

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7
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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)

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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

Company's Email Address

N/A
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No. of Stockholders

26
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Company's Telephone Number/s

(632) 7729-6205
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Annual Meeting  
Month/Day

26-May
--------

Mobile Number

N/A
-----

Fiscal Year  
Month/Day

31-Dec
--------

## CONTACT PERSON INFORMATION

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

Name of Contact Person

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

Email Address

<a href="mailto:brian.liu@cirtek.ph">brian.liu@cirtek.ph</a>
--

Telephone Number/s

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

Mobile Number

N/A
-----

Contact Person's Address

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

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

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

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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)

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

Form Type

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Email Address

brian.liu@cirtek.ph
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Telephone Number/s

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Mobile Number

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# **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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 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 consolidated 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**  
Chief Financial Officer

Signed this 19th day of April 2023.

**APR 20 2023**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2023 affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

<u>Name</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
JERRY LIU	CCI2023 03571526	January 13,2023	City of Manila
JORGE AGUILAR	CCI2023 03571529	January 13,2023	City of Manila
BRIAN GREGORY LIU	CCI2023 03571523	January 13,2023	City of Manila

Doc. No. 224 ;  
Page No. 46 ;  
Book No. 18 ;  
Series of 2023

**ATTY. BENEDICTO M. JOSE**  
Notary Public for the City of Sta. Rosa  
Until December 31, 2023  
Notarial Commission A.N.C. No. 0047-SRCL  
2F Cardiaz Building, Pearl Road,  
SRCC, Balibago, Sta. Rosa City, Laguna  
MCLE Compliance No. VII-0025591; 01.16.23  
PTR No. 4568762; 01.03.23; Sta. Rosa City  
IBP Lifetime No. 011555; 02.11.2013  
Roll No. 43868

## 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, 2022 and 2021, 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, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 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 Audits 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 audits 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 matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### ***Key Audit Matter 1***

##### ***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, 2022, 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, 2022 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 Audits 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audits. 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 consolidated 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. 08-007679-000-2023

Valid from January 31, 2023 until January 30, 2026

IC Group A Accredited

Accreditation No. 0300-IC

Valid until 2026 audit period



**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 Group A Accredited

Accreditation No. 86071-IC

Valid until 2026 audit period

PTR No. 9567815

Issued on January 4, 2023 at Makati City

April 19, 2023

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2022 and 2021

(In US Dollars)

	NOTES	2022	2021
<b>A S S E T S</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	44,297,405	71,415,234
Trade and other receivables – net	8	36,457,599	61,392,329
Due from related parties	21	341,127	191,570
Inventories – net	9	67,635,435	58,767,864
Other financial assets at amortized cost	12	-	19,862
Prepayment and other current assets	10	6,992,437	5,844,689
		<b>155,724,003</b>	<b>197,631,548</b>
<b>Non-current Assets</b>			
Other financial assets at amortized cost – net of current portion	12	479,182	478,876
Property, plant and equipment – net	14	53,075,196	40,664,393
Intangible assets – net	15	95,820,004	93,779,952
Right-of-use assets – net	16	349,262	566,290
Deferred tax assets	28	282,549	208,724
Other non-current assets	17	5,732,395	6,284,553
		<b>155,738,588</b>	<b>141,982,788</b>
<b>TOTAL ASSETS</b>		<b>311,462,591</b>	<b>339,614,336</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>L I A B I L I T I E S</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	26,172,689	23,518,342
Short-term loans	19	28,472,196	41,460,364
Long-term loans	19	7,147,134	17,391,810
Due to related parties	21	650,791	626,327
Dividend payable	33	126,955	126,955
Lease liabilities	20	163,484	447,419
Income tax payable		436,104	347,114
		<b>63,169,353</b>	<b>83,918,331</b>
<b>Non-current Liabilities</b>			
Long-term loans – net of current portion	19	25,675,615	32,836,942
Lease liabilities – net of current portion	20	195,889	144,003
Retirement benefit obligation	26	1,719,981	2,597,274
Deferred tax liabilities	28	2,920,365	3,143,601
		<b>30,511,850</b>	<b>38,721,820</b>
<b>TOTAL LIABILITIES</b>		<b>93,681,203</b>	<b>122,640,151</b>
<b>S T O C K H O L D E R S ' E Q U I T Y</b>			
Common Stock	33	14,562,067	14,562,067
Preferred Stock	33	3,925,528	3,925,528
Additional Paid-in Capital	33	179,726,321	179,726,321
Stock Warrants	33	6,458,070	6,458,070
Equity Reserve	32	4,030,214	4,030,214
Remeasurement	26	1,175,507	3,032,298
Retained Earnings	33	7,916,778	5,275,552
Parent Company shares held by a subsidiary	33	(13,097)	(35,865)
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>217,781,388</b>	<b>216,974,185</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>311,462,591</b>	<b>339,614,336</b>

(See Notes to Consolidated Financial Statements)

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31, 2022, 2021 and 2020

(In US Dollars)

	NOTES	2022	2021	2020
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	22	84,774,474	70,177,628	68,907,198
<b>COST OF SALES</b>	23	62,495,669	49,647,764	48,263,661
		22,278,805	20,529,864	20,643,537
<b>OPERATING EXPENSES</b>	24	9,651,472	8,158,118	7,976,801
<b>FINANCE COSTS</b>	19,20	4,717,512	5,492,474	5,375,227
<b>FINANCE INCOME</b>	7,12	(84,785)	(23,505)	(72,412)
<b>OTHER INCOME (EXPENSE) – net</b>	27	4,009,427	1,131,536	(319,804)
<b>PROFIT BEFORE TAX</b>		12,004,033	8,034,313	7,044,117
<b>INCOME TAX EXPENSE (BENEFIT)</b>	28	660,763	(105,687)	446,905
<b>PROFIT</b>		11,343,270	8,140,000	6,597,212
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:</b>				
Remeasurement – net	26	(1,856,791)	-	2,272,271
<b>TOTAL COMPREHENSIVE INCOME</b>		9,486,479	8,140,000	8,869,483
<b>Basic Earnings per Share</b>	29	0.0040	0.0041	0.0057

(See Notes to Consolidated Financial Statements)

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended December 31, 2022, 2021 and 2020  
(in US Dollars)

	Note	Common Stock	Preferred Stock	Stock Warrants	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income (Loss)				Parent Company shares held by a subsidiary	Total
							Net Changes in Fair Value of Equity Investment at FVOCI	Remeasurement	Retained Earnings			
Balance, January 1, 2020		9,594,321	2,615,995	-	100,469,659	4,030,214	(1,667,000)	760,027	26,209,080	(27,753,128)		114,259,168
Profit									6,597,212			6,597,212
Other comprehensive income	26											2,272,271
Cash dividends declared	33							2,272,271	(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									2,986,636		2,986,636
Balance, December 31, 2020		9,594,321	3,032,140	-	120,053,514	4,030,214	(1,667,000)	3,032,298	28,144,471	(24,766,492)		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
Forex revaluation - subsidiary of Parent Company's shares	11, 33						1,667,000		(25,607,346)	23,940,346		-
Sale by subsidiary of Parent Company's shares	33									810,281		810,281
Balance, December 31, 2021		14,562,067	3,925,528	6,458,070	179,726,321	4,030,214	-	3,032,298	6,276,552	(35,865)		216,974,185
Profit									11,343,270			11,343,270
Other comprehensive loss	26											(1,856,791)
Cash dividends declared	33							(1,856,791)				(1,856,791)
Fair value loss on Parent Company shares held by a subsidiary									(8,702,044)	22,768		(8,702,044)
Balance, December 31, 2022		14,562,067	3,925,528	6,458,070	179,726,321	4,030,214	-	1,175,507	7,916,778	(13,097)		217,781,388

(See Notes to Consolidated Financial Statements)

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2022, 2021 and 2020

(In US Dollars)

	NOTES	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		12,004,033	8,034,313	7,044,117
Adjustments for:				
Depreciation and amortization	23,24	7,529,761	7,301,048	7,311,399
Finance costs from loans	19	4,711,588	5,488,442	5,375,227
Retirement benefit costs	26	269,988	289,296	221,824
Finance cost on lease liabilities	20	5,924	4,032	-
Wrote off of financial asset at FVTPL	10,24	568	-	-
Gain on condonation of loan	19,27	-	(748,700)	-
Loss (Gain) on disposal of assets	13,14,27	(1,374)	674,298	-
Finance income	7,12	(84,785)	(23,505)	(72,412)
Net unrealized foreign exchange losses (gains)	27	(892,762)	(598,983)	1,217,394
Retirement gain	26,27	(2,287,446)	-	-
Operating cash flows before changes in working capital		21,255,495	20,420,241	21,097,549
Decrease (Increase) in operating assets:				
Trade and other receivables		24,936,730	(96,645)	(12,905,004)
Inventories		(8,867,571)	(1,666,827)	(20,259,942)
Prepayment and other current assets		(1,048,589)	4,224,697	(704,638)
Other noncurrent assets		525,756	(840,811)	(9,270,279)
Increase (Decrease) in trade and other payables		2,239,167	7,719,438	(1,110,644)
Cash generated from (used in) operations		39,040,988	29,760,093	(23,152,958)
Interest received	7,12	84,785	23,505	75,230
Retirement benefits paid	26	(168,903)	-	-
Income taxes paid		(499,020)	(328,213)	(889,338)
Net cash from (used in) operating activities		38,457,850	29,455,385	(23,967,066)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Redemption of assets at amortized cost	12	19,556	456,055	-
Proceeds from disposal assets held for sale	13	-	9,930,742	-
Acquisition of asset at amortized cost	12	-	(478,876)	-
Acquisitions of:				
Product development costs	15	(4,186,933)	(1,958,741)	(1,715,290)
Property, plant and equipment	14	(17,577,281)	(7,768,172)	(10,442,513)
Net cash from (used in) investing activities		(21,744,658)	181,008	(12,157,803)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Availment of short-term loan	19	10,662,865	22,993,324	111,083,761
Issuance of preferred stock	33	-	44,669,405	20,000,000
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	-	810,281	2,966,636
Availment of long-term loan	19	-	-	748,700
Payments of:				
Finance cost on lease liabilities	20	(5,924)	(4,032)	-
Lease liabilities	20	(232,049)	(185,793)	-
Finance costs on loans	19	(4,639,528)	(5,581,966)	(5,561,585)
Cash dividends	33	(8,702,044)	(5,401,573)	(4,564,004)
Long-term loan	19	(17,406,003)	(7,453,033)	(4,259,135)
Short-term loan	19	(23,557,055)	(66,401,908)	(89,744,208)
Net movement in amounts owed by and owed to related parties	21	(125,093)	9,468	21,723,943
Refund of deposit for future stock subscription	33	-	(189,107)	-
Net cash from (used in) financing activities		(44,004,831)	10,587,672	52,394,108
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH AND CASH EQUIVALENTS	7	173,810	(625,205)	192,424
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(27,117,829)	39,598,860	16,461,663
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		71,415,234	31,816,374	15,354,711
CASH AND CASH EQUIVALENTS AT END OF YEAR		44,297,405	71,415,234	31,816,374

(See Notes to Consolidated Financial Statements)

# **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2022 and 2021 and for each of the  
Three Years in the Period Ended December 31, 2022

### **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 value-added, highly integrated technology products. CATS offers complete "box build" turnkey manufacturing solutions to radio frequency, microwave and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

#### **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 P2,000,000,000 worth of Commercial Papers (CPs) of the Parent Company. On the following day, the CPs have been listed in the Philippine Dealing and Exchange Corporation. The CPs may be issued in lump-sum or in tranches as follows:

Series	Discount Rate	Tenor	Denomination
A	5.332%	91 days	Minimum of \$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 P1,000,000,000 worth of Commercial Papers (CP) with the Philippine Dealing and Exchange Corp as part of TECH's \$123,946,458 or P6,000,000,000 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

On December 6, 2022, the Company listed its ₱598,400,000 or \$10,662,865 worth of CPs with the PDEC as part of Company's Six Billion Pesos (₱6,000,000,000) CP Program. The CPs may be issued in lump-sum or in tranches as follows:

Series	Discount Rate	Tenor	Denomination
F	6.887 %	182 days	Minimum of \$89,095 face value and increments of \$1,782
G	7.770 %	364 days	Minimum of \$89,095 face value and increments of \$1,782

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

## 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) 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 FSRSC 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 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.

- 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.

- 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. 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. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

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

Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of 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.

## 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 FSRSC and Approved by the Board of Accountancy (BOA)

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

The amendments to PAS 1 are the following:

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

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

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

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

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in 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.

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

The amendments to PAS 1 are the following:

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

The amendments also clarify the following:

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

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

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

- **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.

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

### 3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### 3.01 Statement of Compliance

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or amortized cost, inventories carried at lower of cost or net realizable value.

#### 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, 2022 and 2021:

	Country of Incorporation	Functional Currency	Percentage of Ownership			
			2022		2021	
			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%
RBWRP	Philippines	USD		100%		100%
	United States of America					
Cirtek Corporation	America	USD		100%		100%
Quintel	Cayman Islands	USD		100%		100%
	United States of America					
Quintel USA	America	USD		100%		100%

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 (1) or more of the three (3) 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 (12) 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 (12) 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 (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) 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 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 consolidated financial statements.

For management purposes, the Group is currently organized into three (3) business segments: CEC, 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 data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

#### **4.04 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, cash equivalents, trade and other receivables, due from related parties, loans to employees, security deposits presented under 'prepayment and other current assets', other financial assets at amortized cost, rental deposits, loans to employees and miscellaneous deposits presented under 'other non-current assets'.

##### **a) Cash in Banks and Cash Equivalents**

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and that are subject to insignificant risk of changes 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, cash equivalents, other receivables, due from related parties, rental deposit, security deposits, other financial assets at amortized cost, loans to employees 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

Assets are classified as 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 (1) year from the date of classification.

Assets classified as 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 contracts 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.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

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



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

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

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

#### **4.09 Intangible Assets**

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

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

Intangible asset with finite life is amortized over its economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting 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 relationships, trademark and technology costs. 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 costs will have an economic life of five (5) 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 inventories, deferred tax assets and financial assets that are within the scope of PFRS 9, *Financial Instruments*, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

#### **4.11 Borrowing Costs**

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

#### **4.12 Financial Liabilities**

##### **4.12.01 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.

##### **4.12.02 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 loans, dividend payable, lease liabilities and due to related parties.

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

##### **4.12.03 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 expired).

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.

#### **4.15.01 Warranties**

Provisions for the expected cost for warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

#### **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 considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Group has a present right to payment for the asset.
- The Group has transferred physical possession of the asset.
- The customer has accepted the asset.

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

#### **4.16.02 Principal versus Agent Considerations**

The Group should determine whether it is a principal or an agent in a transaction through the nature of its promise in a performance obligation.

The Group determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e. the Group is a principal) or to arrange for the other party to provide those services (i.e. the Group is an agent).

The Group is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

The Group is an agent if its performance obligation is to arrange for the provision of services by another party. It recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its services.

#### **4.16.03 Finance Income**

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 (3) 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 assets 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 Liabilities

At the commencement date, the Group measures the lease liabilities 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 statements 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 statements 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.

#### **4.21.05 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, 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 following factors are considered by the Parent Company in determining the functional currency of a foreign operation, and whether its functional currency is the same as that of the reporting entity:

- a. whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. An example of the former is when the foreign operation only sells goods imported from the reporting entity and remits the proceeds to it. An example of the latter is when the operation accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in its local currency.
- b. whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities.
- c. whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity and are readily available for remittance to it.
- d. whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

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, 2022 and 2021, the aggregate amounts of the aforementioned assets amounted to \$84,561,378 and \$136,451,369, 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, 2022 and 2021, carrying amounts of long-term loans amounted to \$32,822,749 and \$50,228,752, 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 and aging schedule, 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. This is when there is a present right to payments of goods, transfer of physical possession of goods and acceptance of the same by its customers.

In 2022, 2021 and 2020, revenue recognized from such sale amounted to \$84,774,474, \$70,177,628 and \$68,907,198, 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 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will be Exercised**

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, 2022 and 2021, Management assessed that the spare parts and others amounting to \$1,749,939 and \$1,462,669, 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 (3) 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 three (3) reportable segments: CEC, 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.

#### **5.01.14 Assessment of the Capitalization of Product Development Cost**

Product development cost pertain to the capitalized cost of developing certain packages or products for specific customers. Management believes that it is probable that future economic benefits that are attributable to product development cost will flow to the entity and the cost of the asset can be measured reliably, thus, met the requirements of PAS 38, *Intangible Assets*, for capitalization.

As of December 31, 2022 and 2021, carrying amounts of product development cost amounted to \$9,069,547 and \$6,344,125, respectively, as disclosed in Note 15.

#### **5.01.015 Assessment of Principal-Agency Arrangement**

The Group determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e. the Group is a principal) or to arrange for the other party to provide those services (i.e. the Group is an agent).

In 2022, 2021 and 2020, the Group assessed that it is acting as an agent and recognized commission expense from agency relationship amounting to \$1,356,912, \$713,636 and \$866,204, respectively, as disclosed in Note 24.

### **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 allowance for expected credit loss on trade and other receivables, and due from related parties is \$741,012 as of December 31, 2022 and 2021, as disclosed in Notes 8 and 31.

As of December 31, 2022 and 2021, the Group's financial assets measured at amortized cost amounted to \$84,561,378 and \$136,451,369, 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 2022 and 2021, Management assessed that net realizable values of certain inventories are lower than their cost, hence, provision for inventory obsolescence was recognized amounting to \$400,000 and \$105,000, respectively, as disclosed in Notes 9 and 23. As of December 31, 2022 and 2021, carrying amount of the Group's inventories amounted to \$67,635,435 and \$58,767,864, 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, 2022 and 2021, the carrying amount of property, plant and equipment amounted to \$53,075,196 and \$40,664,393, 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, 2022 and 2021, the carrying value of product development costs and technology costs amounted to \$9,069,547 and \$7,029,495, 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 prepayment and other current assets (except security deposits, loans 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 rental deposits, miscellaneous deposits and loans 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 2022, 2021 and 2020, and cash flows beyond the five (5) year-period was extrapolated using a steady growth rate of 3%-15%, 10%-20%, 10%-20% in 2022, 2021 and 2020, respectively.

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, 2022 and 2021.

In both years, Management believes that there is no indication of impairment in the value of prepayment and other current assets (except security deposits, loans 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 rental deposits miscellaneous deposits and loans to employees). As of December 31, 2022 and 2021, the aggregate carrying amounts of the foregoing assets amounted to \$159,723,002 and \$144,926,576, 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, 2022, 2021 and 2020, retirement benefits expense amounted to \$269,988, \$289,296 and \$221,824, respectively, as disclosed in Note 26. Retirement benefit obligation amounted to \$1,719,981 and \$2,597,274 as of December 31, 2022 and 2021, respectively, as disclosed in Note 26. Remeasurement loss (gain) amounted to \$1,856,791, nil and \$(2,272,271), in 2022, 2021, and 2020, 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 deferred tax assets which pertains to retirement benefit obligations amounting to \$282,549 and \$208,724 as of December 31, 2022 and 2021, respectively as disclosed in Note 28.

Further, as of December 31, 2022 and 2021, the Group has also recognized deferred tax assets on NOLCO and accrued expenses recognized in business combination amounting to \$4,284,056 and \$3,612,415, respectively.

Moreover, as of December 31, 2022 and 2021, the Group's NOLCO and MCIT for which no deferred taxes have been recognized, as disclosed in Note 28, are as follows:

	<b>2022</b>	<b>2021</b>
NOLCO	<b>\$ 51,750,153</b>	<b>\$ 45,664,554</b>
MCIT	<b>7,951</b>	<b>66,329</b>

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 5.0% to 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 consolidated statements of comprehensive income and the consolidated statements 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, 2022 and 2021, 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, 2022, 2021 and 2020 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Revenue from contracts with customers for the year ended December 31, 2022 are as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
New product	\$ -	\$ -	\$ 21,037,040	-	\$ 21,037,040
Integrated circuits	10,612,101	-	-	-	10,612,101
Discrete	9,392,849	-	-	-	9,392,849
Multichips	7,492,468	-	-	-	7,492,468
Dual and quad flat no-leads	7,177,873	-	-	-	7,177,873
Analog	-	4,522,742	-	-	4,522,742
12 port antennas	-	4,101,824	134,469	-	4,236,293
16 port antennas	-	4,143,774	-	-	4,143,774
8 port antennas	-	1,667,842	2,333,173	-	4,001,015
6 port antennas	-	1,381,005	2,152,471	-	3,533,476
Hermetics	2,907,325	-	-	-	2,907,325
Microwave Network Inc.	-	1,576,816	-	-	1,576,816
Remec manufacturing services	-	678,391	-	-	678,391
Indoor radio frequency unit	-	601,094	-	-	601,094
Cougar	-	384,794	-	-	384,794
10 port antennas	-	172,791	52,428	-	225,219
Brackets	-	-	155,783	-	155,783
NRE additional charging costs	-	146,654	-	-	146,654
Outdoor unit	-	62,178	-	-	62,178
QPCBA	-	3,021	-	-	3,021
Bridgewave	-	2,519	-	-	2,519
Others	-	320,902	1,560,147	-	1,881,049
<b>Total</b>	<b>\$ 37,582,616</b>	<b>\$ 19,766,347</b>	<b>\$ 27,425,511</b>	<b>\$ -</b>	<b>\$ 84,774,474</b>

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Segment depreciation and amortization	\$ 4,174,042	\$ 950,285	\$ 74,785	\$ 685,370	\$ 5,884,482
Segment interest income	70,417	14,244	124	-	84,785
Segment interest expense	4,594,626	-	122,886	-	4,717,512
Segment profit before income tax	24,585,507	8,201,610	502,855	(21,285,370)	12,004,602
Segment provision for income tax	408,728	445,236	28,108	(221,309)	660,763
Segment profit after income tax	\$ 24,176,779	\$ 7,756,374	\$ 474,747	\$ (21,064,061)	\$ 11,343,839

Other financial information of the operating segments as of December 31, 2022 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
<b>Assets</b>					
Current assets	\$ 365,271,391	\$ 81,746,607	\$ 14,267,382	\$ (305,561,380)	\$ 155,724,000
Non-current assets	136,984,473	24,662,476	5,577,875	(11,295,144)	155,929,680
	\$ 502,255,864	\$ 106,409,083	\$ 19,845,257	\$ (316,856,524)	\$ 311,653,680
<b>Liabilities</b>					
Current liabilities	\$ 172,703,677	\$ 83,626,870	\$ 29,216,512	\$ (222,377,706)	\$ 63,169,353
Non-current liabilities	27,571,950	-	82,264	3,048,727	30,702,941
	\$ 200,275,627	\$ 83,626,870	\$ 29,298,776	\$ (219,328,979)	\$ 93,872,294

Revenue from contracts with customers for the year ended December 31, 2021:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated	
New product	\$	\$	5,421,156	\$	5,421,156	
Integrated circuits	8,348,887	-	-	-	8,348,887	
Discrete	7,644,449	-	-	-	7,644,449	
Multichips	7,348,240	-	-	-	7,348,240	
Dual and quad flat no-leads	6,973,587	-	-	-	6,973,587	
12 port antennas	-	1,607,267	251,460	-	1,858,727	
8 port antennas	-	4,038.87	3,738,687	-	7,777,559	
6 port antennas	-	4,433.94	3,215,498	-	7,649,443	
Hermetics	3,402,276	-	-	-	3,402,276	
Remec manufacturing services	-	7,530.37	-	-	7,530,373	
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	-	-	5,656	
Others	-	4,053.20	454,551	-	4,507,754	
	\$	33,717,439	\$	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	5,463,128	-	29,346	-	5,488,442
Segment profit (loss) before income tax	17,946,281	6,148,682	614,270	(16,674,920)	8,034,313
Segment provision for (benefit from) income tax	241,777	(172,825)	48,596	(223,235)	(105,687)
Segment profit (loss) after income tax	\$ 17,704,504	\$ 6,321,507	\$ 565,674	\$ (16,451,685)	\$ 8,140,000

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
<b>Assets</b>					
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
<b>Liabilities</b>					
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



Revenue from contracts with customers for the year ended December 31, 2020:

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

*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	(223,235)	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
<b>Assets</b>					
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
<b>Liabilities</b>					
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

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

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):

	2022	2021	2020
USA	\$ 40,468	\$ 28,777	\$ 27,003
Europe	17,069	11,773	12,357
Asia	27,237	29,628	29,547
	\$ 84,774	\$ 70,178	\$ 68,907

## 7. CASH AND CASH EQUIVALENTS

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

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

	2022	2021
Cash on hand	\$ 239	\$ 247
Cash in banks	38,266,047	71,360,596
Cash equivalents	6,031,119	54,391
	\$ 44,297,405	\$ 71,415,234

Cash in banks earn interest at prevailing deposit rates. Cash equivalents earn 3.50% in both years.

Aggregate finance income earned and received amounted to \$77,900, \$17,090 and \$63,397 in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, unrealized foreign exchange gains (losses) recognized amounted to \$173,810, \$(625,205) and \$192,424, respectively.

## 8. TRADE AND OTHER RECEIVABLES – net

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

	2022	2021
Trade	\$ 29,634,768	\$ 46,897,711
Allowance for expected credit losses (Note 31)	(741,012)	(741,012)
	28,893,756	46,156,699
Others	7,563,843	15,235,630
	\$ 36,457,599	\$ 61,392,329

Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms.

In 2022 and 2021, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer to a financial institution. In 2022 and 2021, the Group sold its receivables amounting to \$5.5 million and \$8.03 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 \$48,526 and \$20,086 pertaining to this arrangement in 2022 and 2021, respectively.

Others include nontrade receivable from suppliers which are expected to be collected within one (1) year.

Others also include the consideration amounting to \$2,000 and \$4,205,820 for the credit sale of certain assets in 2022 and 2021, respectively, as disclosed in Note 14.

## 9. INVENTORIES – net

Details of the Group's inventories are as follows:

	2022	2021
Raw materials	\$ 48,075,743	\$ 40,809,391
Finished goods	14,581,569	12,338,413
Supplies and others	3,527,695	3,341,202
Spare parts and others	1,749,939	1,462,669
Work-in-process	554,267	1,269,967
	68,489,213	59,221,642
Allowance for inventory obsolescence	(853,778)	(453,778)
	\$ 67,635,435	\$ 58,767,864

The cost of inventories charged to expenses amounted to \$37,160,457, \$25,312,574 and \$25,926,859, in 2022, 2021 and 2020, respectively, as disclosed in Note 23.

Movements of allowance for inventory obsolescence are as follows:

	2022	2021
Balance, January 1	\$ 453,778	\$ 348,778
Provision for inventory obsolescence (Note 23)	400,000	105,000
	\$ 853,778	\$ 453,778

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:

	2022	2021
Prepaid expenses	\$ 329,319	\$ 167,981
Advances to suppliers	5,703,851	4,795,889
Loans to employees	774,612	619,406
Security deposits	179,809	179,809
Others	4,843	81,604
	<b>\$ 6,992,434</b>	<b>\$ 5,844,689</b>

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

As of December 31, 2022 and 2021, loans to employees include loans extended to key management personnel amounting to \$500,000 and \$200,000, respectively, as disclosed in Note 21.

In 2021, others include investment classified as financial asset at FVTPL which amounted to \$568. In 2022, the Group wrote off the financial asset at FVTPL, as disclosed in Note 24. As of December 31, 2022 and 2021, financial asset at FVTPL amounted to nil and \$568, 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 2018, 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, 2022 and 2021, the investee company is at start-up phase yet already ceased operations, hence, the Group wrote-off the investment. Accordingly, the cumulative net changes in fair value amounting to \$1,667,000 was transferred to retained earnings in 2021.

## 12. OTHER FINANCIAL ASSETS AT AMORTIZED COST

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

	<b>2022</b>		<b>2021</b>	
Current				
Time deposit	\$	-	\$	19,862
Non-current				
Government bonds		<b>479,182</b>		<b>478,876</b>
	\$	<b>479,182</b>	\$	<b>498,738</b>

The time deposit with face value amounting to \$19,862 was acquired on March 4, 2021 with 357 days term. In 2022, 2021 and 2020 finance income earned and received from the time deposit amounted to nil, \$182 and \$164, respectively.

On April 22, 2021, the Group acquired government bonds amounting to \$478,876 which will mature on February 24, 2028. 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 \$8,909 or P500,000 and additional securities with market values equivalent to a certain percentage of the amount of Branch's gross income exceeds \$178,190 or P10,000,000. In 2022 and 2021, the bond amounting to \$19,556 and \$456,055, respectively, was redeemed. Effective interest rates per annum amounts to 3.57% in both years.

The matured bond in 2021 pertains also to government bonds 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 P100,000 and additional securities with market values equivalent to a certain percentage of the amount of Branch's gross income exceeds \$100,000 or P5,000,000. The said bond bears an effective interest rate of 1.948% per annum.

Finance income earned from the government bonds amounted to \$6,885, \$6,233 and \$8,851 in 2022, 2021 and 2020, respectively. Finance income received from the government bonds amounted to \$6,885, \$6,233 and \$11,669 in 2022, 2021 and 2020, respectively.

### 13. ASSETS HELD FOR SALE

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 on December 15, 2021. The assets sold includes a 40,000 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.

As of December 31, 2022 and 2021, assets held for sale amounted to nil.

**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
<b>January 1, 2021</b>							
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)
<b>Carrying amount</b>	<b>33,843,615</b>	<b>2,449,102</b>	<b>5,183,952</b>	<b>101,038</b>	<b>27,435</b>	<b>346,699</b>	<b>41,951,841</b>
<b>Movements during 2021</b>							
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
	<b>33,059,623</b>	<b>1,907,343</b>	<b>5,281,507</b>	<b>26,709</b>	<b>42,512</b>	<b>346,699</b>	<b>40,664,393</b>
<b>December 31, 2021</b>							
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)
<b>Carrying amount</b>	<b>\$ 33,059,623</b>	<b>\$ 1,907,343</b>	<b>\$ 5,281,507</b>	<b>\$ 26,709</b>	<b>\$ 42,512</b>	<b>\$ 346,699</b>	<b>\$ 40,664,393</b>



Continuation:

	Machinery and Equipment	Building and Improvements	Facility and Production Tools	Furniture, Fixtures, and Equipment	Transportation Equipment	Construction in Progress	Total
<b>Movements during 2022</b>							
Balance, January 1, 2022	\$ 33,059,623	\$ 1,907,343	\$ 5,281,507	\$ 26,709	\$ 42,512	\$ 346,699	\$ 40,664,393
Cost:							
Additions	16,346,566	-	1,122,472	108,243	-	-	17,577,281
Disposal	(188,260)	-	-	(138,902)	-	-	(327,162)
Accumulated Depreciation:							
Depreciation (Notes 23 and 24)	(3,260,602)	(539,111)	(1,243,324)	(112,513)	(10,302)	-	(5,165,852)
Disposal	187,634	-	-	138,902	-	-	326,536
Balance, December 31, 2022	46,144,961	1,368,232	5,160,655	22,439	32,210	346,699	53,075,196
<b>December 31, 2022</b>							
Cost	92,652,749	9,387,572	15,845,703	1,778,762	184,360	346,699	120,195,845
Accumulated depreciation	(46,507,788)	(8,019,340)	(10,685,048)	(1,756,323)	(152,150)	-	(67,120,649)
Carrying amount	\$ 46,144,961	\$ 1,368,232	\$ 5,160,655	\$ 22,439	\$ 32,210	\$ 346,699	\$ 53,075,196

In both years, additions were all paid in cash.

In 2021, the Group sold on account the machinery and equipment with carrying amount of \$4,205,820 for the same amount, as disclosed in Note 8. No gain or loss was incurred in this transaction.

In 2022, disposals pertain to the credit sale of obsolete property and equipment with carrying amount of \$626 for a consideration of \$2,000, as disclosed in Note 8, which resulted to a gain of \$1,374, as disclosed in Note 27.

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:

	2022	2021
Goodwill	\$ 55,541,157	\$ 55,541,157
Customer relationships	23,736,500	23,736,500
Trademark	7,472,800	7,472,800
Technology costs	-	685,370
Product development costs	9,069,547	6,344,125
	<b>\$ 95,820,004</b>	<b>\$ 93,779,952</b>

##### Goodwill

The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition, the Group recognized goodwill amounting to \$55,541,157 as of December 31, 2022 and 2021.

##### 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 Costs

Movements of technology costs are as follows:

	2022	2021
<b>Carrying amount</b>		
Cost	\$ 5,874,600	\$ 5,874,600
Accumulated amortization	(5,189,230)	(4,014,310)
	<b>685,370</b>	<b>1,860,290</b>
<b>Movements during the year</b>		
Balance, January 1	685,370	1,860,290
Amortization (Notes 23)	(685,370)	(1,174,920)
Balance, December 31	\$ -	\$ 685,370

The fair values of the Quintel's technology costs 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 costs will have an economic life of five (5) years.

### Trademark

Trademark is estimated to have an indefinite useful life.

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

### Product Development Cost

Movements of product development cost are as follows:

	2022	2021
<b>Carrying amount</b>		
Cost	\$ 9,350,051	\$ 7,391,310
Accumulated amortization	(3,005,926)	(1,929,935)
	<b>6,344,125</b>	<b>5,461,375</b>
<b>Movements during the year</b>		
Balance, January 1	6,344,125	5,461,375
Additions	4,186,933	1,958,741
Amortization (Notes 23)	(1,461,511)	(1,075,991)
Balance, December 31	\$ 9,069,547	\$ 6,344,125

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.

Additions in all years were paid in cash.

The Group has determined that there is no indication that an impairment loss has occurred on its product development cost.

### Software

As of December 31, 2022 and 2021, 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, 2022 and 2021 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2022	2021
Discount rate	10%	10%
Terminal growth rate	1.5%	1.5%
Revenue growth rates	3%-15%	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, 2022 and 2021.

## 16. RIGHT-OF-USE ASSETS – net

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

	2022	2021
<b>January 1</b>		
Cost	\$ 832,633	\$ 509,015
Accumulated depreciation	(266,343)	(66,006)
<b>Carrying amount</b>	<b>566,290</b>	<b>443,009</b>
<b>Movements during the year</b>		
Balance, January 1	566,290	443,009
Additions	-	-
Depreciation (Notes 23 and 24)	(217,028)	(200,337)
<b>Carrying amount</b>	<b>349,262</b>	<b>566,290</b>
<b>December 31</b>		
Cost	832,633	832,633
Accumulated depreciation	(483,371)	(266,343)
<b>Carrying amount</b>	<b>\$ 349,262</b>	<b>\$ 566,290</b>

As of December 31, 2022 and 2021, lease liabilities related to right-of-use asset amounted to \$359,373 and \$591,422, respectively, as disclosed in Note 20.

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:

	2022	2021
Advances to suppliers	\$ 4,202,486	\$ 4,862,663
Rental deposit (Note 25)	1,122,859	1,235,609
Miscellaneous deposits	168,012	177,909
Others	239,038	8,372
	<b>\$ 5,732,395</b>	<b>\$ 6,284,553</b>

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

In 2022, 2021 and 2020 unrealized foreign exchange gain (loss) amounted to \$(26,402), \$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:

	2022	2021
Trade	\$ 19,419,971	\$ 17,268,313
Accruals	4,326,357	3,422,768
Contract liabilities (Note 22)	1,561,738	1,906,600
Provisions	535,571	435,022
Others	329,052	485,639
	<b>\$ 26,172,689</b>	<b>\$ 23,518,342</b>

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 \$426,314, \$354,254 and \$447,778 as of December 31, 2022, 2021 and 2020, 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:

	2022	2021
Balance at January 1	\$ 435,022	\$ 469,297
Provisions for warranty claims (Note 27)	100,549	-
Reversal of warranty claims (Note 27)	-	(34,275)
Balance at December 31	<b>\$ 535,571</b>	<b>\$ 435,022</b>

## 19. LOANS PAYABLE

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

	Current	Non-current	Total
<b>December 31, 2022</b>			
Short-term loans (Note 19.01)	\$ 28,472,196	\$ -	\$ 28,472,196
Long-term loans (Note 19.02)	7,147,134	25,675,615	32,822,749
	<b>\$ 35,619,330</b>	<b>\$ 25,675,615</b>	<b>\$ 61,294,945</b>
<b>December 31, 2021</b>			
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
	<b>\$ 58,852,174</b>	<b>\$ 32,836,942</b>	<b>\$ 91,689,116</b>

## 19.01 Short-term Loans

Details of short-term loans are as follows:

	2022	2021
Rizal Commercial Banking Corporation (RCBC)	\$ 11,469,528	\$ 17,782,645
United Coconut Planters Bank (UCPB)	4,239,803	5,000,000
Shinhan Bank – Manila Branch	2,100,000	2,600,000
Security Bank Corporation (SBC)	-	2,450,000
	\$ 17,809,331	\$ 27,832,645
Commercial paper	10,662,865	13,627,719
	\$ 28,472,196	\$ 41,460,364

### 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% in both years.
- Revolving loan facilities with UCPB have payment terms of 180 days. The facilities charged interest of 4.75% and nil per annum in both years.
- 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. In 2022, the term of loan was extended until August 30, 2023 with interest rate of 4.50% per annum.
- Revolving loan facilities with SBC have payment terms ranging from 30 to 365 days. The facilities charged interest of 7% in both years.

### 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 (P2,000,000,000) 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 P275,000,000 or \$5,421,176.

On July 15, 2020, listing of re-issued CP maturing on February 18, 2021 amounted to P494,000,000 or \$9,892,861.

On September 1, 2020, listing of reissued CP maturing on February 18, 2021 amounted to P545,200,000 or \$11,245,179.

The issuance of Series D and E will carry discount rates of 4.000% and 4.250%, respectively, calculated on a true-discount basis having the following tenors of 182 days and 364 days, respectively. Philippine Commercial Capital as a Sole Arranger and Lead Underwriter.

On April 28, 2021, listing of re-issued CP maturing on April 28, 2023 amounted to P1,000,000,000 or \$20,643,414.

The issuance of Series F and G will carry discount rates of 6.887% and 7.770%, respectively, calculated on a true-discount basis having the following tenors of 182 days and 364 days, respectively. Philippine Commercial Capital as a Sole Arranger and Lead Underwriter.

On December 6, 2022, listing of re-issued CP maturing June 6, 2023 amounted to P293,800,000 or \$5,235,210.

Also, on December 6, 2022, listing of re-issued CP maturing December 5, 2023 amounted to P304,600,000 or \$5,427,655.

Movements of the short-term loans are as follows:

	2022	2021
Balance at January 1	\$ 41,460,364	\$ 86,039,146
Proceeds from availment of loan	10,662,865	22,993,324
Unrealized foreign exchange gain	(93,978)	(1,170,198)
Loan repayments	(23,557,055)	(66,401,908)
Balance at December 31	\$ 28,472,196	\$ 41,460,364

In 2022, 2021 and 2020, finance costs incurred and paid on short-term loans amounted to \$1,446,663, \$1,892,161 and \$2,494,715, 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, 2022 and 2021.



## 19.02 Long-term Loans

Details of long-term loans are as follows:

	Current	Non-current	Total
<b>December 31, 2022</b>			
Principal			
2018 NFA	\$ 7,200,000	\$ 25,800,000	\$ 33,000,000
Deferred finance cost	(52,866)	(124,385)	(177,251)
	<b>\$ 7,147,134</b>	<b>\$ 25,675,615</b>	<b>\$ 32,822,749</b>
<b>December 31, 2021</b>			
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)
	<b>\$ 17,391,810</b>	<b>\$ 32,836,942</b>	<b>\$ 50,228,752</b>

Movements of long-term loans are as follows:

	2022	2021	2020
Balance at January 1	\$ 50,228,752	\$ 57,681,785	\$ 61,940,920
Loan repayments	(17,406,003)	(7,453,033)	(4,259,135)
Balance at December 31	<b>\$ 32,822,749</b>	<b>\$ 50,228,752</b>	<b>\$ 57,681,785</b>

Movements of deferred financing costs are as follows:

	2022	2021	2020
Balance at January 1	\$ 271,248	\$ 318,215	\$ 309,082
Transaction costs recognized during the year	3,348,700	3,155,748	3,309,923
Amortization	(3,442,697)	(3,202,715)	(3,300,790)
Balance at December 31	<b>\$ 177,251</b>	<b>\$ 271,248</b>	<b>\$ 318,215</b>

### 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 5<sup>th</sup> quarter until end of the 16<sup>th</sup> 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 17<sup>th</sup> 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, 2022 and 2021 amounted to nil and \$14,410,357, 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 1<sup>st</sup> year until the end of the 28<sup>th</sup> 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 \$32,822,749 and \$35,818,395 as of December 31, 2022 and 2021, 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.

Finance costs from long term loans (including amortization of deferred financing costs) amounted to \$3,264,925, \$3,596,281, and \$2,880,512 in 2022, 2021 and 2020, respectively. In 2022, 2021 and 2020, finance cost paid amounted to \$3,192,865, \$3,689,805 and \$3,066,870, respectively.

Total finance costs for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to \$4,711,588, \$5,488,442, and \$5,375,227 in 2022, 2021, and 2020, respectively.

As of December 31, 2022, 2021, and 2020, accrued interest payable amounted to \$426,314, \$354,254 and \$447,778, respectively, as disclosed in Note 18. In 2022, 2021 and 2020, finance cost paid amounted to \$4,639,528, \$5,581,966 and \$5,561,585, respectively.

The Group is in compliance with the debt covenants as of December 31, 2022 and 2021.

## 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	
	2022	2021	2022	2021
Not later than one (1) year	\$ 169,407	\$ 126,337	\$ 163,484	\$ 123,800
Later than one (1) year but not later than five (5) years	104,605	345,160	99,584	339,677
Later than five (5) years	120,877	129,380	96,305	127,945
	<b>394,889</b>	<b>600,877</b>	<b>359,373</b>	<b>591,422</b>
Discount	(35,516)	(9,455)	-	-
Present value of minimum lease payments	<b>359,373</b>	<b>591,422</b>	<b>359,373</b>	<b>591,422</b>
Current lease liabilities	<b>163,484</b>	<b>447,419</b>	<b>163,484</b>	<b>447,419</b>
Non-current lease liabilities	\$ 195,889	\$ 144,003	\$ 195,889	\$ 144,003

Movement in the lease liabilities is as follows:

	2022	2021
Balance, January 1	\$ 591,422	\$ 464,883
Additions	-	312,332
Finance incurred	5,924	4,032
Finance cost paid	(5,924)	(4,032)
Lease payments	(232,049)	(185,793)
Balance, December 31	\$ 359,373	\$ 591,422

The Group used its incremental borrowing rate of 5.0% to 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 statements of financial position are summarized per category as follows:

#### 21.01.01 Under Common Control

Transactions with under common control are detailed as follows:

	December 31, 2022		December 31, 2021	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Cayon</b>				
Advances	\$ 149,557	\$ 341,127	\$ -	\$ 191,570

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.

#### 21.01.02 Key Management Personnel

Transactions with key management personnel pertains to granted loan amounting to \$500,000 and \$200,000 as of December 31, 2022 and 2021, respectively, as disclosed in Note 10. 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 statements of financial position are summarized per category as follows:

### 21.02.01 Under Common Control

Transactions with under common control are detailed as follows:

		December 31, 2022		December 31, 2021	
		Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
<b>CLC</b>					
Rental	\$	13,535	\$ 482,609	\$ 1,199	\$ 469,074
<b>Cayon</b>					
Rental		10,929	132,254	6,247	121,325
	\$	24,464	\$ 614,863	\$ 7,446	\$ 590,399

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 16 years starting January 1, 2019. The lease agreement provided for an annual rental of \$0.01 Million subject to periodic adjustments upon mutual agreement of both parties. 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, 2019 to lease the land where the Group's Building 2 is located. The agreement calls for a fixed annual rate of \$0.01 Million for a period of five (5) 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, 2022		December 31, 2021	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
<b>Stockholders</b>				
Advances	\$ -	\$ 35,928	\$ -	\$ 35,928

The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given.

### **21.03 Remuneration of Key Management Personnel**

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

	2022	2021	2020
Short-term benefits	\$ 1,361,738	\$ 1,171,546	\$ 1,788,483
Post-employment benefit	6,770	6,160	6,160
Balance at December 31	\$ 1,368,508	\$ 1,177,706	\$ 1,794,643



## 22. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below is the disaggregation of the Group's revenue from contracts with customers in 2022, 2021 and 2020, respectively:

	2022	2021	2020
New product	\$ 21,037,040	\$ 5,421,156	\$ 10,249,616
Integrated circuits	10,612,101	8,348,887	3,259,032
Discrete	9,392,849	7,644,449	5,947,718
Multichips	7,492,468	7,348,240	7,516,411
Dual and quad flat no-leads	7,177,873	6,973,587	4,535,365
Analog	4,522,742	-	-
12 port antennas	4,236,293	1,858,726	1,894,914
16 port antennas	4,143,774	-	-
8 port antennas	4,001,015	7,777,559	10,995,245
6 port antennas	3,533,476	7,649,443	13,694,010
Hermetics	2,907,325	3,402,277	2,145,934
Microwave Network Inc.	1,576,816	-	-
Remec manufacturing services	678,391	7,530,373	4,326,585
Indoor radio frequency unit	601,094	567,476	1,587,150
Cougar	384,794	554,605	357,147
10 port antennas	225,219	79,467	73,762
Brackets	155,783	367,437	429,204
NRE additional service costs	146,654	-	-
Outdoor unit	62,178	140,536	125,347
QPCBA	3,021	-	-
Bridgewave	2,519	5,656	9,273
Others	1,881,049	4,507,754	1,760,485
	<b>\$ 84,774,474</b>	<b>\$ 70,177,628</b>	<b>\$ 68,907,198</b>

The Group has no contract assets as of December 31, 2022 and 2021.

The Group's contract liabilities pertain to advance payments from customers amounting to \$1,561,738 and \$1,906,600 as at December 31, 2022 and 2021, respectively, as disclosed in Note 18.

## 23. COST OF SALES

Components of cost of sales account are as follows:

	2022	2021	2020
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 9)	\$ 37,160,457	\$ 25,312,574	\$ 25,926,859
Salaries, wages and employees' benefits (Note 26)	8,893,044	9,751,676	9,420,010
Depreciation and amortization (Notes 14, 15 and 16)	7,449,742	6,994,565	6,647,115
Utilities	5,255,433	3,407,920	3,243,461
Inward freight and duties and others	3,736,993	4,181,029	3,026,216
	<b>\$ 62,495,669</b>	<b>\$ 49,647,764</b>	<b>\$ 48,263,661</b>

Provision for inventory obsolescence, as disclosed in Note 9, recognized as cost of sales.

## 24. OPERATING EXPENSES

The account is composed of the following expenses:

	2022	2021	2020
Salaries, wages and employees' benefits (Note 26)	\$ 4,845,078	\$ 3,361,073	\$ 3,752,752
Commissions	1,356,912	713,636	866,204
Professional fees	793,332	976,574	953,427
Taxes and licenses	422,797	696,721	411,891
Utilities	279,066	306,887	495,906
Entertainment, amusements and recreation	166,086	112,948	178,338
Transportation and travel	127,289	100,397	107,662
Insurance	115,243	93,741	100,761
Depreciation and amortization (Notes 14, 15 and 16)	80,019	306,483	664,284
Supplies	27,414	36,004	17,600
Others	1,438,236	1,453,654	427,976
	<b>\$ 9,651,472</b>	<b>\$ 8,158,118</b>	<b>\$ 7,976,801</b>

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

Other expenses pertain to repairs and maintenance and bank charges. In 2022, others include wrote off of financial asset at FVTPL amounting to \$568, as disclosed in Note 10.

## **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 consolidated statements of financial position as a right-of-use assets and a lease liabilities. 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 right-of-use assets and lease liabilities.

### **25.01 The Group as a Lessee**

#### **25.01.01 Cirtex Land Corporation**

The Group entered into a lease agreement with Cirtex 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 five (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 \$1,122,859 and \$1,235,609 as of December 31, 2022 and 2021, respectively, as disclosed in Notes 17.

#### **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 three (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, 2022 and 2021, the Group's ROU assets amounted to \$349,262 and \$556,290, respectively, as disclosed in Note 16.

### Lease Liabilities

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

	2022	2021
Current	\$ 163,484	\$ 447,419
Non-current	195,889	144,003
	<b>\$ 359,373</b>	<b>\$ 591,422</b>

## **26. EMPLOYEE BENEFITS**

Aggregate employee benefits expense comprised:

	2022	2021	2020
Short-term benefits (Note 26.01)	\$ 13,468,134	\$ 12,823,453	\$ 12,950,938
Retirement benefits (Note 26.02)	269,988	289,296	221,824
	<b>\$ 13,738,122</b>	<b>\$ 13,112,749</b>	<b>\$ 13,172,762</b>

### **26.01 Short-term Benefits**

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

	2022	2021	2020
Salaries, wages and other labor costs	\$ 11,813,006	\$ 11,298,158	\$ 11,193,955
SSS, PHIC and HDMF contributions	1,655,128	1,525,295	1,756,983
	<b>\$ 13,468,134</b>	<b>\$ 12,823,453</b>	<b>\$ 12,950,938</b>

### **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:

<b>December 31, 2022</b>				
	<b>CEC</b>		<b>CATS – Philippine Branch</b>	<b>Total</b>
Current service cost	\$	<b>269,988</b>	\$ -	\$ <b>269,988</b>
Net interest cost		-	-	-
	\$	<b>269,988</b>	\$ -	\$ <b>269,988</b>
<b>December 31, 2021</b>				
	<b>CEC</b>		<b>CATS – Philippine Branch</b>	<b>Total</b>
Current service cost	\$	<b>289,296</b>	\$ -	\$ <b>289,296</b>
Net interest cost		-	-	-
	\$	<b>289,296</b>	\$ -	\$ <b>289,296</b>
<b>December 31, 2020</b>				
	<b>CEC</b>		<b>CATS – Philippine Branch</b>	<b>Total</b>
Current service cost	\$	<b>187,190</b>	\$ <b>74,027</b>	\$ <b>261,217</b>
Net interest cost		<b>99,530</b>	<b>(138,923)</b>	<b>(39,393)</b>
	\$	<b>286,720</b>	\$ <b>(64,896)</b>	\$ <b>221,824</b>

### 26.02.03 Retirement Benefit Obligation

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

December 31, 2022			
		CATS – Philippine Branch	Total
Present value of defined benefit obligation	\$ 2,163,855	\$ -	\$ 2,163,855
Fair value of plan assets	(443,874)	-	(443,874)
	\$ 1,719,981	\$ -	\$ 1,719,981

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

### 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, 2022			
	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	\$ 3,146,979	\$ -	\$ 3,146,979
Current service cost	190,670	-	190,670
Interest cost (income)	120,564	-	120,564
Benefits paid from plan assets	(211,688)	-	(211,688)
Benefits paid from working capital	(168,903)	-	(168,903)
Translation adjustments	(606,967)	-	(606,967)
Actuarial gains	(306,800)	-	(306,800)
	\$ 2,163,855	\$ -	\$ 2,163,855

In 2022, the Group recognized retirement benefit gain amounting to \$2,287,446, as disclosed in Note 27.

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

#### 26.02.05 Fair Value of Plan Assets

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

	2022	2021
Opening fair value of plan assets	\$ 623,492	\$ 665,538
Interest income included in net interest cost	41,246	-
Remeasurement losses (gains)	116,904	(42,046)
Benefits paid from plan assets	(211,687)	-
Return on plan assets	(304,348)	-
Translation difference	178,267	-
	\$ 443,874	\$ 623,492

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

#### 26.02.06 Remeasurement Losses (Gains)

In 2022, 2021 and 2020, remeasurement losses (gains) recognized in other comprehensive income amounted to \$1,856,791, nil and \$(2,272,271), respectively. As of December 31, 2022 and 2021, other comprehensive income amounted to \$1,175,507 and \$3,032,298, respectively.

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

	2022		2021	
	CEC	CATS – Philippine Branch	CEC	CATS – Philippine Branch
Discount rate	7.30%	7.20%	5.06%	5.06%
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 2022 and 2021 are as follows:

	2022		2021	
	Impact on Defined Benefit Obligation			
	Change in Assumption	Increase in Assumption	Change in Assumption	Decrease in Assumption
Discount rate	+ 1.00%	\$ (173,108)	+ 1.00%	\$ (315,405)
	-1.00%	194,746	-1.00%	374,269
Expected rate of salary increase	+ 1.00%	194,746	+ 1.00%	373,092
	-1.00%	(173,108)	-1.00%	(320,228)

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, 2022. 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:

	More than 1 year to 5 years	5 to less than 20 years	20 years and above	Total
<b>December 31, 2022</b>				
Undiscounted amount	\$ 223,515	\$ 784,009	\$ 294,100	\$ 1,301,624
<b>December 31, 2021</b>				
Undiscounted amount	\$ 243,001	\$ 789,138	\$ 474,759	\$ 1,506,898

#### 26.02.07 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 \$.08 million in both years.

Quintel Technology, Ltd. has a defined contribution plan covering substantially all UK employees. In both years, Quintel Technology, Ltd. made contribution amounting to \$.02 million.



## 27. OTHER INCOME (EXPENSES) – net

The account is composed of the following:

	2022	2021	2020
Retirement benefit gain (Note 26)	\$ 2,287,446	\$ -	\$ -
Foreign exchange gain (loss) – net	892,762	598,983	(1,217,394)
Gain (Loss) on sale of asset (Notes 13 and 14)	1,374	(674,298)	-
Gain on condonation of loan (Note 19)	-	748,700	-
Gain (loss) on sale of scrap	(20,232)	23,072	-
Others – net	848,077	435,079	897,590
	<u>\$ 4,009,427</u>	<u>\$ 1,131,536</u>	<u>\$ (319,804)</u>

Others include reversal (provision) of warranty claims amounting to \$(100,549), \$34,275 and \$397,651 in 2022, 2021 and 2020, 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 income tax expense (benefit) are as follows:

	2022	2021	2020
Current	\$ 722,711	\$ 791,442	\$ 498,594
Deferred	(61,948)	(897,129)	(51,689)
	<u>\$ 660,763</u>	<u>\$ (105,687)</u>	<u>\$ 446,905</u>

The provision for current income tax in 2022, 2021 and 2020 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

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

	2022	2021	2020
Profit before tax	\$ 12,004,033	\$ 8,034,313	\$ 7,044,117
Income tax at applicable statutory rate	(24,495)	2,380,191	3,752,747
Tax effects of:			
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for no deferred income tax assets were recognized	(9,270)	2,850,220	1,312,594
Taxable income subject to 5%	772,953	689,962	-
Nondeductible expenses	36,914	22,636	74,294
Income subject to higher tax rate	-	-	(21,724)
Translation difference and others	-	(2,167,821)	1,617
Non-taxable income	(115,339)	(3,880,875)	(4,672,623)
	\$ 660,763	\$ (105,687)	\$ 446,905

In 2022, 2021 and 2020, 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, nil and \$6.5 million, respectively.

The components of the net deferred tax assets and liabilities of the Group as of December 31, 2022 and 2021 are as follows:

### 28.03 Deferred tax assets

	2022	2021
Deferred income tax assets recognized in profit or loss:		
Retirement benefit obligation	\$ 282,549	\$ 208,724

### 28.04 Deferred tax liabilities

	2022	2021
Deferred tax assets (liabilities) recognized in business combination:		
Intangible assets	\$ (7,204,421)	\$ (7,204,421)
NOLCO	3,528,204	3,528,204
Accrued expenses	755,852	84,211
	\$ (2,920,365)	\$ (3,592,006)
Deferred tax assets (liabilities) recognized in profit or loss:		
Net fair value gain on change in fair market value of investment properties	-	448,405
	\$ (2,920,365)	\$ (3,143,601)

The Group's NOLCO and MCIT for which no deferred 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 tax assets can be utilized are as follows:

	2022	2021
NOLCO		
Parent Company	\$ 17,755,498	\$ 11,886,060
RBWRP	1,229,800	1,013,639
Quintel	32,764,855	32,764,855
MCIT	7,951	66,329

As of December 31, 2022, the Parent Company and RBWRP incurred NOLCO and MCIT that can be claimed as deduction from future taxable income as follows:

#### Parent Company

Details of NOLCO not covered by Revenue Regulation (RR) No. 25-2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2019	\$ 856,786	\$ -	\$ -	\$ 856,786	\$ -	2022
2022	6,726,224	-	-	-	6,726,224	2025
	\$ 7,583,010	\$ -	\$ -	\$ 856,786	\$ 6,726,224	

Details of NOLCO covered by Revenue Regulation No. 25-2020 is as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2020	\$ 3,838,613	\$ -	\$ -	\$ -	\$ 3,838,613	2025
2021	7,190,661	-	-	-	7,190,661	2026
	<b>\$ 11,029,274</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,029,274</b>	

Details of MCIT are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2019	\$ 60,000	\$ -	\$ -	\$ 60,000	\$ -	2022
2020	6,329	-	-	-	6,329	2023
2021	1,622	-	-	-	1,622	2024
	<b>\$ 67,951</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,000</b>	<b>\$ 7,951</b>	

#### RBWRP

Details of NOLCO not covered by Revenue Regulation (RR) No. 25-2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2019	\$ 2,432	\$ -	\$ -	\$ 2,432	\$ -	2022
2022	218,593	-	-	-	218,593	2025
	<b>\$ 221,025</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,432</b>	<b>\$ 218,593</b>	

Details of NOLCO covered by RR No. 25-2020 is as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2020	\$ 1,430	\$ -	\$ -	\$ -	\$ 1,430	2025
2021	1,009,777	-	-	-	1,009,777	2026
	<b>\$ 1,011,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,011,207</b>	

The Bureau of Internal Revenue (BIR) has 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 (3) 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 statements balances as of reporting date.

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE Act), was passed into law. The salient provisions of the CREATE Act applicable to the Bank are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

## 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:

	2022	2021	2020
Net income	\$ 11,343,270	\$ 8,140,000	\$ 6,597,212
Adjustment on dividends declared:			
Preferred A shares	-	(8,541)	(8,537)
Preferred B-1 shares	-	(89,280)	(89,280)
Preferred B-2 shares	(4,103,752)	(4,103,752)	(4,103,750)
Preferred B-2B shares	(1,200,000)	(1,200,000)	-
Preferred B-2C shares	(1,263,223)	-	-
Preferred B-2D shares	(2,135,069)	-	-
Net income attributable to common shareholders of the Group	\$ 2,641,226	\$ 2,738,427	\$ 2,395,645
Weighted average number of ordinary shares for the purposes of basic earnings per share	668,505,825	668,505,825	419,063,353

The Group's earnings per share are \$0.0040, \$0.0041 and \$0.0057 in 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, 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, 2022 and 2021, the carrying value of the Group's financial assets and liabilities, excluding financial assets at FVOCI because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

*Cash and cash equivalents, trade and other receivables, loans to employees 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*

The financial asset at FVTPL are stated at their fair value based on lowest level input (Level 1).

### *Financial assets at FVOCI*

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 lease liabilities is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rate used was 5.0% to 5.5% in 2022 and 2021 (Level 3).

### *Long-term Loans*

The fair value of long-term loans are 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 2022 and 2021 (Level 3).

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Other financial assets at amortized cost	\$ 479,182	\$ -	\$ -	\$ 479,182
Long-term loans	-	-	32,822,749	32,822,749
December 31, 2021				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets				
FVTPL	\$ 568	\$ -	\$ -	\$ 568
Financial assets measured at fair value:				
Other financial assets at amortized cost	\$ 478,876	\$ -	\$ -	\$ 478,876
Long-term loans	-	-	50,228,752	50,228,752

### **31. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's principal financial instruments comprise of cash, short term loans and long-term loans. 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 and loans to employees, security deposits (presented as part of prepayment and other current assets), rental deposits, loans to employees and miscellaneous deposits (presented under other noncurrent assets), trade and other payables, due to related parties 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, 2022 and 2021 are follows:

**December 31, 2022:**

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
<b>Amortized cost</b>					
Cash in banks and cash equivalents	\$ 44,297,166	\$ -	\$ -	\$ -	\$ 44,297,166
Trade and other receivables	-	-	741,012	36,457,599	37,198,611
Due from related parties	341,127	-	-	-	341,127
Other current assets:					
Loans to employees	774,612	-	-	-	774,612
Security deposit	179,809	-	-	-	179,809
Other financial assets at amortized cost	479,182	-	-	-	479,182
Rental deposits	1,122,859	-	-	-	1,122,859
Miscellaneous deposits	168,012	-	-	-	168,012
	<b>\$ 47,362,767</b>	<b>\$ -</b>	<b>\$ 741,012</b>	<b>\$ 36,457,599</b>	<b>\$ 84,561,378</b>

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, 2022.

**Trade receivables and other receivables**

	Days past due					Impaired Financial Assets	Totals
	Current	< 30 days	30-60 days	61-90 days	> 91 days		
Expected credit loss rate	0%	0%	0%	0%	0%	15.05%	
Estimated total gross carrying amount at default	14,817,450	2,571,987	3,663,286	9,375,172	1,847,521	4,923,195	37,198,611
Expected credit loss	\$ -	\$ -	\$ -	\$ -	\$ -	741,012	741,012

December 31, 2021:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
<b>Amortized cost</b>					
Cash in banks and cash equivalents	\$ 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
Other non-current assets:					
Rental deposits	1,235,609	-	-	-	1,235,609
Miscellaneous deposits	177,909	-	-	-	177,909
	\$ 74,318,028	\$ -	\$ 741,012	\$ 61,392,329	\$ 136,451,369

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					Impaired Financial Assets	Totals
	Current	<30 days	30-60 days	61-90 days	>91 days		
Expected credit loss rate	0%	0%	0%	0%	0%	18.54%	
Estimated total gross carrying amount at default	20,894,736	19,457,883	15,529,347	2,254,954	-	3,996,421	62,133,341
Expected credit loss	\$-	\$-	\$-	\$-	-	741,012	\$741,012

**December 31, 2022:**

Days Past due							
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks and cash equivalents	\$44,297,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$44,297,166
Trade and other receivables	14,817,450	2,571,987	3,663,286	9,375,172	6,770,716	(741,012)	36,457,599
Due from parties	341,127	-	-	-	-	-	341,127
Other Current assets:							
Financial asset at FVTPL	568	-	-	-	-	-	568
Loans to employees	774,612	-	-	-	-	-	774,612
Security Deposit	179,809	-	-	-	-	-	179,809
Other financial asset at amortized cost	479,182	-	-	-	-	-	479,182
Other noncurrent assets:							
Rental deposit	1,122,859	-	-	-	-	-	1,122,859
Miscellaneous deposits	168,012	-	-	-	-	-	168,012
	<b>\$62,180,785</b>	<b>\$2,571,987</b>	<b>\$3,663,286</b>	<b>\$9,375,172</b>	<b>\$ 6,770,716</b>	<b>\$ (741,012)</b>	<b>\$83,820,934</b>

**December 31, 2021**

Days Past due							
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks and cash equivalents	\$ 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	191,570	-	-	-	-	-	191,570
Other Current assets:							
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:							
Rental deposits	1,235,609	-	-	-	-	-	1,235,609
Miscellaneous deposits	177,909	-	-	-	-	-	177,909
	<b>\$95,213,332</b>	<b>\$19,457,883</b>	<b>\$15,529,347</b>	<b>\$2,254,954</b>	<b>\$ 3,996,421</b>	<b>\$ (741,012)</b>	<b>\$135,710,925</b>

The tables below summarize the credit quality per class of the Group's financial assets that are neither past due nor impaired:

**December 31, 2022**

Neither Past due nor Impaired				
	High Grade	Medium Grade	Low Grade	Total
Cash	\$ 44,297,405	\$ -	\$ -	\$ 44,297,405
Trade and other receivables	14,817,450	-	-	14,817,450
Due from related parties	-	341,127	-	341,127
Other current assets:				
Financial asset at FVTPL	568	-	-	568
Loans to employees	774,612	-	-	774,612
Security Deposit	179,809	-	-	179,809
Other financial assets at amortized cost	479,182	-	-	479,182
Other noncurrent assets:				
Rental deposit	1,122,859	-	-	1,122,859
Miscellaneous deposits	168,012	-	-	168,012
	\$61,839,897	\$ 341,127	\$ -	\$62,181,024

**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	-	191,570	-	191,570
Other Current assets:				
Financial asset at FVTPL	568	-	-	568
Loans to employees	619,406	-	-	619,406
Security Deposit	179,809	-	-	179,809
Other financial assets at amortized cost	498,738	-	-	498,738
Other noncurrent assets:				
Miscellaneous deposits	177,909	-	-	177,909
Rental deposit	1,235,609	-	-	1,235,609
	\$ 95,022,009	\$ 191,570	\$ -	\$ 95,213,579

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, 2022

	On Demand	Less than one (1) year	One (1) to two (2) years	More than two (2) years	Total
<b>December 31, 2022</b>					
Cash and cash equivalents	\$ 44,297,405	\$ -	\$ -	\$ -	\$ 44,297,405
Trade and other receivables	-	36,457,559	-	-	36,457,559
Due from related parties	341,127	-	-	-	341,127
	<b>\$ 44,638,532</b>	<b>\$ 36,457,559</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,096,091</b>
<b>Trade and other payables:</b>					
Trade payables	\$ -	\$ 19,419,971	\$ -	\$ -	\$ 19,419,971
Accrued expense	-	4,326,357	-	-	4,326,357
Short-term loans	-	28,472,196	-	-	28,472,196
Due to related parties	650,791	-	-	-	650,791
Dividend payable	126,955	-	-	-	126,955
Long-term debts	-	7,147,134	3,000,000	22,675,615	32,922,749
	<b>\$ 777,746</b>	<b>\$ 59,365,658</b>	<b>\$ 3,000,000</b>	<b>\$ 22,675,615</b>	<b>\$ 85,919,019</b>

### December 31, 2021

	On Demand	Less than one (1) year	One (1) to two (2) years	More than two (2) years	Total
<b>December 31, 2021</b>					
Cash and cash equivalents	\$ 71,415,234	\$ -	\$ -	\$ -	\$ 71,415,234
Trade and other receivables	-	61,392,329	-	-	61,392,329
Due from related parties	191,570	-	-	-	191,570
	<b>\$ 71,606,804</b>	<b>\$ 61,392,329</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 132,999,133</b>
<b>Trade and other payables:</b>					
Trade payables	\$ -	\$ 17,268,313	\$ -	\$ -	\$ 17,268,313
Accrued expense	-	3,422,768	-	-	3,422,768
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	3,000,000	29,836,942	50,228,752
	<b>\$ 753,282</b>	<b>\$ 79,543,255</b>	<b>\$ 3,000,000</b>	<b>\$ 29,836,942</b>	<b>\$ 113,133,479</b>

### 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, 2022 and 2021:

December 31, 2022				
		Original Currency in PHP		Total Dollar Equivalent
<b>Financial Assets</b>				
Cash and cash equivalents	P	1,940,976,556	\$	34,949,992
Financial assets at amortized cost		26,891,694		479,182
Other current assets		278,813,796		5,928,844
Other noncurrent assets		7,037,109		125,394
<b>Total Financial Assets</b>		<b>2,253,719,155</b>		<b>41,483,412</b>
<b>Financial Liabilities</b>				
Trade and other payables		259,455,614		4,623,230
Borrowings		716,252,000		12,762,865
<b>Total Financial Liabilities</b>		<b>975,707,614</b>		<b>17,386,095</b>
<b>Net Financial Assets</b>	<b>P</b>	<b>1,278,011,541</b>	<b>\$</b>	<b>24,097,317</b>
December 31, 2021				
		Original Currency in PHP		Total Dollar Equivalent
<b>Financial Assets</b>				
Cash and cash equivalents	P	3,133,770,359	\$	61,447,682
Financial assets 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
<b>Total Financial Assets</b>		<b>3,527,353,101</b>		<b>69,165,142</b>
<b>Financial Liabilities</b>				
Trade and other payables		136,653,452		2,679,532
Borrowings		695,000,000		13,627,718
<b>Total Financial Liabilities</b>		<b>831,653,452</b>		<b>16,307,250</b>
<b>Net Financial Assets</b>	<b>P</b>	<b>2,695,699,649</b>	<b>\$</b>	<b>52,857,892</b>

#### US Dollar

December 31, 2022				
	Foreign currency Appreciates by	Effect on Income Before Tax	Foreign currency Depreciates by	Effect on Income Before Tax
Peso denominated assets	+ 6%	\$ 2,489,005	-6%	\$ (2,489,005)
Peso denominated liabilities	+ 6%	(1,043,166)	-6%	1,043,166
		\$ 1,445,839		\$ (1,445,839)

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

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 2021.

The Group considers the following as capital:

	2022	2021
Common stock	\$ 14,562,067	\$ 14,562,067
Preferred stock	3,925,528	3,925,528
Stock Warrants	6,458,070	6,458,070
Additional paid-in-capital	179,726,321	179,726,321
Equity reserve	4,030,214	4,030,214
Remeasurement	1,175,507	3,032,298
Retained earnings	7,916,778	5,275,552
Parent company shares held by a subsidiary	(13,097)	(35,865)
	<b>\$ 217,781,388</b>	<b>\$ 216,974,185</b>

As of December 31, 2022 and 2021, the Group is subject to quantitative loan covenants and financial ratios on its long-term loans.

As of December 31, 2022 and 2021, the Group was able to meet its capital requirements and management objectives.

### 33. EQUITY

Components of issued capital are as follows:

	2022	2021	2020
Common shares (Note 33.01)	\$ 14,562,067	\$ 14,562,067	\$ 9,594,321
Preferred shares (Note 33.02)	3,925,528	3,925,528	3,032,140
Stock warrants	6,458,070	6,458,070	-
Additional paid-in capital	179,726,321	179,726,321	120,053,514
	<b>\$ 204,671,986</b>	<b>\$ 204,671,986</b>	<b>\$ 132,679,975</b>



### 33.01 Common Shares

Shown below are the details of common shares as of December 31, 2022, 2021 and 2020:

2022		2021		2020	
	Shares	Amount	Shares	Amount	Shares
Authorized					
Common shares,					
P1.00 par value	1,200,000,000	\$ 24,053,400	1,200,000,000	\$ 24,053,400	520,000,000
Issued and fully paid					
Balance, January 1	668,505,825	\$ 14,562,067	419,063,353	\$ 9,594,321	419,063,353
Issuances	-	-	249,442,472	4,967,746	-
Balance, December 31	668,505,825	\$ 14,562,067	668,505,825	\$ 14,562,067	419,063,353
					\$ 9,594,321

On November 18, 2011, the Group listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of P7 per share. The total proceeds with issuance of new shares amounted to P295.1 million (\$6.8 million). The Group incurred transaction costs incidental to the IPO amounting P47.3 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 \$810,281. Accordingly, transfer of cumulative net changes in fair value to retained earnings amounted to \$23,940,346.

As of December 31, 2022 and 2021, the carrying value of Group shares held by a subsidiary amounted to \$13,097 and \$35,865, 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, 2022 and 2021, stock warrants amounted to \$6,458,070.

### 33.02 Preferred Shares

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

	2022			2021			2020		
Authorized	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Amount
Preferred shares A, P0.10 par value	700,000,000	\$ 1,587,734	700,000,000	\$ 1,587,734	700,000,000	\$ 1,587,734	700,000,000	\$ 1,587,734	1,587,734
Preferred shares B-1, P1.00 par value	70,000,000	1,587,734	70,000,000	1,587,734	70,000,000	1,587,734	70,000,000	1,587,734	1,587,734
Preferred shares B-2, P1.00 par value	360,000,000	7,481,141	360,000,000	7,481,141	200,000,000	4,536,382	200,000,000	4,536,382	4,536,382
	1,130,000,000	10,656,609	1,130,000,000	10,656,609	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	700,000,000	946,863	946,863
Preferred shares B-1	70,000,000	342,399	70,000,000	342,399	70,000,000	342,399	70,000,000	342,399	342,399
Preferred shares B-2	67,000,000	1,326,733	67,000,000	1,326,733	67,000,000	1,326,733	67,000,000	1,326,733	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	-	-	-	-	-	-	-
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	700,000,000	946,863	946,863
Preferred shares B-1	70,000,000	342,399	70,000,000	342,399	70,000,000	342,399	70,000,000	342,399	342,399
Preferred shares B-2	67,000,000	1,326,733	67,000,000	1,326,733	67,000,000	1,326,733	67,000,000	1,326,733	1,326,733
Preferred shares B-2B	20,000,000	416,145	20,000,000	416,145	20,000,000	416,145	20,000,000	416,145	416,145
Preferred shares B-2C	16,936,400	332,093	16,936,400	332,093	-	-	-	-	-
Preferred shares B-2D	28,625,500	561,295	28,625,500	561,295	-	-	-	-	-
Balance, December 31	902,561,900	\$ 3,925,528	902,561,900	\$ 3,925,528	857,000,000	\$ 3,032,140			

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 into 520,000,000 common shares with par value of ₱1.00 per share; and
  - ii. ₱40,000,000 worth of preferred shares divided into 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 (\$1.00) 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 (\$1.00) 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 (\$1.00) 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 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 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 P50.00 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 10,000,000 Preferred Class B-2 Subseries B Shares as Preferred Class B-2 Subseries C Shares; and (ii) up to 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 60,000,000 and the total number of unissued and outstanding Preferred Class B-2 Subseries D Shares is up to 50,000,000.

The Parent Company also clarified that the allocation of the up to 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 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 P2,500,000,000 or \$50,000,000 in aggregate issue value, consisting of up to 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 P50.00 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 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 P1,000,000,000 or \$20,000,000 at an offer price of P50.00 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 P50.00 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 2022, 2021 and 2020, proceeds from issuance of preferred stock amounted to nil, \$44,669,405 and \$20,000,000, 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
<b>2022</b>				
<b>March 8, 2022</b>				
Preferred B-2	March 3, 2022	\$ 0.0153125	67,000,000	\$ 1,025,938
Preferred B-2B	March 18, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	March 14, 2022	0.0196080	16,936,400	332,093
Preferred B-2D	March 14, 2022	0.0196080	28,625,500	561,295
<b>June 8, 2022</b>				
Preferred B-2	June 8, 2022	\$ 0.0153125	67,000,000	1,025,938
Preferred B-2B	June 20, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	June 14, 2022	0.0196080	16,936,400	332,093
Preferred B-2D	June 14, 2022	0.0196080	28,625,500	561,295
<b>September 8, 2022</b>				
Preferred B-2	September 8, 2022	\$ 0.0153125	67,000,000	1,025,938
Preferred B-2B	September 16, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	September 14, 2022	0.0196080	16,936,400	294,885
Preferred B-2D	September 14, 2022	0.0196080	28,625,500	498,408
<b>December 09, 2022</b>				
Preferred B-2	December 09, 2022	\$ 0.0153125	67,000,000	1,025,938
Preferred B-2B	December 19, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	December 14, 2022	0.0196080	16,936,400	304,152
Preferred B-2D	December 14, 2022	0.0196080	28,625,500	514,071
				<b>\$ 8,702,044</b>

Date of declaration	Date of record	Dividend per share	Shares outstanding	Total Dividends
<b>2021</b>				
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
				<b>\$ 5,401,573</b>
<b>2020</b>				
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
				<b>\$ 4,661,821</b>

In 2022, 2021 and 2020, amounts of dividends declared were \$8,702,044, \$5,401,573 and \$4,661,821, respectively.

In 2022, 2021 and 2020, cash dividends paid amounted to \$8,702,044, \$5,401,573 and \$4,564,004, respectively. Accordingly, as of December 31, 2022 and 2021, 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, 2022 and 2021.



### 34. 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 disclosed in Notes 16 and 20. As of December 31, 2022 and 2021, carrying amounts of right-of-use asset and lease liabilities are as follows:

		<b>2022</b>		<b>2021</b>
Right-of-use assets	\$	<b>349,262</b>	\$	<b>566,290</b>
Lease liabilities		<b>359,373</b>		<b>591,423</b>

- In 2022, the Group sold on account the obsolete property equipment with carrying amount of \$626 for a consideration of \$2,000 which resulted to a gain of \$1,374.
- In 2021, the Group sold on account the machinery and equipment with carrying amount of \$4,205,820 for the same amount. No gain or loss was incurred in this transaction.

### 35. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

	2022	2021
Beginning balance, January 1	\$ 93,033,820	\$ 145,869,457
Changes from financing cash flows		
Proceeds from short-term loans	10,662,865	22,993,324
Finance cost from loans	4,711,588	5,488,442
Dividends declared	8,702,044	5,401,573
Net movement of due to related party	24,464	7,445
Finance cost from lease liabilities	5,924	4,033
Additions to lease liabilities	-	312,332
Refund of deposit for future stock subscription	-	(189,107)
Gain on condonation of loan	-	(748,700)
Finance cost paid	(5,924)	(4,032)
Changes in accrued finance cost	(72,060)	93,524
Effect of foreign exchange on loans	(93,978)	(1,170,198)
Payments of lease liabilities	(232,050)	(185,793)
Payment of cash dividends	(8,702,044)	(5,401,573)
Finance costs paid	(4,639,528)	(5,581,966)
Payment of long-term loans	(17,406,003)	(7,453,033)
Payment of short-term loans	(23,557,055)	(66,401,908)
Ending balance, December 31	\$ 62,432,063	\$ 93,033,820

### 36. EVENTS AFTER THE REPORTING PERIOD

#### 36.01 Dividend Declaration

The Board of Directors of TECH, in its regular meeting held on 20 January 2023, approved the following:

Declaration of cash dividends of the following shares:

a. Preferred A Shares (Unlisted)

Declaration of cash dividend of \$0.000012196 per share for each of the 700,000,000 issued and outstanding Preferred A Shares amounting to an aggregate sum of \$8,537.01, for payment and distribution on March 8, 2023 to shareholders of record as of February 21, 2023. 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 (Unlisted)

Declaration of cash dividend of P0.06125 per share for each of the 70,000,000 issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of P4,287,500.00 for payment and distribution on March 8, 2023 to shareholders of record as of February 21, 2023.

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

Declaration of cash dividend of \$0.0228125 per share for each of the 67,000,000 outstanding and issued Preferred B-2A Shares amounting to an aggregate sum of \$1,528,437.50, for each Dividend Period.

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

- i. March 8, 2023 to shareholders of record as of February 21, 2023;
- ii. June 8, 2023 to shareholders of record as of May 24, 2023;
- iii. September 8, 2023 shareholders of record as of August 24, 2023; and
- iv. December 11, 2023 shareholders of record as of November 24, 2023.

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

Declaration of cash dividend of \$0.015 per share for each of the 20,000,000 outstanding and issued Preferred B-2B Shares amounting to an aggregate sum of \$300,000.00, for each Dividend Period.

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

- i. March 20, 2023 to shareholders of record as of March 3, 2023;
- ii. June 19, 2023 to shareholders of record as of June 2, 2023;
- iii. September 18, 2023 shareholders of record as of September 1, 2023; and
- iv. December 18, 2023 shareholders of record as of December 1, 2023.

**e. Preferred B-2 Subseries C Shares and Preferred B-2 Subseries D Shares ("Preferred B-2C and Preferred B-2D Shares")**

Declaration of cash dividend of ₱0.8233 per share for each of 16,936,400 outstanding and issued Preferred B-2 Subseries C Shares amounting to an aggregate sum of ₱13,943,738.12, and declaration of cash dividend of ₱0.968825 per share for each of the 28,625,500 outstanding and issued Preferred B-2 Subseries D Shares amounting to an aggregate sum of ₱27,733,100.04, for each Dividend Period.

The schedule of the payment and distribution of the cash dividends for each of Preferred B-2C and Preferred B-2D Shares shall be made to the entitled shareholders on the following dates:

- i. March 14, 2023 to shareholders of record as of February 27, 2023;
- ii. June 14, 2023 to shareholders of record as of May 30, 2023;
- iii. September 14, 2023 shareholders of record as of August 30, 2023; and
- iv. December 14, 2023 shareholders of record as of November 29, 2023.

**37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 19, 2023.

**REPORT ON THE INDEX AND 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 19, 2023 on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as of and for the year ended December 31, 2022. 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 and the supplementary schedules for the year ended December 31, 2022, 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. 08-007679-000-2023  
 Valid from January 31, 2023 until January 30, 2026  
 IC Group A Accredited  
 Accreditation No. 0300-IC  
 Valid until 2026 audit period

**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 Group A Accredited  
 Accreditation No. 86071-IC  
 Valid until 2026 audit period  
 PTR No. 9567815  
 Issued on January 4, 2023 at Makati City

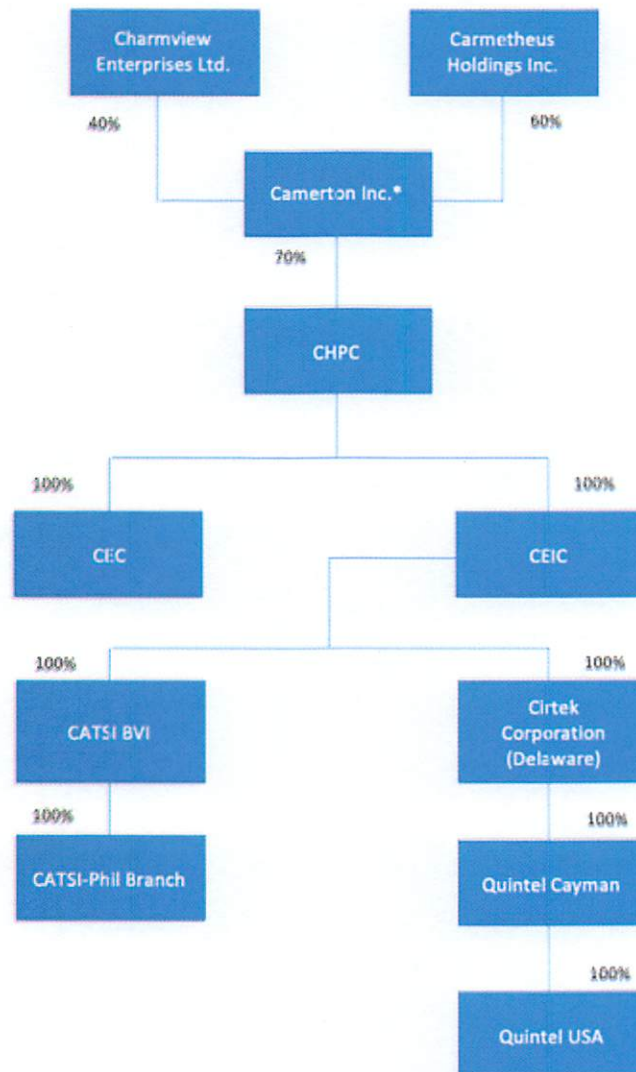
April 19, 2023

BOA /PRC No. 0300 • BIR Accredited • SEC Group A Accredited • BSP Group B Accredited • IC Accredited  
 18/F Cityland Condominium 10 Tower 1, 156 H.V. dela Costa Street, Ayala North, Makati City, Philippines 1226  
**Tel:** +632 8812-1718 to 22 **Email:** rsbassoc@pkfrsbernaldo.com [www.pkfrsbernaldo.com](http://www.pkfrsbernaldo.com)

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Schedule</b>	<b>Contents</b>
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II	Reconciliation of Retained Earnings Available for Dividend Declaration
III	Financial Soundness Indicators
<i>Supplementary Schedules</i>	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Gross and Net Proceeds by a Listed Company With Recent Offering of Securities (COMMERCIAL PAPER)
I	Capital Stock

**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, 2022**



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**  
**SCHEDULE II -RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2022**

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Unappropriated retained earnings, beginning	\$11,405,202
Net income actually earned during the period	6,251,364
Unrealized of foreign exchange gain	(718,952)
Cash dividends declared	(8,702,044)
Retained earnings available for dividend declaration	\$8,235,570

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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, 2022 AND 2021**

<b>Ratios</b>	<b>Formula</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
(i) Current Ratio	Current Assets/Current Liabilities	<b>2.47</b>	2.36
(ii) Debt/Equity Ratio	Bank Debts <sup>1</sup> / Total Equity	<b>0.28</b>	0.57
(iii) Net Debt/Equity Ratio	Bank Debts <sup>1</sup> -Cash & Equivalents/Total Equity	<b>0.08</b>	0.24
(iii) Asset to Equity Ratio	Total Assets/Total Equity	<b>1.43</b>	1.57
(iv) Interest Cover Ratio	EBITDA <sup>2</sup> /Interest Expense	<b>5.15</b>	0.50
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	<b>0.26</b>	0.29
Net Profit Margin	Net Income/Revenues	<b>0.13</b>	0.12
EBITDA Margin	EBITDA/Revenues	<b>0.29</b>	0.04
Return on Assets	Net Income/Total Assets <sup>3</sup>	<b>0.04</b>	0.03
Return on Equity	Net Income/Total Equity <sup>3</sup>	<b>0.05</b>	0.05

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

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

<sup>3</sup> Based on balances as at December 31, 2022 and 2021



**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS**  
**AS OF AND FOR THE YEAR-ENDED DECEMBER 31, 2022**

	Name of issuing entity and association of each issue	Amount shown in the balance sheet	Value based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	\$ 44,297,405	\$ 44,297,405	\$ 6,885
Trade and other receivables	N/A	36,457,599	36,457,599	
Amounts owed by related parties	N/A	341,127	341,127	
Other current assets:				
Loans to employees	N/A	774,612	774,612	
Security deposit	N/A	179,809	179,809	
Other financial assets at amortized cost	N/A	479,182	479,182	
Other non-current assets:				
Rental deposits	N/A	1,122,859	1,122,859	
Miscellaneous deposits	N/A	168,012	168,012	
		\$ 83,820,605	\$ 83,820,605	\$ 6,885

**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, 2022**

<b>Amounts owed by Related Parties</b>						
<b>Name and designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Current</b>	<b>Not Current</b>	<b>Balance at the end of the period</b>
<b>Parent Company</b>						
Camerton	-	-	-	-	-	-
<b>Related parties under common control</b>						
RBWPI	-	\$ 148,697	-	-	-	\$ 148,697
Cayon Holdings, Inc.	\$ 191,570	-	-	-	-	\$191,570
<b>TOTAL</b>	<b>\$ 191,570</b>	<b>\$148,697</b>	<b>\$</b>	<b>\$</b>	<b>-</b>	<b>\$ 340,267</b>

SCHEDULE C

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM**  
**RELATED PARTIES WHICH ARE ELIMINATED DURING THE**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR-ENDED DECEMBER 31, 2022**

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	1,216,999	-	-	-	\$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	Amount written off	Current	Not Current	Balance at the end of the period
<b>CHPC</b>							
CEC	\$ 43,783,505	\$ 15,296,394	\$ (13,094,937)	\$	\$ 45,984,962		\$ 45,984,962
CEIC	\$ 44,025,739	\$ 10,600,000			\$ 54,625,739		\$ 54,625,739
CATS	\$ 40,806,736	\$ 776,727	\$ (4,008,055)		\$ 37,575,408		\$ 37,575,408
RBWRPI	\$ 212,371				\$ 212,371		\$ 212,371
Quintel	\$ 15,245,001				\$ 15,245,001		\$ 15,245,001
<b>Total</b>	<b>\$ 144,073,352</b>	<b>\$ 26,673,121</b>	<b>\$ (17,102,981)</b>		<b>\$ 153,643,481</b>	<b>\$ -</b>	<b>\$153,643,481</b>
<b>CEC</b>							
CHPC	\$ -		\$ -		\$ -		\$ -
CATS	\$ 1,086,013		\$ (1,086,013)		\$ -		\$ -
<b>Total</b>	<b>\$ 1,086,013</b>	<b>\$ -</b>	<b>\$ (1,086,013)</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CEIC</b>							
CHPC	\$ -				\$ -		\$ -
CEC	\$ 24,184,400	\$ 8,028,377	\$ (6,300,008)		\$ 25,912,768		\$ 25,912,768
CATS	\$ 1,212,017	\$ 482,592			\$ 1,694,609		\$ 1,694,609
Quintel	\$ 82,478,692				\$ 82,478,692		\$ 82,478,692
<b>Total</b>	<b>\$ 107,875,109</b>	<b>\$ 8,510,969</b>	<b>\$ (6,300,008)</b>		<b>\$ 110,086,069</b>	<b>\$ -</b>	<b>\$110,086,069</b>
<b>CATS</b>							
RBWRPI					\$ -		\$ -
CEC	\$ -	\$ 4,423,702			\$ 4,423,702		\$ 4,423,702
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,423,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,423,702</b>	<b>\$ -</b>	<b>\$ 4,423,702</b>
<b>RBW</b>							
CATS	\$ 3,117,639	\$ 1,632,745			\$ 4,750,384		\$ 4,750,384
<b>Total</b>	<b>\$ 3,117,639</b>	<b>\$ 1,632,745</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,750,384</b>	<b>\$ -</b>	<b>\$ 4,750,384</b>
<b>TOTAL</b>	<b>\$ 256,152,112</b>	<b>\$ 41,240,536</b>	<b>\$ (24,489,013)</b>	<b>\$ -</b>	<b>\$ 272,903,636</b>	<b>\$ -</b>	<b>\$272,903,636</b>

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER**  
**ASSETS**  
**AS OF DECEMBER 31, 2022**

<b>Intangible Assets - Other Assets</b>						
<b>Description</b>	<b>Beginning Balance</b>	<b>Additions at cost</b>	<b>Charged to cost and expenses</b>	<b>Charged to other accounts</b>	<b>Other changes additions (deductions)</b>	<b>Ending Balance</b>
Goodwill	\$55,541,157	\$ -	\$ -	\$ -	\$ -	\$ 55,541,157
Product development costs	6,344,125	4,186,936	(1,461,511)	-	-	9,069,547
Customer relationships	23,736,500	-	-	-	-	23,736,500
Technology	685,370	-	(685,370)	-	-	-
Trademark	7,472,800	-	-	-	-	7,472,800
<b>Total</b>	<b>\$93,779,952</b>	<b>\$1,958,741</b>	<b>(\$2,250,911)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$95,820,004</b>

**SCHEDULE E**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**AS OF DECEMBER 31, 2022**

<b>Long-term Debt</b>			
<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "current portion of long-term" in related balance sheet</b>	<b>Amount shown under caption "long-term debt" in related balance sheet</b>
<b>Notes payable</b>	<b>\$ 32,784,076</b>	<b>7,147,134</b>	<b>\$ 25,636,942</b>

**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, 2022**

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

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF**  
**OTHER ISSUERS**  
**AS OF DECEMBER 31, 2022**

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

## SCHEDULE H

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF GROSS AND NET PROCEEDS BY A**  
**LISTED COMPANY WITH RECENT OFFERING OF SECURITIES**  
**(COMMERCIAL PAPER) TO THE PUBLIC**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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

<b>Gross</b>	<b>₱2,000,000,000</b>
<b>Net</b>	<b>1,871,587,499</b>

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

<b>Gross</b>	<b>₱598,400,000</b>
<b>Net</b>	<b>572,199,800</b>

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

<b>4. Balance of the proceeds as of December 31, 2021</b>	<b>₱572,199,800</b>
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## SCHEDULE I

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**  
**AS OF DECEMBER 31, 2022**

<b>Capital Stock</b>						
<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Number of shares held by directors, officers and employees</b>	<b>Others</b>
Common Stock	1,200,000,000	668,505,825	—	194,929,318	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	—	—	—	—