlement with the liquidators and third-party creditors was reached in April 2020, in the amount of GBP1.9 million or an equivalent to $2.5 million.

On July 4, 2019, Telecom Quintel Mauritius, Ltd. (Quintel Mauritius), sales and administration office of Quintel group, has ceased its operation and registration in line with the Group's profit optimization strategy as disclosed in Note 3.03.

As a result of the liquidations of Quintel UK and Quintel Mauritius, assets and liabilities identified to these companies were classified as disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

A gain amounting to $13,730,086 was recognized in the discontinued operations. The amount is the sum of (i) $10,907,492 gain from the release of other net comprehensive income, (ii) $3,599,742 of investment in subsidiary, and (iii) $94,641 write-off of property, plant and equipment, and net of $871,789 additional expenses from the settlement.

The $10,907,492 million gain from the release of other comprehensive income pertains to cumulative foreign currency translation adjustment from translating the consolidated financial statements of Quintel UK and Quintel Mauritius to the presentation currency of Quintel Cayman, Ltd., its parent company. The $11 million resulted from multiple years effects of foreign exchange gain prior to acquisition in 2017. Prior to this consolidation, there was no movement in the OCI since acquisition on July 28, 2017.

In 2019, Quintel UK and Quintel Mauritius have no operations.

35. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the statements of cash flows:

- Initial recognition of lease liabilities and its related right-of-use asset for the lease in 2021 amounted to $312,332 and $323,618, respectively. As of December 31, 2021 and 2020, carrying amounts of right-of-use asset and lease liabilities are as follows:

		2021		2020
Right-of-use assets	**$**	**566,290**	$	443,009
Lease liabilities		**591,423**		464,884

36. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

		2021		2020
Beginning balance, January 1	**$**	**145,869,459**	$	127,926,838
Changes from financing cash flows				
Proceeds from short-term loans		**22,993,324**		111,083,761
Finance cost		**5,492,474**		5,375,227
Dividends declared		**5,401,573**		4,661,821
Effect of lease liability		**126,538**		(28,194)
Accrued finance cost		**93,524**		186,358
Net movement of due to related party		**7,445**		53,014
Proceeds from long-term loans		-		748,700
Refund of deposit for future stock subscription		**(189,107)**		-
Gain on condonation of loan		**(748,700)**		-
Effect of foreign exchange on loans		**(1,170,198)**		(9,134)
Payment of cash dividends		**(5,401,573)**		(4,564,004)
Finance costs paid		**(5,585,998)**		(5,561,585)
Payment of long-term loans		**(7,453,033)**		(4,259,135)
Payment of short-term loans		**(66,401,908)**		(89,744,208)
Ending balance, December 31	**$**	**93,033,820**	$	145,869,459

37. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

Certain amounts in the comparative consolidated financial statements and note disclosures have been reclassified to conform to the current year's presentation. The reclassifications include comparative amount previously presented in the Group's financial statements.

Current Year Classification	Previous Year Classification		Amount
Other financial asset at amortized cost	**Cash**		
Time deposit	Cash in banks	$	20,816
Prepayment and other current assets	**Other non-current assets**		
Advances to suppliers	Others		4,966,194

The Management believes that the above reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss.

38. EVENTS AFTER THE REPORTING PERIOD

38.01 Dividend Declaration

Declaration of cash dividends on the following shares:

a. Preferred A Shares

The Board of Directors of Parent Company, in its regular meeting held on February 11, 2022, approved the Declaration of cash dividend of US$0.000012196 per share for each of the Seven Hundred Million (700,000,000) issued and outstanding Preferred A shares amounting to an aggregate sum of Eight Thousand Five Hundred Thirty-Seven Dollars and One Centavo (US$8,537.01), for payment and distribution on 8 March 2022 to shareholders of record as of March 1, 2022. The cash dividend shall be paid in Philippine Pesos at the Bangko Sentral ng Pilipinas ("BSP") exchange rate one day prior to payment date

b. Preferred B-1 Shares

The Board of Directors of Parent Company, in its regular meeting held on February 11, 2022, approved the Declaration of cash dividend of Php0.06125 per share for each of the Seventy Million (70,000,000) issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of Four Million Two Hundred Eight Seven Thousand Five Hundred Pesos (Php4,287,500.00) for payment and distribution 8 March 2022 to shareholders of record as of 1 March 2022.

c. Preferred B-2 Subseries A Shares ("Preferred B-2A Shares"):

The Board of Directors of Parent Company, in its regular meeting held on 11 February 2022, approved the Declaration of Cash dividend of US Dollars 0.015313 (US$0.015313) per share for each of the Sixty-Seven Million (67,000,000) outstanding and issued Preferred B-2A shares amounting to an aggregate sum of US Dollars One Million Twenty Five Thousand Nine Hundred Thirty Seven and Fifty Cents (US$1,025,937.50), for each Dividend Period.

The schedule of the payment and distribution of the cash dividends of Preferred B-2A shares shall be made to the entitled shareholders on the following dates:

(i) 8 March 2022 to shareholders of record as of 1 March 2022;

(ii) 8 June 2022 to shareholders of record as of 1 June 2022;

(iii) 8 September 2022 to shareholders of record as of 1 September 2022; and

(iv) 9 December 2022 to shareholders of record as of 1 December 2022.

d. Preferred B-2 Subseries B Shares ("Preferred B-2B Shares"):

The Board of Directors of Parent Company, in its regular meeting held on 11 February 2022, approved the Declaration of cash dividend of US Dollars 0.015 (US$0.015) per share for each of the Twenty Million (20,000,000) outstanding and issued Preferred B-2B Shares amounting to an aggregate sum of US Dollars Three Hundred Thousand (US$300,000.00), for each Dividend Period.

The schedule of the payment and distribution of the cash dividends of Preferred B-2B shares shall be made to the entitled shareholders on the following dates:

(i) 18 March 2022 to shareholders of record as of 4 March 2022;

(ii) 17 June 2022 to shareholders of record as of 3 June 2022;

(iii) 20 September 2022 to shareholders of record as of 6 September 2022; and

(iv) 20 December 2022 to shareholders of record as of 6 December 2022."

The Board of Directors of TECH, in its special meeting held on 11 April 2022, approved the adjusted schedule of the payment and distribution of the cash dividends of Preferred B-2B shares shall be made to the entitled shareholders on the following dates:

i. 20 June 2022 to shareholders of record as of 3 June 2022;
ii. 19 September 2022 shareholders of record as of 6 September 2022; and
iii. 19 December 2022 shareholders of record as of 6 December 2022.

The Amendment was to reflect changes on the payment date on June, September and December 2022 to align in the Features, Terms and Conditions of the Preferred B-2 Subseries B Shares. Based on the Features, Terms and Conditions of the Preferred B-2 Subseries B Shares provide that the cash dividends shall be payable every March 18, June 18, September 18 and December 18 of each year (each, a "Dividend Payment Date"), being the last day of each 3-month period (each, a "Dividend Period") following the Listing Date last February 02,2021, provided that if the Dividend Payment Date is not a business day, dividends will be paid on the next succeeding business day, without adjustments as to the amount of dividends to be paid. The dividends on the Preferred B2-B Shares were calculated on a 30/360 day basis from the Listing Date for each Dividend Period. Considering that the dividend payments of Preferred B-2 Subseries B Shares must be paid on the next succeeding business day, as prescribed in the Features, Terms and Conditions, the management deemed it proper to adjust the dividend payment dates in order to comply with the Features, Terms and Conditions.

e. Preferred B-2 Subseries C Shares ("Preferred B-2C Shares"):

The Board of Directors of Parent Company, in its regular meeting held on 11 February 2022, Declaration of cash dividend of PhP 0.8233 per share for each of Sixteen Million Nine Hundred Thirty-Six Thousand Four Hundred (16,936,400) outstanding and issued Preferred B-2 Subseries C Shares amounting to an aggregate sum of Thirteen Million Nine Hundred Forty-Three Thousand Seven Hundred Thirty-Eight Pesos and Twelve Centavos (PhP 13,943,738.12) for each Dividend Period. Subject to the conditions for the declaration and payment of dividends and pursuant to the Terms and Conditions of the Offer, the schedule of the payment and distribution of the cash dividends provided above shall be made to the entitled shareholders on the following dates: (i) 14 March 2022 to shareholders of record as of 02 March 2022; (ii) 14 June 2022 to shareholders of record as of 30 May 2022; (iii) 14 September 2022 shareholders of record as of 30 August 2022; and (iv) 14 December 2022 shareholders of record as of 29 November 2022.

f. Preferred B-2 Subseries D Shares ("Preferred B-2D Shares"):

The Board of Directors of Parent Company, in its regular meeting held on 11 February 2022, Declaration of cash dividend of PhP 0.968825 per share for each of the Twenty Eight Million Six Hundred Twenty-Five Thousand and Five Hundred Pesos (28,625,500) outstanding and issued Preferred B-2 Subseries D Shares amounting to an aggregate sum of Twenty-Seven Million Seven Hundred Thirty Three Thousand One Hundred and Four Centavos (PhP 27,733,100.04) , for each Dividend Period.

Subject to the conditions for the declaration and payment of dividends and pursuant to the Terms and Conditions of the Offer, the schedule of the payment and distribution of the cash dividends provided above shall be made to the entitled shareholders on the following dates:
(i) 14 March 2022 to shareholders of record as of 02 March 2022;
(ii) 14 June 2022 to shareholders of record as of 30 May 2022;
(iii) 14 September 2022 shareholders of record as of 30 August 2022; and
(iv) 14 December 2022 shareholders of record as of 29 November 2022.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 11, 2022.

REPORT ON THE SUPPLEMENTARY SCHEDULES

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

We have issued our report dated April 11, 2022 on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as of and for the year ended December 31, 2021. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as a whole. The information in the index to the consolidated financial statements for the year ended December 31, 2021, which is not a required part of the consolidated financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES.** The information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8855247
Issued on January 5, 2022 at Makati City

April 11, 2022

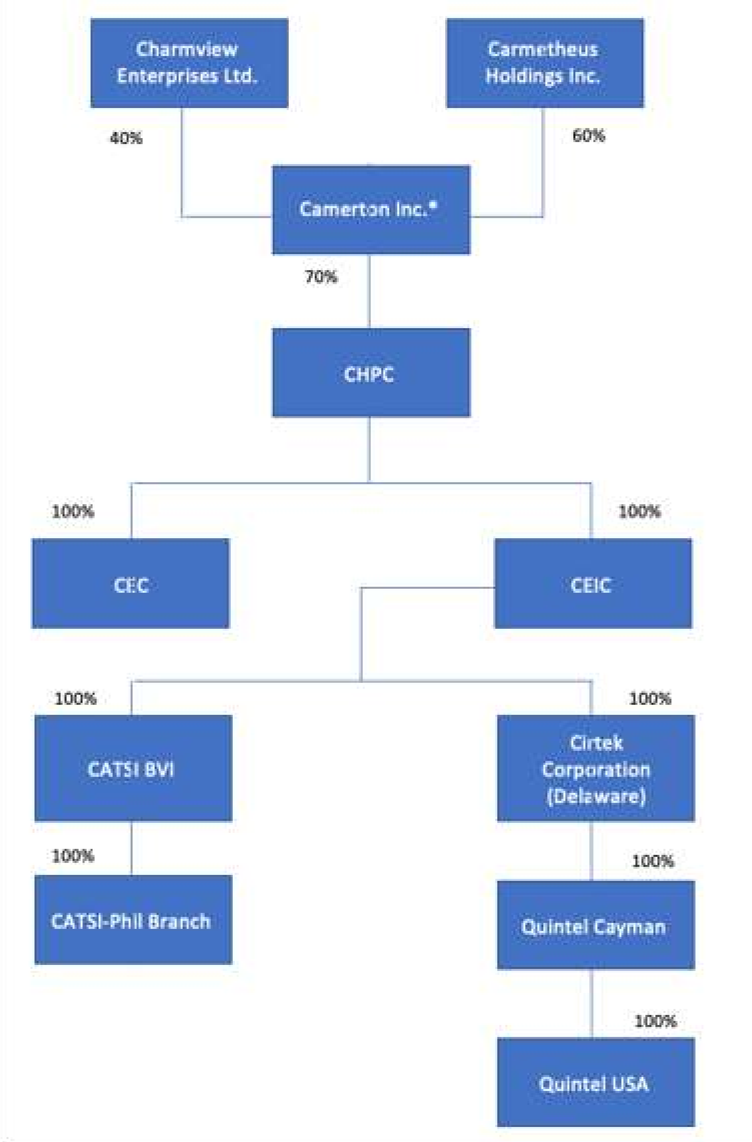
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SCHEDULE I - MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2021



CIRTEK HOLDINGS PHILIPPINES CORPORATION

SCHEDULE II -RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2021

Unappropriated retained earnings, beginning	$7,300,148
Net income/(loss) actually earned during the period	10,705,500
Unrealized of foreign exchange gain	468,121
Transfer of net changes in fair value of FA at FVOCI to retained earnings	(1,667,000)
Cash dividends declared	(5,401,567)
Retained earnings available for dividend declaration	$11,405,202

Note: The presentation of reconciliation of retained earnings is based on Financial Reporting Bulletin No. 14 dated January 24, 2013.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SCHEDULE III - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021 AND 2020

Ratios	Formula	December 31, 2021	December 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	**2.36**	1.51
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.57**	1.19
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.24**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**1.57**	2.19
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**0.50**	0.14
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.29**	0.30
Net Profit Margin	Net Income/Revenues	**0.12**	0.10
EBITDA Margin	EBITDA/Revenues	**0.04**	0.01
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.02
Return on Equity	Net Income/Total Equity[3]	**0.05**	0.05

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

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

[3] Based on balances as at December 31, 2021 and 2020

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS OF AND FOR THE YEAR-ENDED DECEMBER 31, 2021

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	$ 71,415,234	$ 71,415,234	$ 2,524
Trade and other receivables	N/A	$ 61,392,329	$ 61,392,329	
Amounts owed by related parties	N/A	$ 191,570	$ 191,570	
Prepayments & Other current assets:				
Financial asset at FVTPL	N/A	$ 568	$ 568	
Loans to employees	N/A	$ 619,406	$ 619,406	
Security deposits	N/A	$ 179,809	$ 179,809	
Other financial assets at amotized cost	N/A	$ 498,738	$ 498,738	
Other noncurrent assets:				
Miscellaneous deposits	N/A	$ 177,909	$ 177,909	
Rental Deposits	N/A	$ 1,235,609	$ 1,235,609	
Others	N/A	$ 8,372	$ 8,372	
		$ 135,719,543	$ 135,719,543	$ 2,524

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
AS OF AND FOR THE YEAR-ENDED DECEMBER 31, 2021

Amounts owed by Related Parties

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company						
Camerton	-	-	-	-	–	-
Related parties under common control						
Cirtek Holdings, Inc.	-			-	–	-
Cayon Holdings, Inc.	193,592		(2,022)	191,570-	–	191,570
TOTAL	193,592	-	(2,022)	191,570	–	191,570

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR-ENDED DECEMBER 31, 2021

Receivables from related parties which are eliminated during the consolidation (under Trade and Other Receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel USA	7,219,555	0	(6,002,556)	-	$1,216,999	-	$1,216,999

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/Adj	Amount wrtten off	Current	Not Current	Balance at the end of the period
CHPC							
CEC	$ 48,795,261		$ (5,011,757)		$ 43,783,505		$ 43,783,505
CEIC	$ 33,825,739	$ 10,200,000			$ 44,025,739		$ 44,025,739
CATS	$ 44,535,403		$ (3,728,667)		$ 40,806,736		$ 40,806,736
RBWRPI	$ -	$ 212,371			$ 212,371		$ 212,371
Quintel	$ 19,885,906		$ (4,640,905)		$ 15,245,001		$ 15,245,001
Total	$ 147,042,309	$ 10,412,371	$ (13,381,328)		$ 144,073,352	$ -	$144,073,352
CEC							
CHPC	$ 22,021,052		$ (22,021,052)		$ -		$ -
CATS	$ 5,040,092		$ (3,954,080)		$ 1,086,013		$ 1,086,013
Total	$ 27,061,145	$ -	$ (25,975,132)		$ 1,086,013	$ -	$ 1,086,013
CEIC							
CHPC	$ 2,339,865		$ (2,339,865)		$ -		$ -
CEC	$ -				$ -		$ -
CATS	$ 746,612	$ 465,404			$ 1,212,017		$ 1,212,017
Quintel	$ 82,478,692				$ 82,478,692		$ 82,478,692
Total	$ 85,565,170	$ 465,404	$ (2,339,865)		$ 83,690,709	$ -	$ 83,690,709
CATS							
RBWRPI	$ 39,794				$ 39,794		$ 39,794
Total	$ 39,794	$ -	$ -	$ -	$ 39,794	$ -	$ 39,794
RBW							
CATS	$ 18,389	$ 3,099,251			$ 3,117,639		$ 3,117,639
Total	$ 18,389	$ 3,099,251	$ -	$ -	$ 3,117,639	$ -	$ 3,117,639
TOTAL	$ 259,726,805	$ 13,977,026	$ (41,696,325)	$ -	$ 232,007,506	$ -	$232,007,506

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS OF DECEMBER 31, 2021

Intangible Assets - Other Assets						
Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$55,541,157	$ –	$ –	$ –	$ –	$ 55,541,157
Product development costs	5,461,375	1,958,741	(1,075,991)	–	–	6,344,125
Customer relationships	23,736,500	–		–	–	23,736,500
Technology	1,860,290		(1,174,920)	–	–	685,370
Trademark	7,472,800	–	–	–	–	7,472,800
Total	$94,072,122	$1,958,741	($2,250,911)	$ –	$ –	$93,779,952

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF DECEMBER 31, 2021

Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	$ 50,228,752	$ 17,391,810	$ 32,836,942

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS OF DECEMBER 31, 2021

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

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF DECEMBER 31, 2021

Guarantees of Securities of Other Issuers

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

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GROSS AND NET PROCEEDS BY A LISTED COMPANY WITH RECENT OFFERING OF SECURITIES (COMMERCIAL PAPER) TO THE PUBLIC

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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

Gross	**₱2,000,000,000**
Net	**1,878,034,751**

2. Actual gross and net proceeds –

Gross	**₱1,000,000,000**
Net	**971,739,505**

3. Each expenditure item where the proceeds were used –

Working capital	**₱152,650,000**
Loans	**655,589,505**
Dividend Payment on Preferred Shares	**63,500,000**
Investment	**100,000,000**

4. Balance of the proceeds as of December 31, 2021 **₱ -**

SCHEDULE I

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS OF DECEMBER 31, 2021

Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common Stock	1,200,000,000	668,505,825	–	223,765,104	9	–
Preferred A Shares	700,000,000	700,000,000	–	700,000,000	–	–
Preferred B Shares	160,000,000	-	–	-	–	–
Preferred B-1 Shares	70,000,000	70,000,000	–	70,000,000	–	–
Preferred B-2 Shares	200,000,000	67,000,000	–	–	–	–
Preferred B-2B Shares		20,000,000	–	–	–	–
Preferred B-2C Shares		16,936,400	-	-	-	-
Preferred B-2D Shares		28,625,500	-	-	-	-