

# COVER SHEET

for  
ANNUAL REPORT

SEC Registration Number

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Company Name

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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

<a href="#">N/A</a>
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Company's Telephone Number/s

(632) 7729-6205
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Mobile Number

N/A
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No. of Stockholders

29
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Annual Meeting  
Month/Day

31-May
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Fiscal Year  
Month/Day

31-Dec
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## CONTACT PERSON INFORMATION

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

Name of Contact Person

Brian Gregory Liu
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Email Address

<a href="mailto:brian.liu@cirtek.ph">brian.liu@cirtek.ph</a>
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Telephone Number/s

(632) 7729-6205
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Mobile Number

N/A
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Contact Person's Address

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2023**
2. SEC Identification Number: **CS201102137**
3. BIR Tax Identification No: **007-979-726**
4. Exact name of issuer as specified in its charter  
**Cirtek Holdings Philippines Corporation**
5. Province, Country or other jurisdiction of incorporation or organization: Philippines
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of principal office: 116 East Main Avenue, Phase V-SEZ Laguna Technopark, Binan Laguna Postal Code: 4024
8. Issuer's telephone number, including area code: +63 2 7729 6206 / +63 49 541 2317
9. Former name, former address, and former fiscal year, if changed since last report: N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
.....Common Shares	668,505,825.....

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ ☒ ]      No [ ☐ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

.....Philippine Stock Exchange, Inc. (PSE) – Common Shares, Preferred B2-A, and Preferred B2-B,  
.....Preferred B2-C Shares and Preferred B2-D shares  
.....

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ ☒ ]      No [ ☐ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒

No ☐

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant

Php800,344,281.62(473,576,498 @ 1.69 per share as of March 31, 2024)

## **PART I BUSINESS AND GENERAL INFORMATION**

### **ITEM 1 BUSINESS**

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

On 10 February 2011, CHPC was incorporated and registered with the Securities and Exchange Commission (SEC) and was listed in The Philippine Stock Exchange, Inc. (PSE) on 18 November 2011. CHPC's principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Binan, Laguna.

CHPC, through its subsidiaries, is an independent full-service solution provider for subcontract manufacturing of semiconductor devices. The Company provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users.

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

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

CHPC has two main subsidiaries, namely, Cirtek Electronics Corporation (CEC) and Cirtek Electronics International Corporation (CEIC). On 30 July 2014, CEIC acquired REMEC Broadband Wireless Holdings' manufacturing division, REMEC Broadband Wireless, Inc. (RBWI). RBWI was renamed to Cirtek Advanced Technologies and Solutions, Inc. (CATSI) on 21 November 2014. In 2017, CEIC acquired Quintel Cayman Ltd. ("Quintel") through a reverse triangle merger with its subsidiaries, with Quintel as the surviving corporation.

**Cirtek Electronics Corporation (CEC):** an independent subcontractor for semiconductor assembly, test and packaging services;

**Cirtek Electronics International Corporation (CEIC):** sells integrated circuits in the US and subcontracts the production of the same to CEC.

**Cirtek Advanced Technologies and Solutions, Inc. (CATSI):** manufactures value-added, highly integrated radio frequency, microwave and millimeter wave technology products

**Quintel Cayman Ltd. ("Quintel"):** provider of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks

With CHPC' acquisition of RBWI (now known as CATSI), the Group was able to boost its manufacturing capacity and capability, expand customer base and increase presence in high-growth end markets including telecommunication, automotive, medical, satellite communication, aerospace, and defense.

The Cirtek Group has earned a strong reputation with its customers for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop application and customer specific packages. The Cirtek Group has been accredited and certified by several international quality institutions, namely TÜD SÜD Management Service GmbH, TÜV Product Service Asia Ltd., Taiwan Branch, Defense Supply Center & British Approval Board Telecom, for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949, TUV Product Safety Certification, and FCC certification.

#### Business Acquisitions

On 17 February 2011, the Company's Board of Directors and Stockholders approved the acquisition from CHI of 155,511,952 common shares (representing 99.99% of the outstanding capital stock) of CEC and 50,000 shares (representing 100% of the outstanding capital) of CEIC. On 1 March 2011, the two (2) deeds of sale were executed by the Company and CHI in order to implement the transfers.

<b>Corporate Name</b>	<b>Date of Incorporation</b>
Cirtek Electronics Corporation	31 May 1984
Cirtek Electronics International Corporation	4 April 1995

On 30 July 2014, CEIC entered into a sale and purchase agreement with REMEC Broadband Wireless Holdings ("REMEC"), for the purchase of 100% shares of REMEC's manufacturing division, REMEC Broadband Wireless International, Inc. ("RBWI"), a Philippine-based manufacturer of value added, highly integrated technology products. Based on the terms of the sale, REMEC and its remaining subsidiaries will continue to design and market its top-of-class telecommunications products globally under its "REMEC" brand, and, REMEC will enter into a manufacturing agreement with RBWI to manufacture REMEC's products under a long-term contract manufacturing relationship. CEIC acquired RBWI for a consideration of US\$7.5 million. CHPC funded the acquisition through a combination of available cash on hand and proceeds from a corporate notes' issuance.

The closing date of the transaction was effective 30 July 2014.

RBWI is primarily engaged in the manufacture, fabrication and design of microwave components and subsystems primarily for export. RBWI was renamed to Cirtek Advanced Technology Solutions, Inc. ("CATS") on 21 November 2014 at the British Virgin Islands and on 18 February 2015 at the SEC.

#### Acquisition of Quintel

On 28 July 2017, the Parent Company's Board of Directors, (BOD) approved the acquisition of Quintel and its subsidiaries for US\$77.0 million, subject to adjustments as stipulated in the Agreement. Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

The transaction was structured as a reverse triangle merger whereby CCL was merged with and into Quintel, with the latter as the surviving corporation. Pursuant to the Agreement, all outstanding shares, warrants, and stock options in Quintel were converted to a right to receive the consideration from CHPC and Cirtek Corporation. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished, and be

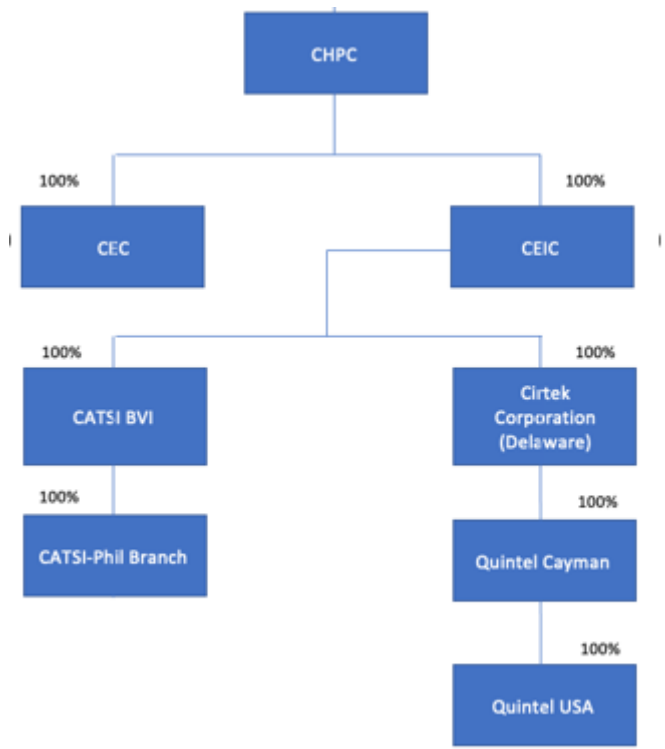
converted automatically into the right to receive a portion of the purchase price. Quintel, being the surviving company, retains the 100 shares originally issued by CCL as its ending capital stock.

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 4 August 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.

From 2020 to 2023, the Cirtek Group's consolidated revenues grew from US\$68.91 million to US\$72.8 million while consolidated net income from US\$7.7 million to US\$7.0 million. For full-year 2023, the Cirtek Group reported consolidated revenues and consolidated net income of US\$72.8 million and US\$7.7 million. Revenues decreased by 14% while net income decreased by 19%.

**CORPORATE STRUCTURE**



### ***Cirtek Electronics Corporation***

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

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

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

On March 1, 2011, CHI and the Company executed the Deed of Absolute Sale of Shares wherein CHI transferred all of its 155,511,959 shares in CEC in favor of the Company for and in consideration of ₱130,000,000, making CEC a wholly-owned subsidiary of the Company.

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

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

On March 24, 1998, the Philippine Economic Zone Authority (PEZA) approved CEC's registration as a cosine 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 BOI. Since its income tax holiday incentive expired in 2003, CEC is subject to tax at the preferential rate of 5% of its gross income in accordance with Republic Act No. 7916, the law creating the PEZA. In order to maximize the incentives granted under Republic Act No. 7916, CEC applied for the registration of its new products and was granted income tax holiday therefore from 2003 to 2005.

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

### ***Cirtek Electronics International Corporation***

CEIC was incorporated under the International Business Companies Act of the British Virgin Islands on April 4, 1995. CEIC was incorporated with primarily purpose of selling integrated circuits principally in the United States of America and subcontracts the production of the same to CEC.

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

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

On March 1, 2011, CHI and the Company executed the Deed of Absolute Sale of Shares wherein CHI transferred all of its 50,000,000 shares in CEIC in favor of the Company for and in consideration of ₱130,000,000, making CEIC a wholly-owned subsidiary of the Company.

After the reorganization, the Company became the parent company of both CEC and CEIC while CHI remains a holding company of the Liu family, which no longer forms part of the post-reorganization structure of the Company.

The Acquisition of the Remec Broadband Wireless Inc. ("RBWI") renamed to Cirtek Advanced Technologies and Solutions, Inc. ("CATSI")

On July 30, 2014, CEIC acquired Remec Broadband Wireless Inc. ("RBWI") in July 30, 2014. RBWI, renamed to Cirtek Advanced Technologies and Solutions, Inc. ("CATSI"), is a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeter wave products used in the wireless industry such as telecommunications, satellite, aerospace and defense, and automotive wireless devices.

The Acquisition of the Quintel business

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

Established in 2002, Quintel designs, develops and delivers advanced high-efficiency, high-performance antenna solutions that help mobile operators to increase efficiency, enhance quality-of-service, slash costs and accelerate returns. Quintel's current customers are AT&T and Verizon, and large telecommunication corporations operating in North America and Puerto Rico. Quintel's world headquarters is located in Rochester, New York while the research and development office and sales offices are located in San Jose, California and Buckinghamshire, United Kingdom, respectively. The Rochester, New York and San Jose, California operate under Quintel USA while the Buckinghamshire, United Kingdom operate under Quintel Technology, LTD.



## **Key Strategies**

The Company's key strategies are designed to allow the Cirtek Group to achieve its mid-term and long-term goals through an efficient mix of organic growth through expanding product lines/more

sales teams and mergers and acquisitions. In line with this, shown below are the Company's key strategies for its strategic business units ("SBU").

### **For Quintel**

- Expand to new geographic markets as the global market for multi-port, multi-frequency base station antennas are expanding rapidly
- Expand Cirtek / Quintel's product portfolio through new product introduction, licensing and white label branding
- Improvement in gross margin through lower BOM cost, more efficient outbound logistics, better yield and better quality

### **For CEC**

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

### **For CATSI**

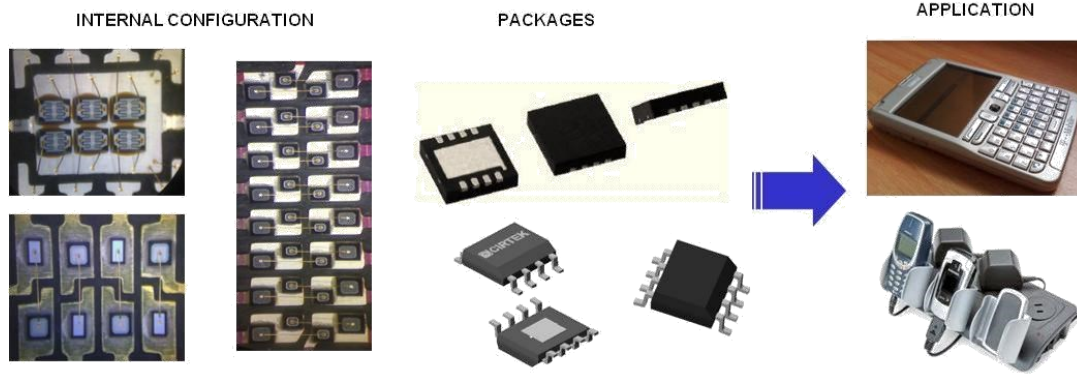
- Consistent growth from RFM/Microwave/Millimeter wave Business by at least 20% year on year
- Expand customer base for RF/Microwave/Millimeter wave Business
- Acquisition of Remec Broadband Wireless International, Inc.

## **CEC PRODUCTS**

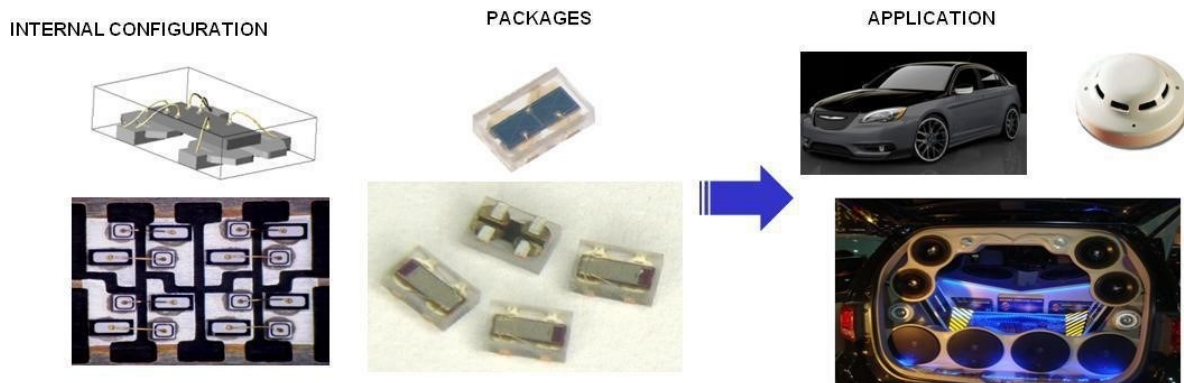
CEC offers a broad range of products that go into various applications. The end application covers practically everything from consumer products to high reliability industrial and military products.

The following are CEC's product lines:

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

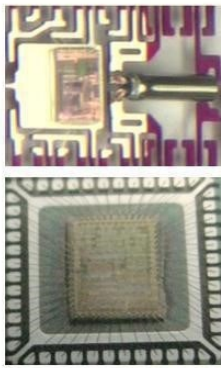


1. Light sensors - These optical devices sense the intensity of light and trigger the automatic switching on and off of headlights and the automatic adjustment of air conditioning settings in cars. The package is a transparent custom-body Quad Flat Pack Leadless Package ("QFN").  
The applications of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

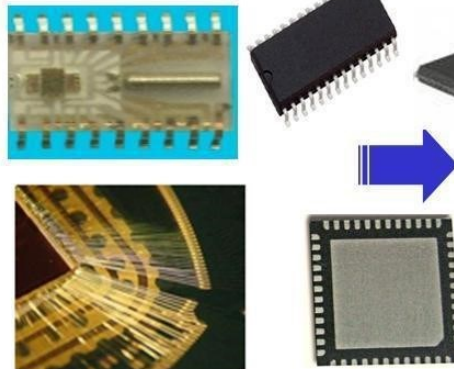


Real time clock - These are precision time keeping devices which contain features like calendars, time of day, trickle charger and memory functions. These devices come with tuning fork cylindrical crystals and are packaged in 16/20L SOIC 300mil body version. The applications of the Real time clock products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

INTERNAL CONFIGURATION



PACKAGES

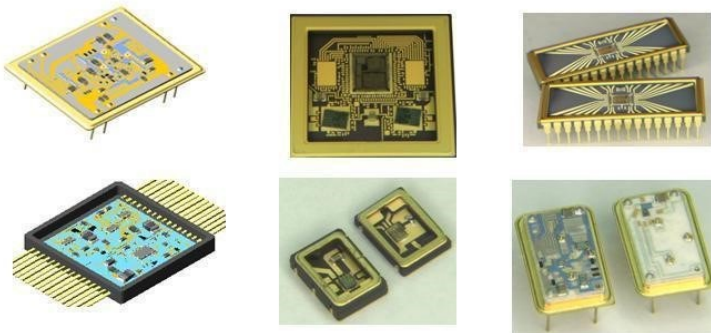


APPLICATION



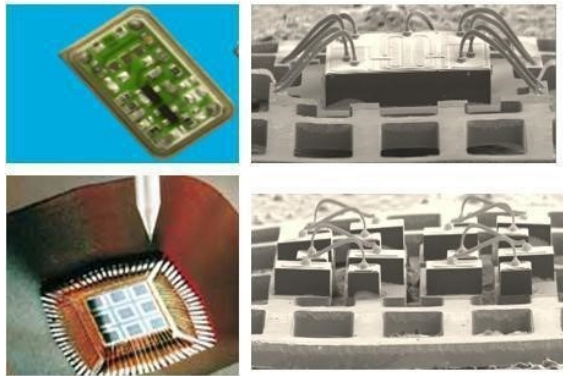
2. Voltage control oscillators ("VCO") - This is an electronic oscillator that is designed to be controlled in oscillation frequency by a DC voltage input. Signals may also be fed into the VCO to cause frequency modulation or phase modulation.

INTERNAL CONFIGURATION

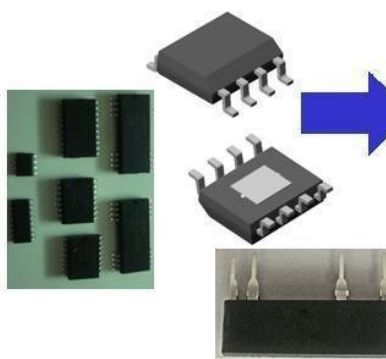


1. Electronic Relays - These are opto relays that are used in controlling high voltage and high-power equipment. The control is achieved through the physical isolation of high voltage output and the low voltage input side of the device protecting the circuit components and the users. These are packaged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

**INTERNAL CONFIGURATION**



**PACKAGES**

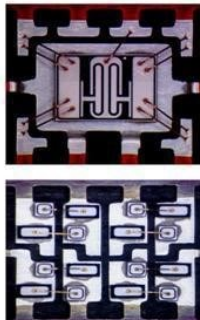


**APPLICATION**

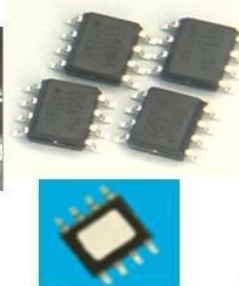


1. Power management devices - These devices are used in a wide range of power management applications from telecommunications, industrial equipment, portable devices, computers, and networks. Power management devices is a feature of some electrical appliances, especially copiers, computers, CPUs, GPUs, and computer peripherals such as monitors and printers, that turn off the power or switch the system to a low-power state when inactive. These are packaged in SOIC with the die pad exposed. The applications of the Power management devices products include Photocopier and Communicating devices.

**INTERNAL CONFIGURATION**



**PACKAGES**



**APPLICATION**

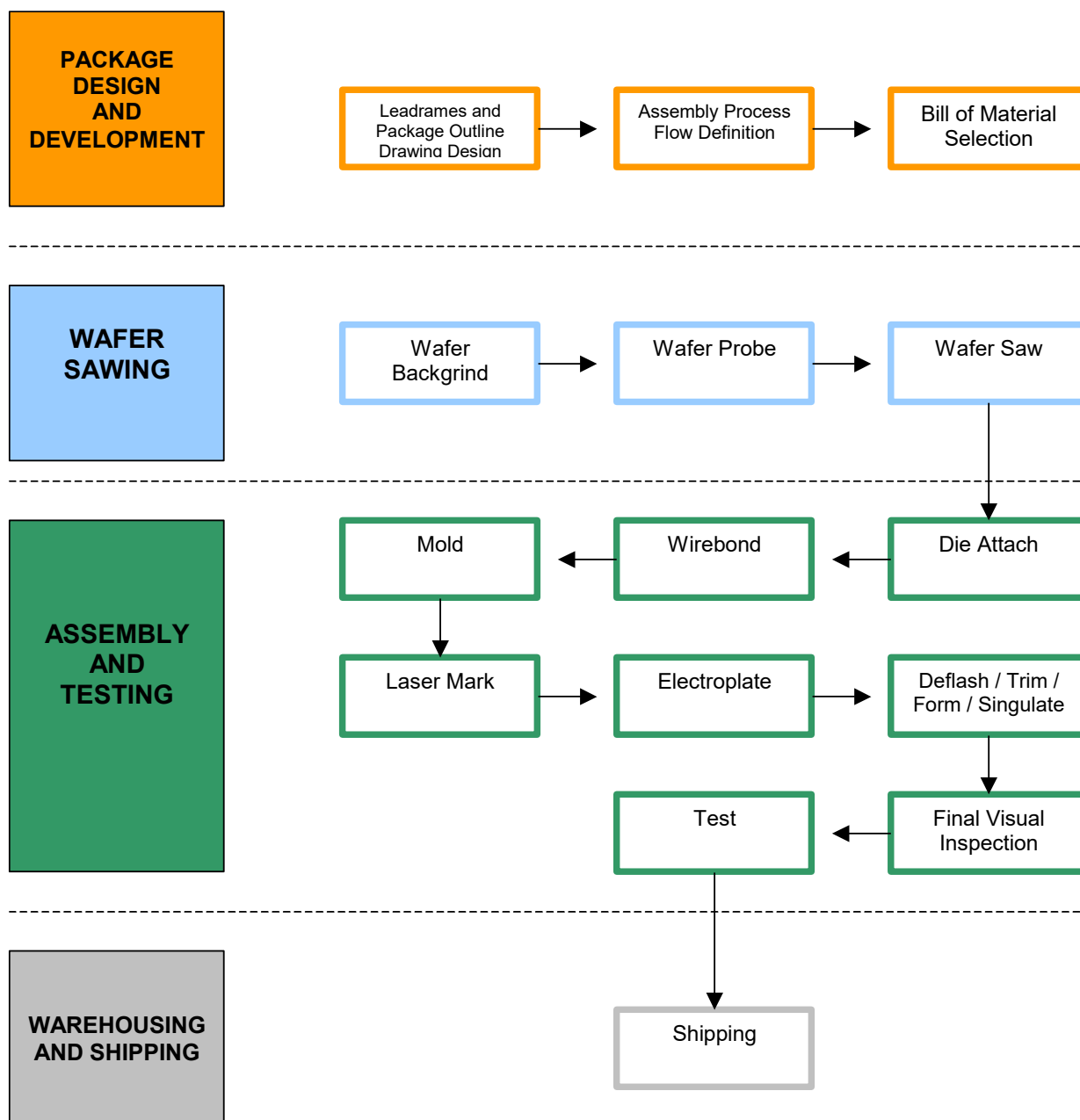


## CEC MANUFACTURING PROCESS FLOW

The Company, through its subsidiary CEC, assembles and tests semiconductor devices at its manufacturing complex located on a 12,740 square meter property in Biñan, Laguna. CEC currently leases the property from Cirtek Land, Inc. and Cayon Holdings, Inc., both of which are majority owned by one of the Company's directors, Nelia T. Liu. CEC's manufacturing facility is composed of two buildings, with a total floor area of 152,000 square feet.

### *Process Flow*

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



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

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

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

The fundamental package assembly process starts after the Company receives the wafer silicon from customers. Pre-assembly, the wafers are back grinded to the desired thickness, probed for electrical performance and then sawn to dice the wafers to its individual chip size following customer requirements. The individually sawn dies are then mounted on a copper substrate typically using epoxy adhesives. Other packages made by the Company however, may require other mounting adhesives for enhanced functional performance. Examples of these include, E0201 DFN (used in smart phones) which requires a gold eutectic process or the PQFN (used in charges) which requires solder paste.

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

The parts are then electroplated for protection of the metal leads, trimmed and formed into its final shape or sawn into its final dimensions in the case of 0201DFN, ODFN and PQFN.

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

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

### **CEC Customers**

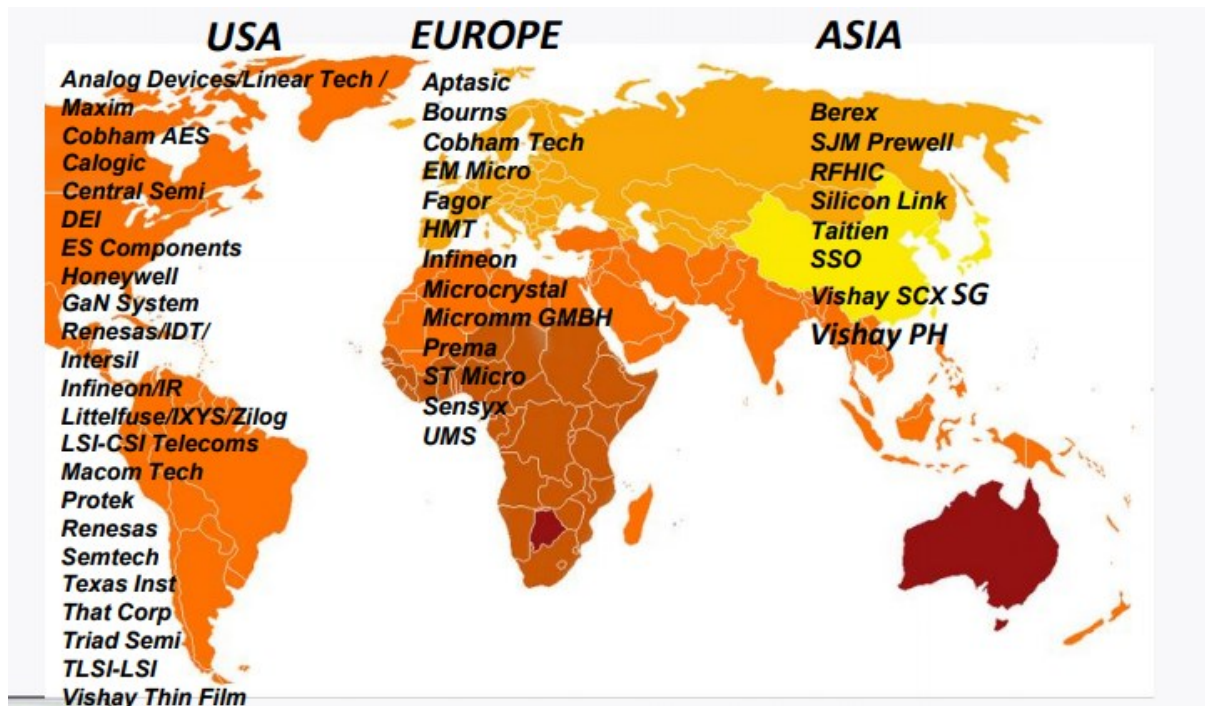
Beginning in 1984 with 3 customers, the Cirtek Group has significantly grown its customer base to over 50 regular customers as of September 30, 2017. Cirtek, through CEC, aims to broaden its existing customer base, as well as its geographic coverage to mitigate the volatility in the semiconductor industry. The figure below lists the CEC's major customers:

The Company is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Company. The Company has no single customer contributing more than 20% of the Company's total revenues in the last three years of operations. The top customer accounts for only 10% of total revenue while the top 10 customers collectively account for less than 70% of total revenue. Neither is the Company reliant on any specific industry since its products have varied applications in different industries.

Most of the Cirtek Group's customers have been clients of the Company for more than 10 years. For most of these clients, no formal supply or manufacturing contract is executed, and the orders are governed by purchase orders which provide the specification of the products to be sold, delivery schedule and terms of payment, among others. Customers are required to submit order forecasts



ranging from 3-6 months, which the Company uses to project its supply requirements. Depending on the relationship with the particular customers, payment terms can be on a cash-on-delivery basis or credit terms of between 30 to 45 days.



### CEC Competition

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

Aside from Cirtek Group, there are two (2) active companies in the semiconductor industry that are listed in the PSE. These are Integrated Micro-Electronics, Inc. ("IMI") and SFA Semicon Philippines Corporation ("SSP").

### CATS PRODUCTS

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

The following are CATSI' microwave products:

1. CTT Out Door Unit ("ODU") - The CTTH ODU is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz

and 38GHz. The CTT ODU supports QPSK to 256QAM modulation and 7MHz to 56MHz channel bandwidth. The applications of the CTT OutDoor Unit products include backhaul radios for telecommunication network.

2. Indoor Radio Frequency Unit ("IRFU") –The IRFU is available in L6, U6, 7GHz, 8GHz, and 11GHz frequency bands. The channel spacing supported for North American ANSI rates is between 3.75 MHz and 60 MHz. The channel spacing supported for ETSI rates is between 7 MHz and 56 MHz. The applications of the Indoor Radio Frequency Unit ("IRFU") products include radio communication product that is usually used for public safety, government, utilities, industrial enterprise and carriers Outdoor Internet Protocol Radio ("OIPR") - The OIPR is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The supported modulation is QPSK to 256QAM. The channel spacings supported for North American ANSI rates is between 10MHz and 50 MHz. The channel spacings supported for ETSI rates are 7MHz, 14MHz, 28-30MHz, 40MHz and 56MHz. The applications of the Outdoor Internet Protocol Radio ("OIPR") products include Microwave backhaul radio links operating in License Band (6-42 GHz).

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

3. Outdoor Internet Protocol Radio ("OIPR") - The OIPR is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The supported modulation is QPSK to 256QAM. The channel spacings supported for North American ANSI rates is between 10MHz and 50 MHz. The channel spacings supported for ETSI rates are 7MHz, 14MHz, 28-30MHz, 40MHz and 56MHz.

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



**Product: Split type Outdoor radios and amplifiers**



Split Mount Point to Point Microwave Radio

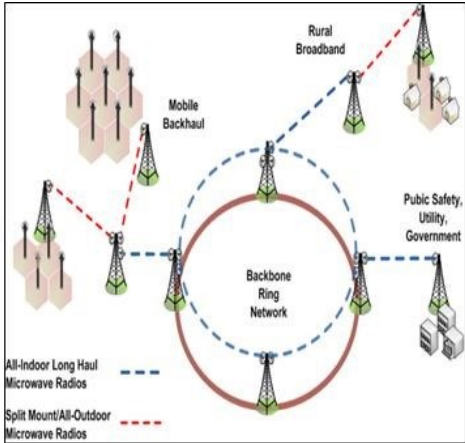


All Outdoor Point to Point microwave IP radio (OIPR)



High Power RF Booster (23 GHz)

**Application: Microwave Backhaul radio links operating in Licensed Band (6-42GHz)**




**Product: Indoor radio systems**




All Indoor High Power Indoor Trunk Radio Unit (IRFU) operating in Licensed Band (6, 7, 8, 11 GHz)

**Application: Long Haul radio systems for enterprise, public safety and utilities segments**

**Product: 60/80GHz radio systems**

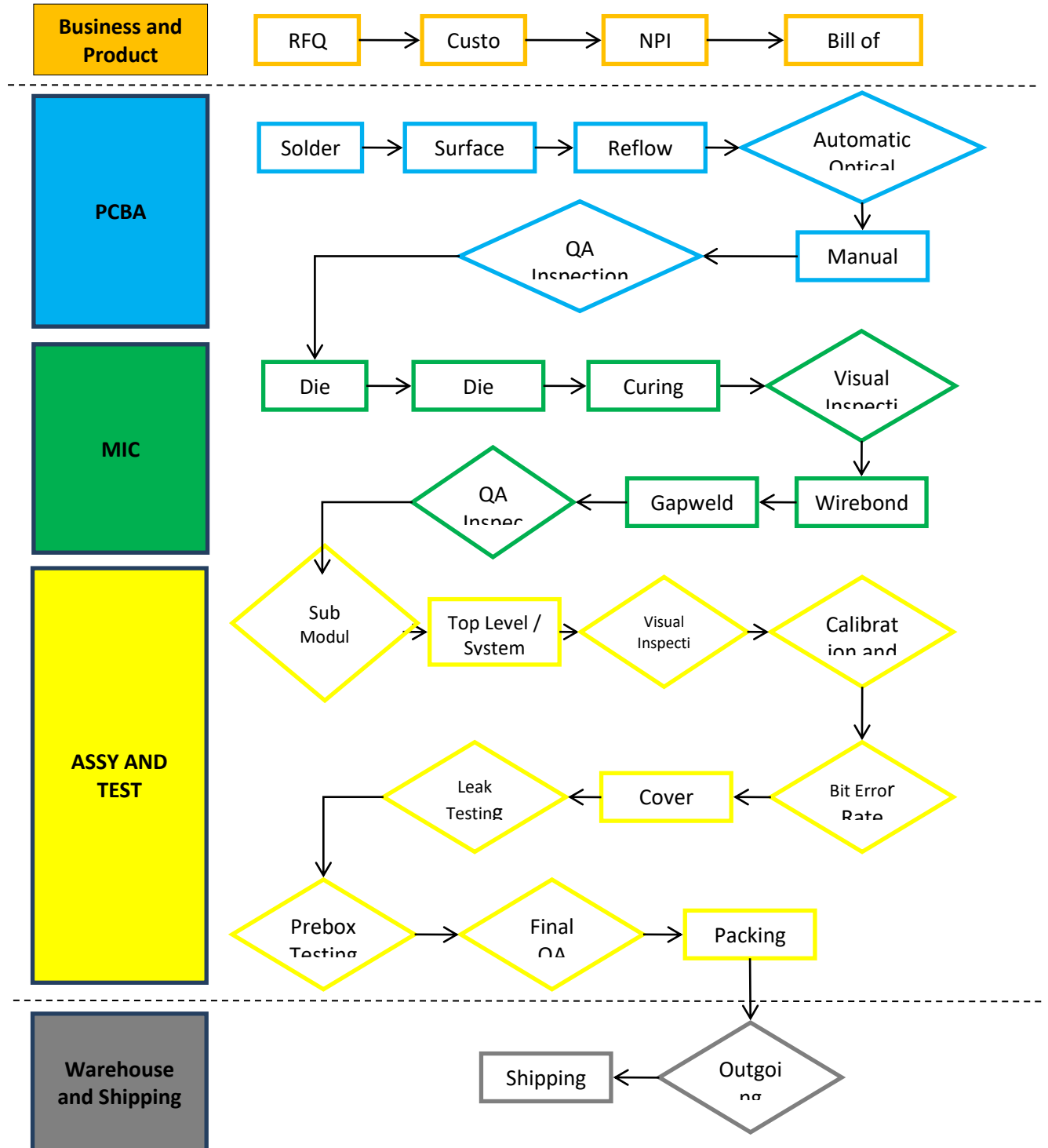


**Application: High capacity Millimeter wave radio systems operating in unlicensed 60-80GHz band**

## Process Flow

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



The manufacturing process starts with business and product development. The business development pertains to a) RFQ (Request for Quote) from customer and b) customer approval. Once the customer approves the quote, product development proceeds. The product development pertains to a) NPI (New Product Introduction) and b) bill of materials selection. During NPI, the factory will qualify the product and the process (to manufacture the product). The NPI process is considered completed once critical processes are proven capable and qualification units are produced and tested for reliability internally and or by the customers. If NPI is successful, the bill of materials is finalized. This includes the product BOM, fixtures and packaging. Mass production follows.

The fundamental assembly process starts with PCBA (Printed Circuit Board Assembly). Solder paste is applied to the PCB, followed by placement of components during SMT pick and place. The populated board is then loaded to the reflow oven for solder paste curing. After the oven reflow, the board undergoes AOI (Automatic Optical Inspection). All boards with reject (assembly rejects, i.e., missing components, wrong part mounted, tombstone, insufficient solder, mis-oriented, tilted, etc.) during AOI are reworked. All boards without rejects proceed to 2<sup>nd</sup> operation or manual soldering (if required).

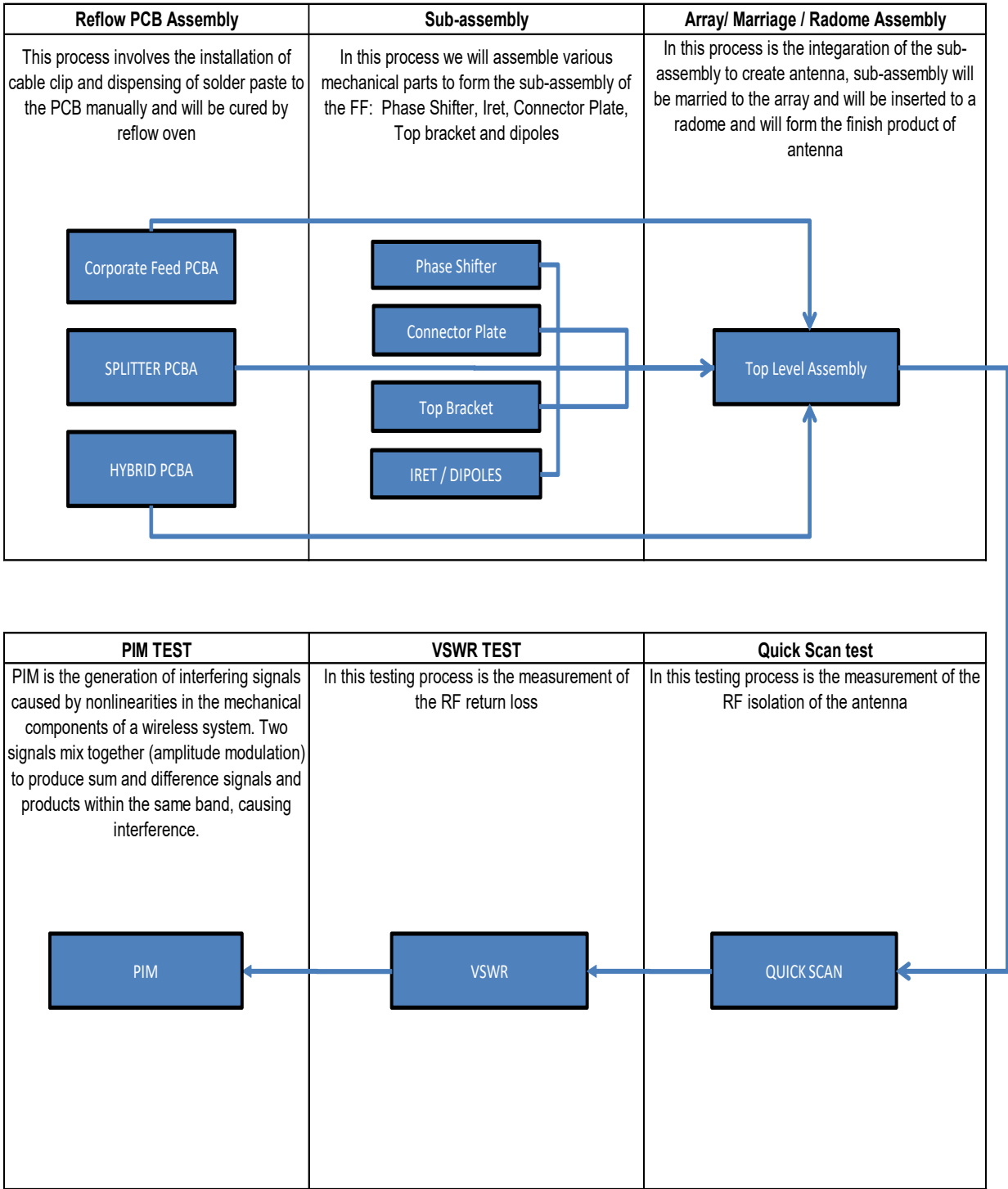
Some modules/sub-assembly boards from PCBA undergo MIC process (Microwave Integrated Circuit). During this process, a component (MMIC) is attached or mounted to the board with epoxy, either manually or automated. The board is then cured to the required temperature depending on the type of epoxy used.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

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

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

The figure below illustrates the typical manufacturing process for the production of multiport antennas:

**Multiport Antennas Proces flow chart**



## **CATSI Customers**

Most of the Cirtek Group's customers have been clients of the company for more than 10 years. For most of these clients, no formal supply or manufacturing contract is executed, and the orders are governed by purchase orders which provide the specification of the products to be sold, delivery schedule and terms of payment, among others. Customers are required to submit order forecasts ranging from 3-6 months, which the Company uses to project its supply requirements. Depending on the relationship with the particular customers, payment terms can be on a cash-on-delivery basis or credit term of between 30 to 45 days.

## **CATSI Competition**

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

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

## **Quintel Corporation**

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

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

The following are Quintel's antenna product lines:

### **1. MultiServ - Single Antenna - Multiple Frequency Bands**

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



## Space Efficient Tower Solutions PIM Efficient Solutions

Key Highlights of MultiServ product line:

Smallest form factor (12" wide x 4' / 6' / 8' lengths)

Advanced aerodynamic design reduces wind loading

Field proven best-in-class azimuthal roll-off (C/I) RF performance

Independent tilt-per-band eliminates band combiners

Most reliable / all internal "Direct Connect" Remote Electrical Tilt ("RET") design

Highest quality in the industry – used at both tier-1 U.S. carriers nationally • AISG over RF capability

Broad portfolio with Hexports and Octoports in 65° and 45° and 10 / 12 port antennas • World's only 12 port antenna 12" wide x 72" or 96" length with 6' high-band arrays

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

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



## Spectrally Efficient Tower Solutions

Key Highlights of SONWav product line:

SONWav technique designed for Low-Band Service 700, 800, 850MHz

Allows Downlink to be Tilt optimized with Power Limited Uplink Services (VoLTE)

Mitigates Uplink Interference when using IRC in Baseband

Maximizes Uplink MCS, SINR, CQI and Throughput

SonWav also has 4x1695-2400MHz Ports (as 2x independent Tilts)

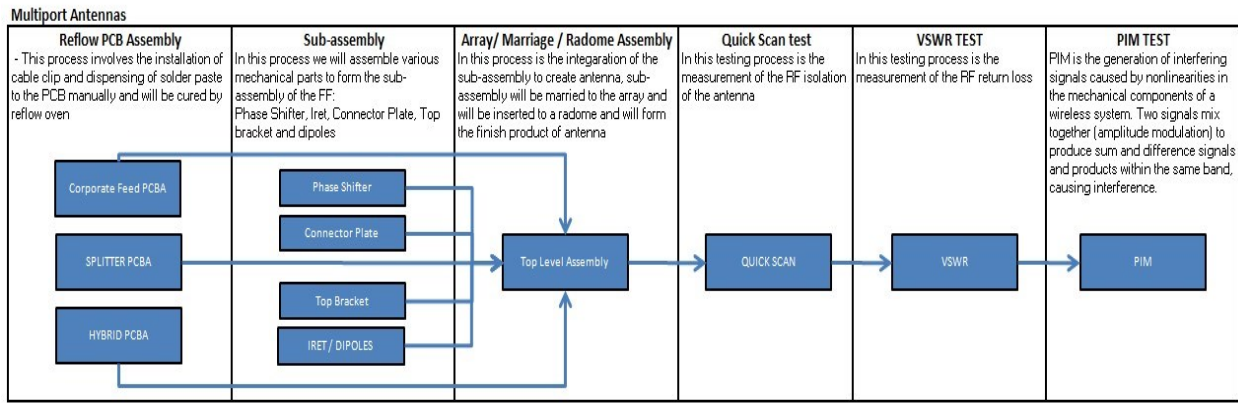
Optimized Azimuth Patterns as per MultiServe Family

Optimized Rodome&Windload as MultiServe Family

### Quintel Manufacturing Process Flow

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

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



### Quintel Customers

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

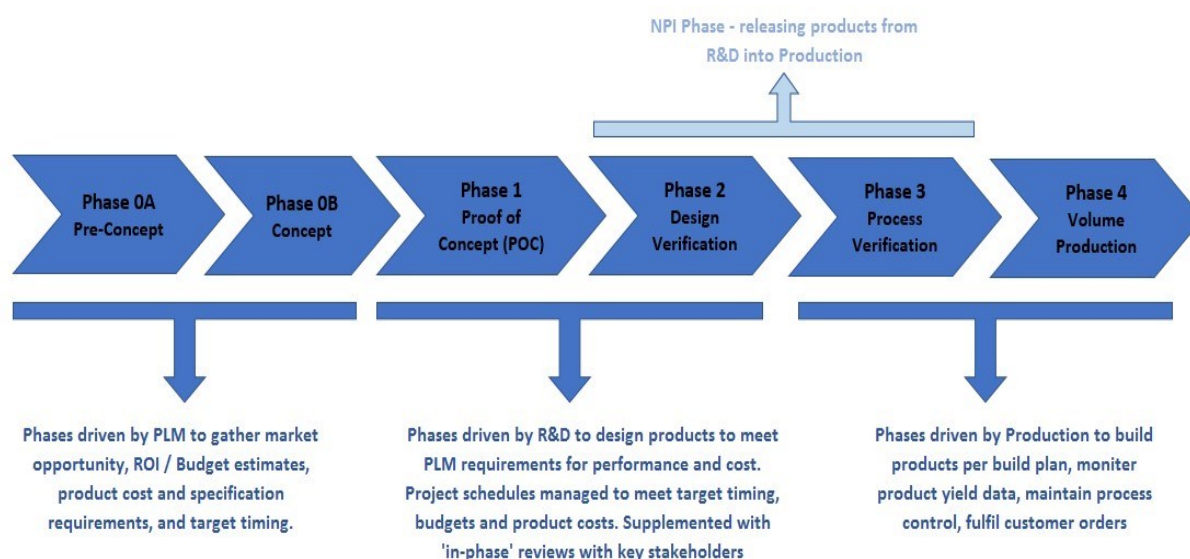
### Quintel Competition

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



## Quintel Product Development (Research and Development)

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



## CUSTOMERS

Beginning in 1984 with 3 customers, the Cirtek Group has significantly grown its customer base to over 70 major and regular customers as of present date. The Cirtek Group's Company's customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the United States of America. The figure below illustrates the geographic distribution of customers by revenue contribution, over the past 2 years.

### % Contribution to Revenue Per Region 2023, 2022

	2023	2022
Asia	37%	32%
Europe	19%	20%
USA	44%	48%

The Company is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Company. Neither is the Company reliant on any specific industry since its products have varied applications in different industries.

## MARKETING

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



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

## **SUPPLIERS**

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

These direct materials are sourced abroad, mainly from Hongkong, Singapore, Malaysia and Korea. Shipment is mostly by air, except for the molding compound, which is by sea because of its weight. In order to mitigate the risk of shortage of these direct materials, the Company has at least two suppliers for each material.

## **EMPLOYEES**

As of December 31, 2023, the Cirtek Group has 932 regular employees.

<b>Position</b>	<b>Total</b>
Managers and Executives	23
Engineers	20
Administration	55
Other support Cirtek Groups	368
Rank and File	466
<b>Total</b>	<b>932</b>

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

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

## **INTELLECTUAL PROPERTY**

The Company does not believe that its operations are dependent on any patent, trademark, copyright, license, franchise, concession or royalty agreement.

## **RESEARCH AND DEVELOPMENT**

Research and development work is performed by a team of over 84 experienced engineers with skills developed internally and learned from previous work experiences. Skills are brought in through hiring when necessary while training is a continuing concern to hone the skills of the technical staff.

The Company, in the case of CEC and CATS, has successfully cooperated with customers on many projects, co-developing with them new technology that are customer specific that will ensure continuing engagement by the customers. This approach ties up customer with the Company over a long period of time generating revenues from a captive market. Quintel's R&D activities cover components, network / system and products.

The Company's technology for CEC and CATS roadmap covers material development and process improvement to improve on cost and to help maintain the margins. The latest materials are identified to meet ever increasing demand for higher quality and lower cost. These are product-application specific that are jointly co-developed with the customers bringing benefits to both parties.

The same technology roadmap resulted in bringing down the material and labor cost. For 2016, there was a reduction of 0.5% in cost of sales from new material developed.

Quintel's technology roadmap covers base-station antennas, MIMO, mid-cell and small cell technologies for 5G deployments

## **GOVERNMENT APPROVAL AND PERMITS**

All government approvals and permits issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of the Company, were obtained by the Company and are in full force and effect. As a holding company, the Company is only required to obtain a mayor's permit, which is required to be renewed within the first twenty (20) days from the beginning of January of the following year.

## **REGULATORY FRAMEWORK**

As a PEZA-registered entity, CEC and CATS are required to submit periodic financial and other reports. CEC is also required to submit quarterly, semi-annual and annual reports to the Department of Environment and Natural Resources as part of its Environmental Compliance Certificate requirements. The failure to comply with these reports and with any other requirements or regulations of these government agencies could expose CEC and CATS to penalties and the revocation of the registrations.

CEC and CATS ensures compliance with these requirements by assigning dedicated personnel to monitor, prepare the necessary filings and liaise with the relevant government agencies.

## **ITEM 2            PROPERTIES**

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

All of these properties are free and clear of liens, encumbrances and other charges, and are not subject of any mortgage or other security arrangement.

## **ITEM 3            LEGAL PROCEEDINGS**

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

Thus, on 4 November 2019, the Company filed a Petition for Declaratory Relief seeking a declaration of the Company's duties in relation to Complainants' right to inspect under Section 73 of Republic Act No. 11232 or the Revised Corporation Code ("RCC"). Specifically, the Company seeks a judicial declaration and/or confirmation of its right to decline the demand to inspect corporate records on account of bad faith and ill motive. The Petition, docketed as Civil Case No. B-10603, was filed with the Regional Trial Court of the City of Biñan, Branch 153 (RTC Branch 153).

On 17 February 2020, despite the pendency of the Petition for Declaratory Relief, complainants filed a Joint Complaint-Affidavit for alleged violation of Section 73 in relation to Section 16C of the RCC before the Office of the City Prosecutor ("OCP") against the following directors and officers of the Company: Jerry Liu, Jorge Aguilar, Michael Stephen Liu, Brian Gregory Liu, Justin Liu, Ernest Fritz Server, Hector Villanueva, Corazon Guidote, Emelita Cruzada and Rosario Menguito (the "Respondents"). Respondents received a copy of the Joint Complaint-Affidavit on 17 August 2020.

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

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

Sometime in April 2021, the accused learned that an Information for violation of Section 73 in relation to Section 161 of the Revised Corporation Code, entitled *People v. Jerry Liu, et al.*, docketed as Criminal Case No. 2560-B-2021 was filed with the Regional Trial Court of the City of Biñan, Branch 152 (RTC Branch 153).

Thus, on 12 April 2021, the Accused filed an Amended Omnibus Motion with the RTC Branch 152, seeking to (a) Dismiss and/or Quash the Information, (b) Withhold the Issuance of a Warrant of Arrest or Recall Warrant of Arrest, if already issued; or in the alternative, (c) Suspend the Proceedings Due to Prejudicial Question

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

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

On 12 October 2022, the Company filed its Memorandum in Lieu of Appellant's Brief for the Petition for Declaratory Relief (docketed as Civil Case No. B-10603) before the Court of Appeals.

On appeal, the Court of Appeals rendered its Decision dated 28 November 2022 reversing and setting aside the Orders dated 02 December 2020 and 09 July 2021 of the RTC Branch 154 and 153, respectively in the Civil Case No. B-10603. Therein, the Court of Appeals found that the Company cannot be compelled to grant access to inspect its corporate books and records without a lawful and legitimate purpose for such inspection.

On 27 December 2022, Otilio Vicente Arellano II and Rafael Estrada filed their Motion for Reconsideration assailing the Decision dated 28 November 2022 to which petitioner filed their Comment/Opposition dated 23 January 2023. On 13 July 2023, the Court of Appeals rendered its Resolution denying respondents' Motion for Reconsideration and affirming the Decision dated 28 November 2022.

On 02 August 2023, petitioners filed a Motion for Additional Time to File Petition for Review seeking an additional thirty (30) days from 03 August 2023, or until 02 September 2023, within which to file their petition for review on certiorari to the Decision rendered by the Court of Appeals in the case entitled "Otilio Vicente F. Arellano II and Rafael Estrada vs. Cirtex Holdings Philippines Corporation" docketed as CA-G.R. SP No. 173046 (Case No. B-10603). However, as of date, no Petition for Review has been received by the Company.

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

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

#### **ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

On 26 May 2023, the stockholders representing 59.22% of the total outstanding capital stock entitled to vote and 56.04% of the total outstanding capital stock, whether voting or non-voting, of TECH were present or represented by proxy or in absentia at the Annual Stockholders' Meeting via Remote Communication.

The stockholders approved and/or ratified the following:

1. Minutes of the Annual Stockholders' Meeting held on 27 May 2022;
2. Presentation and Approval of Audited Financial Statements;
3. Ratification of all acts of the Board of Directors and Management
4. Election of Directors
5. Appointment of External Auditors

### **PART II - OPERATIONAL AND FINANCIAL INFORMATION**

#### **ITEM 5 MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The registrant's common equity is principally traded in the Philippine Stock Exchange (PSE). The high and low sales prices for every quarter ended are indicated in the table below:

	<b>2022</b>		<b>2023</b>	
	HIGH	LOW	HIGH	LOW
<b>Q1</b>	8.05	5.61	3.38	2.79
<b>Q2</b>	6.62	5.41	3.14	2.58
<b>Q3</b>	5.58	4.31	2.72	1.83
<b>Q4</b>	4.64	3.50	2.00	1.52

The price of the Company's Common shares as of 31 March 2024 trading date was PhP 1.69 per share.

The price of the Company's Preferred B2-A shares as of 31 March 2024 trading date was \$0.69 per share.

The price of the Company's Preferred B2-B shares as of 31 March 2024 trading date was \$ 0.70 per share.

The price of the Company's Preferred B2-C shares as of 31 March 2024 trading date was PhP 48.00 per share.

The price of the Company's Preferred B2-D shares as of 31 March 2024 trading date was PhP 49.70 per share.

The number of Shareholders of record as of 31 March 2024 is 29.

*Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction*

The Corporation has issued 20,000,000 Preferred B2-B Shares to Camerton, Inc. on 18 December 2020. The Preferred B2-B Shares were listed on PSE on 2 February 2021.

The Corporation has issued 16,936,400 Preferred B2-C Shares and 28,625,500 Preferred B2-D Shares.

The Preferred B2-C Shares and Preferred B2-D Shares were listed on PSE on 14 December 2021.

*Top 20 Stockholders of Record as of March 31, 2024*

Stockholder Name	Number of Common Shares Held	Percentage of Shareholding
PCD Nominee Filipino	536,701,049	80.28
Camerton, Inc.	110,260,791	16.49
PCD Nominee Non-Filipino	21,369,155	3.20
Jose Ivan T. Justiniano or Ma. Jema Justiniano	79,761	0.01
Beant Singh Grewal	37,000	0.01
Anna Loraine Mendoza	17,500	0
Myra Villanueva	14,000	0
Raymond Alvin Mendoza	13,100	0
Fernando Magno Enriquez	12,000	0
Eduardo Lizares	1,000	0
Julius Victor Emmanuel Sanvictores	145	0
Stephen Soliven	122	0
Owen Nathaniel S. Au ITF LI Marcus Au	106	0
Jesus San Luis Valencia	62	0
Dondi Ron R. Limgenco	11	0
Shareholders' Association of The Philippines, Inc.	10	0
Joselito T. Bautista	3	0
Jorge Aguilar	1	0
Rafael Estrada	1	0
Corazon Guidote	1	0
Brian Gregory Liu	1	0
Jerry Liu	1	0
Justin T. Liu	1	0
Michael Stephen Liu	1	0
Hector Villanueva	1	0

Bernardino Ramos	1	0
Ernest Fritz Server	1	0
Total	668,505,825	100

*Top 20 Stockholders of Record of Preferred TCB2A Shares as of March 31, 2024 (registered with the SEC)*

Stockholder Name	Number of Preferred Shares Held	Percentage of Shareholding
PCD Nominee Corporation (Filipino)	66,488,220	99.24
PCD Nominee Corporation (Non-Filipino)	401,780	0.60
Knights of Columbus Fraternal Association of the Phils.,	100,000	0.15
George Soriano Ma And /or Betty Soriano Ma	10,000	0.015
Total	67,000,000	100

*Top 20 Stockholders of Record of Preferred TCB2B Shares as of March 31, 2024 (registered with the SEC)*

Stockholder Name	Number of Preferred Shares Held	Percentage of Shareholding
PCD Nominee Corporation (Filipino)	20,000,000	100
Total	20,000,000	100

*Top 20 Stockholders of Record of Preferred TCB2C Shares as of March 31, 2024 (registered with the SEC)*

Stockholder Name	Number of Preferred Shares Held	Percentage of Shareholding
PCD Nominee Corporation (Filipino)	16,879,160	99.662
PCD Nominee Corporation (Non-Filipino)	57,240	0.338
Total	16,936,400	100

*Top 20 Stockholders of Record of Preferred TCB2D Shares as of March 31, 2023 (registered with the SEC)*

Stockholder Name	Number of Preferred Shares Held	Percentage of Shareholding
PCD Nominee Corporation (Filipino)	28,017,740	97.88
PCD Nominee Corporation (Non-Filipino)	207,760	0.73
Knights of Colombus Fraternal Association of the Philippines Inc	400,000	1.40
Total	28,625,500	100

*Top 20 Stockholders of Record of Preferred A Shares as of March 31, 2024 (not registered with the SEC)*

Stockholder Name	Number of Preferred Shares Held	Percentage of Shareholding
Camerton, Inc.	700,000,000	100
Total	700,000,000	100

*Top 20 Stockholders of Record of Preferred B-1 Shares as of March 31, 2024 (not registered with the SEC)*

Stockholder Name	Number of Preferred Shares Held	Percentage of Shareholding
Camerton, Inc.	70,000,000	100
Total	70,000,000	100

**Dividends Declaration**

The Board of Directors of TECH, in its regular meeting held on 19 January 2024, approved the following:

Declaration of cash dividends of the following shares:

**a. Preferred A Shares (Unlisted)**

Declaration of cash dividend of US\$0.000012196 per share for each of the Seven Hundred Million (700,000,000) issued and outstanding Preferred A Shares amounting to an aggregate sum of Eight Thousand Five Hundred Thirty-Seven and 1/100 US Dollars (US\$8,537.01), for payment and distribution on 8 March 2024 to shareholders of record as of 22 February 2024. 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 PhP0.06125 per share for each of the Seventy Million (70,000,000) issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of Four Million Two Hundred Eighty-Seven Thousand Five Hundred Pesos (PhP4,287,500.00) for payment and distribution on 8 March 2024 to shareholders of record as of 22 February 2024.

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

Declaration of cash dividend of US\$0.0228125 per share for each of the Sixty-Seven Million (67,000,000) outstanding and issued Preferred B-2A Shares amounting to an aggregate sum of One Million Five Hundred Twenty-Eight Thousand Four Hundred Thirty-Seven and 50/100 US Dollars (US\$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. 8 March 2024 to shareholders of record as of 22 February 2024;
- ii. 10 June 2024 to shareholders of record as of 24 May 2024;
- iii. 9 September 2024 shareholders of record as of 23 August 2024; and
- iv. 9 December 2024 shareholders of record as of 22 November 2024.

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

Declaration of cash dividend of US\$0.025 per share for each of the Twenty Million (20,000,000) outstanding and issued Preferred B-2B Shares amounting to an aggregate sum of Five Hundred Thousand US Dollars (US\$500,000.00), 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:

- ii. 18 March 2024 to shareholders of record as of 1 March 2024;
- ii. 18 June 2024 to shareholders of record as of 3 June 2024;
- iii. 18 September 2024 shareholders of record as of 3 September 2024; and
- iv. 18 December 2024 shareholders of record as of 3 December 2024

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 PhP0.8233 per share for each of Sixteen Million Nine Hundred Thirty-Six Thousand Four Hundred (16,936,400) outstanding and issued Preferred B-2 Subseries C Shares amounting to an aggregate sum of Thirteen Million Nine Hundred Forty-Three Thousand Seven Hundred Thirty-Eight Pesos and Twelve Centavos (PhP 13,943,738.12), and declaration of cash dividend of PhP0.968825 per share for each of the Twenty-Eight Million Six Hundred Twenty-Five Thousand and Five Hundred (28,625,500) outstanding and issued Preferred B-2 Subseries D Shares amounting to an aggregate sum of Twenty-Seven Million Seven Hundred Thirty Three Thousand One Hundred and Four Centavos (PhP27,733,100.04), 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. 14 March 2024 to shareholders of record as of 28 February 2024;
- ii. 14 June 2024 to shareholders of record as of 30 May 2024;
- iii. 16 September 2024 shareholders of record as of 30 August 2024; and
- iv. 16 December 2024 shareholders of record as of 29 November 2024.

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 US\$0.000012196 per share for each of the Seven Hundred Million (700,000,000) issued and outstanding Preferred A Shares amounting to an aggregate sum of Eight Thousand Five Hundred Thirty-Seven and 1/100 US Dollars (US\$8,537.01), for payment and distribution on 8 March 2023 to shareholders of record as of 21 February 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 PhP0.06125 per share for each of the Seventy Million (70,000,000) issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of Four Million Two Hundred Eighty-Seven Thousand Five Hundred Pesos (PhP4,287,500.00) for payment and distribution on 8 March 2023 to shareholders of record as of 21 February 2023.

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

Declaration of cash dividend of US\$0.0228125 per share for each of the Sixty-Seven Million (67,000,000) outstanding and issued Preferred B-2A Shares amounting to an aggregate sum of One Million Five Hundred Twenty-Eight Thousand Four Hundred Thirty-Seven and 50/100 US Dollars (US\$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. 8 March 2023 to shareholders of record as of 21 February 2023;
- ii. 8 June 2023 to shareholders of record as of 24 May 2023;
- iii. 8 September 2023 shareholders of record as of 24 August 2023; and
- iv. 11 December 2023 shareholders of record as of 24 November 2023.

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

Declaration of cash dividend of US\$0.015 per share for each of the Twenty Million (20,000,000) outstanding and issued Preferred B-2B Shares amounting to an aggregate sum of Three Hundred Thousand US Dollars (US\$300,000.00), for each Dividend Period.



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

- i. 20 March 2023 to shareholders of record as of 3 March 2023;
- ii. 19 June 2023 to shareholders of record as of 2 June 2023;
- iii. 18 September 2023 shareholders of record as of 1 September 2023; and
- iv. 18 December 2023 shareholders of record as of 1 December 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 PhP0.8233 per share for each of Sixteen Million Nine Hundred Thirty-Six Thousand Four Hundred (16,936,400) outstanding and issued Preferred B-2 Subseries C Shares amounting to an aggregate sum of Thirteen Million Nine Hundred Forty-Three Thousand Seven Hundred Thirty-Eight Pesos and Twelve Centavos (PhP 13,943,738.12), and declaration of cash dividend of PhP0.968825 per share for each of the Twenty-Eight Million Six Hundred Twenty-Five Thousand and Five Hundred Pesos (28,625,500) outstanding and issued Preferred B-2 Subseries D Shares amounting to an aggregate sum of Twenty-Seven Million Seven Hundred Thirty Three Thousand One Hundred and Four Centavos (PhP27,733,100.04), 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. 14 March 2023 to shareholders of record as of 27 February 2023;
- ii. 14 June 2023 to shareholders of record as of 30 May 2023;
- iii. 14 September 2023 shareholders of record as of 30 August 2023; and
- iv. 14 December 2023 shareholders of record as of 29 November 2023.

Owners of record of more than 5% of the Corporation's voting securities as of 31 March 2024:

<b>Title of Class</b>	<b>Name, Address of Record Owner, and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>% of Class</b>
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	536,701,049	80.806
Common	Camerton, Inc.	Camerton, Inc.	Filipino	110,260,791	16.494
Common	Total			646,961,840	97.30%

Under PCD account, the following participants hold shares representing more than 5% of the company's outstanding shares

<b>Participant</b>	<b>Number of Shares</b>	<b>Percentage</b>
Abacus Securities Corporation	134,966,227	24.18%
COL Financial Group, Inc.	120,319,384	21.56%
Guild Securities, Inc.	38,282,658	6.86%
First Metro Securities Brokerage Corp.	37,248,139	6.67%

## ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### Overview

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

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

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

CEIC sells integrated circuits principally in the US and assigns the production of the same to CEC. CEIC acquired Remec Broadband Wireless Inc. ("RBWI") in 30 July 2014, renamed Cirtek Advanced Technologies and Solutions, Inc. ("CATSI"), a proven Philippine-based manufacturer of value added, highly integrated technology products. CATSI offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeter wave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

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

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

The Cirtek Group has earned a strong reputation with its customers for its high-quality products, production flexibility, competitive costing, and capability to work with customers to develop application and customer specific packages. The Cirtek Group has been accredited and certified by several international quality institutions, namely TÜD SÜD Management Service GmbH, TÜV Product Service Asia Ltd., Taiwan Branch, Defense Supply Center & British Approval Board Telecom, for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949, TUV Product Safety Certification, and FCC certification.

### Factors Affecting the Company's Results of Operations and Financial Conditions

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

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

The demand for the Company's solutions is derived from the demand of end customers particularly for end-use applications in the computing, communications, consumer automotive, and industrial electronics industries. These industries have historically been characterized by rapid technological change, evolving industry standards, and changing customer needs. There can be no assurance that the Company will be successful in responding to these industry demands. New services or

technologies may also render the Company's existing services or technologies less competitive. If the Company does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities may require substantial time, effort, and capital investment.

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

The Cirtek Group develops its own technology, and product roadmaps. The Cirtek Group ensures that it has the skills necessary to meet its customers' needs through training and hiring.

#### ***Risks relating to the Company and its business***

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

#### ***Risks Relating to Countries Where the Company Operates***

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

### ***Risks on the acquisition of Quintel Cayman, Ltd. and its subsidiaries***

The Company is exposed to several risks due to their recent acquisition of Quintel Cayman, Ltd. and its subsidiaries, Quintel Technology, Ltd. and Quintel USA.

The Company may have potential difficulties in integrating the new business to their existing business model, as their new product offerings may require different marketing and operational strategies. There is also the risk pertaining to the existing customer base of Quintel, as Cirtek may lack knowledge of Quintel's customers' behavior.

There is commercial risk if the Company is unable to turnaround the business of Quintel and make it profitable. Cirtek may not be able to maintain Quintel's existing product licenses, while Quintel's R&D may be unable to produce new projects in its pipeline or create new tech or innovations to satisfy their customers. As a result, the Company would not be able to meet their projected level of sales or return of investment for their new business.

To manage these risks, Cirtek, in its acquisition of Quintel, carried out extensive due diligence covering operations, accounting and tax, legal, and Intellectual Property. The Company also commissioned third party studies to validate Quintel's technologies, current products, future product offerings, and Quintel's industry position in the base station antenna market in North America.

Cirtek is also investing in the key areas of sales and marketing and R&D. Cirtek, identified and signed up the key senior management, R&D, and sales and marketing personnel in Quintel, offering incentive and retentions programs. Quintel will also be hiring additional sales representatives to focus on the North American market and to build presence in new markets such as South America and Asia. Quintel will also increase its R&D personnel to support and fast-track the introduction of new products to the market.

Quintel also introduced Cirtek to its key customers, AT&T and Verizon, who positively received the news of Cirtek assuming ownership of Quintel.

The Company believes the acquisition of Quintel will create significant synergies. Cirtek, being the sole contract manufacturer of Quintel, understands the Quintel antennas. The Company foresees significant benefits through collaborative value engineering, R&D, and cost reduction. Cirtek has begun implementing cost-reduction program to improve gross margins. This would include lower material costs, lower labor hours, and lower inbound and outbound logistics costs.

***Some of the Cirtek Group's customers have the contractual right to place orders in quantities less than the agreed minimum. The customers also require that the latter maintain certain key certifications and meet technical audit standards in order to be an accredited assembly and testing subcontractor.***

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

The Company has managed to consistently obtain all customary international accreditations certifying to its world-class standards of process and manufacturing from quality institutions such as TUV, Defense Supply Center of Columbus, and British Approval Board Telecom. This allows it to meet various industry requirements and standards. The Company continually monitors industry requirements and standards issued by applicable international accreditation bodies and implements the changes or adjustments necessary to remain compliant with the levels of standard imposed on competitive industry members.

***The Company may be exposed to risk of inventory obsolescence and working capital tied up in inventories.***

The Company may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Inventory obsolescence may require it to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected. The Company is cognizant of these risks and accordingly exercises due diligence in materials planning. The Company also provisions in its inventory systems and planning a reasonable amount for obsolescence. It works with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk. In addition, the Company often negotiates buy back arrangements with customers where, in the event the customers' purchase orders are delayed, cancelled, or entered in the end-of-life phase, the customers assume the risk and compensates the Company for the excess inventory.

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

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

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

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

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

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

***CEC and CATSI are required to maintain governmental approvals***

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

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

***The Company's industry is dependent on the continuous growth of outsourcing by OEMs***

The Company belongs to an industry that is dependent on the strong and continuous growth of outsourcing in the computing, communications, consumer automotive, and industrial electronics industries where customers choose to outsource production of certain components and parts, as well

as functions in the production process. A customer's decision to outsource is affected by its ability and capacity for internal manufacturing and the competitive advantages of outsourcing.

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

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

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

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

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

***The Company is exposed to the cyclical nature of the semiconductor industry***

The semiconductor industry's growth is largely driven by end markets in communications, data processing, consumer electronics, the automotive industry, and the industrial sector for which semiconductors are critical components. The industry has historically been cyclical, and affected by economic downturns. The Company currently derives 35% of its sales and operating profits from the assembly and testing services it provides other semiconductor companies worldwide. During periods of weak demand or excess capacity, the Cirtek Group's customers may opt not to continue with, or cancel, existing orders. These events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk, the Cirtek Group continually monitors its direct costs such as raw materials, spare parts, and direct and indirect labor and customers provide order forecasts that enable them to properly plan direct material purchases. They have also implemented an internal reporting system, which allows senior management to monitor profitability for each of the products on a weekly basis. The Cirtek Group believes that these measures allow it to respond quickly and make the necessary adjustments, which has proven crucial in maintaining its competitiveness.

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

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

The assembly and testing segment of the semiconductor industry is highly competitive. Cirtek competes with both local and foreign firms to provide these back-end processes to semiconductor manufacturers. The Company's competitors include Integrated Device Manufacturers ("IDM") with their own in-house assembly and testing capabilities, and similar independent semiconductor assembly and test subcontractors. In order to remain competitive, the Company has to price its

services and products reasonably, as well as maintain the quality in its manufacturing processes and deliver its products on a timely basis.

The Company has in place, strict procedures to ensure the quality of its products. Through the Quality Assurance division of its subsidiary CEC, the Company ascertains its processes and products are compliant with its client's requirements, and conducts regular audits of manufacturing procedures. The Company believes it has a dedicated and experienced management team that understands the industry's requirements and technology trends that allows the Company to be highly competitive.

At least 65% of the Company's product portfolio pertains to customer specific applications, which cannot be easily replicated by competitors. Moreover, accreditation of a qualified supplier normally takes a minimum of nine months. Hence, once its requirements are met, it is not easy for a customer to transfer to a competitor.

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

***The volatility in the price of raw materials and the availability of supply used by the Company in its production process could affect its profitability.***

A significant increase in the price of or a significant reduction in the supply of raw materials could adversely affect the cost of sales and other expenses. For certain products, raw materials such as gold and copper can account for up to 40% of cost of goods sold.

While these risks are uncontrollable, the Company's practice has been to bill its customers for any price adjustments whenever the cost of direct materials such as gold increases. In order to ascertain access to raw materials at all times, the Company as a policy, maintains at least three to four suppliers for each of the raw materials it uses for production. The Company also has clients who provide certain raw materials to them for exclusive use in these client's products, which serve to reduce the production costs.

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

***The Company is exposed to foreign exchange risk***

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

The Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US\$ currencies. To further manage foreign exchange risk, the Company from time to time enters into currency swaps and forward contracts.

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

The Company has maintained a harmonious relationship between management and staff. Cirtex provides employee benefits and complies with labor standards. The Company is not unionized; however, to foster better employee-management relations, there is a labor management council composed of committees with representatives from both labor and management. Labor management councils are established to enable the workers to participate in policy and decision-making processes, in so far as said processes will directly affect their rights, benefits and welfare,

except those which are covered by collective bargaining agreement or are traditional areas of bargaining. The scope of the council/committee's functions consists of information sharing, discussion, consultation, formulation, or establishment of programs or projects affecting the employees in general or the management.

More than half of the Group's workforce consists of contractual employees. These are the direct employees of the Group's subcontractors who perform specific services or certain aspects of the manufacturing process. Such arrangements involve a "trilateral relationship" among: (i) the Group, as the principal who decides to farm out the job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service for the Group.

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

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

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

#### ***Risk on the separation of key employees***

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

The Cirtek Group gives attractive compensation packages that combine standard remuneration and performance incentives. The Cirtek Group provides continuous training and development to managers and direct employees. These training sessions include technical and managerial courses. Key employees are also bound by employment contracts which have standard confidentiality, non-compete and non-solicitation clauses.

### **Basis of Presentation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting Policies**

#### **Statement of Compliance**

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



### 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.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2023 and 2022:

	Country Incorporation	of	Percentage of Ownership		Direct	Indirect
			2023	2022		
			Direct	Indirect	Direct	Indirect
CEC	Philippines		100%		100%	
CEIC	BVI		100%		100%	
CATS	BVI			100%		100%
CATS – Philippine Branch	Philippines			100%		100%
RBW Realty and Property, Inc. (RBWRP)	Philippines			100%		100%
Cirtek Corporation	United States of America	of		100%		100%
Quintel	Cayman Islands			100%		100%
Quintel Technology, Ltd.	United Kingdom			100%		100%
Quintel USA	United States of America	of		100%		100%

Telecom Quintel Mauritius, Ltd. and Quintel Technology, Ltd. are in the process of liquidation

Subsidiaries are entities over which the Parent Company has control. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the stand-alone financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

#### *Common control business combinations*

Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Parent Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

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

## Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2019. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments are not applicable to the Group.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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 Company assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company 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 Company;
- 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 Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Company 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 Company also assesses the ROU asset for impairment when such indicators exist.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing a 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 statement of financial position.

#### Lease Liability

At the commencement date, the Company 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 Company 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 Company 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 Company 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 Company recognizes any remaining amount of the remeasurement in profit or loss.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in consolidated statement of income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments are not expected to have any significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;

- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not expected to be relevant to the Group because there has been no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred income taxes as of December 31, 2023 and 2022.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after

January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in consolidated statement of income, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

*Effective beginning on or after January 1, 2020*

- *Amendments to PFRS 3, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective beginning on or after January 1, 2021*

- *PFRS 17, Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts



PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

#### *Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2018 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

#### **ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC. These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

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

The following are the amendments to PFRS 16:

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

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

**New and Revised PFRSs in Issue but Not Yet Effective**

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

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

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

The following are the amendments to PFRS 16:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
- require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in

which the lessee first applies the amendment; and

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

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

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

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

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

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

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

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

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

presented in the consolidated financial statements in which the entity first applies the amendments.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation

charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

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.

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

The amendments to PAS 1 are the following:

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

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

- Amendments to PAS 8, Definition of Accounting Estimates

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

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in consolidated financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not

the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

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

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

The amendments to PAS 1 are the following:

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

The amendments also clarify the following:

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

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

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

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

The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits.

Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

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

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

- PFRS 17, Insurance Contracts

PFRS 17 sets out the requirements that an entity should apply in reporting information about

insurance contracts it issues and reinsurance contracts it holds.

It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for

insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services.

Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

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

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

shall apply either the modified retrospective approach or the fair value approach.

### **Amendments to PFRS 17, Insurance Contracts**

The amendments cover the following areas:

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

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

## **Summary of Significant Accounting Policies**

### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within 12 months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within 12 months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

### Fair Value Measurement

The Group measures certain financial instruments and nonfinancial assets at fair value at each balance sheet date. Also, the Group discloses the fair values of financial instruments measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

### Financial Instruments - Effective January 1, 2018

#### *Financial assets*

#### *Initial recognition and measurements*

Financial assets are classified as financial assets measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15 (refer to the Revenue Recognition policy).

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

- *Financial assets at amortized cost* - This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss, when the asset is derecognized, modified or impaired.

As at December 31, 2023, this category includes the Group's cash and cash equivalents, trade and other receivables, amounts owed by related parties, investment in Philippine government securities, rental and security deposits, loans to employees and miscellaneous deposits.

- *Financial assets designated at FVTOCI (equity instruments)* - Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

As at December 31, 2023, this category includes the Group's investment in unquoted shares.

- *Financial assets designated at FVTOCI (debt instruments)* - The Group measures debt instruments at FVTOCI if both of the following conditions are met:
  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2023, the Group has no debt instruments classified as financial assets designated at FVTOCI.



- *Financial assets at FVTPL* - Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as "Unrealized mark-to-market gain" (positive net changes in fair value) or "Unrealized mark-to-market loss" (negative net changes in fair value) in profit or loss.

As of December 31, 2023, this category includes the Group's investment in Unit Investment Trust Fund (UITF).

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either the Group (a) has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, amounts owed to related parties and long-term debts.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as described below.

- *Financial liabilities at FVTPL* - Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVTPL.

- *Loans and borrowings* - This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the amortization process.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well through the amortization process.

This category generally applies to interest-bearing loans and borrowings.

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets - Effective January 1, 2018

Beginning January 1, 2018, upon adoption of PFRS 9, the Group recognizes an allowance for ECLs for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables that do not contain significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

For financial assets at amortized costs being individually assessed for ECLs, the Group applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Financial Instruments - Effective Prior to January 1, 2018

##### *Financial assets*

##### *Initial recognition*

Financial assets within the scope of PAS 39 are classified as either financial assets at FVTPL, loans and receivables, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, financial assets at FVTPL, HTM investments, AFS financial asset, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or purchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with gains or losses recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL.

Financial assets designated as FVTPL are designated by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2023, the Group designated its investment in UITF as financial asset at FVTPL.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method, less impairment. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Assets in this category are included in

current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As of December 31, 2023, the Group has designated as loans and receivables its cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

#### *HTM investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold it to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2023, the Group has HTM investments in Philippine government securities.

#### *AFS financial assets*

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or change in market conditions.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in OCI until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in profit or loss.

As of December 31, 2023, the Group's AFS financial asset pertains to investment in unquoted equity shares.

#### *Financial liabilities* *Initial recognition*

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities not at FVTPL, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, long-term debt and amounts owed to related parties.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in profit or loss.

The Group does not have a financial liability at FVTPL as of December 31, 2023.

#### *Other financial liabilities*

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2023, the Group's other financial liabilities includes trade and other payables, short-term loans, amounts owed to related parties and long-term debt.

#### Impairment of Financial Assets - Effective Prior to January 1, 2018

The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in profit or loss.

#### *Financial assets carried at amortized cost*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall

be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Financial assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials, spare parts, supplies and others - purchase cost on a first-in, first-out (FIFO) basis;

Finished goods and work-in-process inventories - cost of direct materials and labor and a proportion of manufacturing overhead cost. Costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. They are regularly reviewed and, if necessary, revised in light of current conditions.

NRV of finished goods and work-in-process inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts, supplies and others is the current replacement cost.

#### Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing cost when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in profit or loss as incurred. Land is carried at cost less any impairment in value.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction in progress represents property under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	Number of Years
Machinery and equipment	7-15
Buildings and improvements	5-25
Facility and production tools	5-8
Furniture, fixtures and equipment	2-5
Transportation equipment	5-7

Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts until these are no longer in use. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

#### Noncurrent Assets Held for Sale

Property, plant and equipment are classified as held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year from the date of classification, rather than through continuing use. Noncurrent assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification, unless the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

#### Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation



performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee (IVSC).

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Foreign currency exchange differences are included in the determination of borrowing costs to be capitalized, but only to the extent that they are an adjustment to the interest cost on the borrowing.

#### Intangible Assets

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

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

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

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

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

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

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

#### Research and Development Costs

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

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

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

#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. The Group has designated as nonfinancial assets its prepaid expenses, advances to suppliers, property, plant and equipment, intangible assets, project development costs and other assets. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial asset's or CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its estimated recoverable amount, the nonfinancial asset is considered impaired and is written down to its estimated recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last

impairment loss was recognized. If that is the case the carrying amount of the nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior years. Such reversal is recognized in profit or loss.

#### Capital Stock

Capital stock, which consists of common stock and preferred stock, is measured at par value for all shares issued. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

#### Subscription Receivable

The unpaid portion of the subscribed shares is deducted from capital stock and is measured at subscription price for all shares subscribed.

#### Deposit for future stock subscription

Deposit for future stock subscription represent the amount received that will be applied as payment in exchange for a fixed number of the Parent Company's own shares of stock. When the Parent Company does not have sufficient unissued authorized capital stock but the BOD and stockholders have approved for a proposed increase in authorized capital stock that has been presented for filing or has been filed with the Philippine SEC as of the balance sheet date, the deposit for future stock subscription is presented in the equity section of the consolidated balance sheet. Otherwise, this is presented in the liability section of the consolidated balance sheet.

#### Retained Earnings

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

The Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

#### Equity Reserve

Equity reserve represents the effect of the application of the pooling-of-interests method and the difference of carrying amount and consideration of reissued Parent Company shares held by a subsidiary.

#### Parent Company Shares Held by a Subsidiary

These shares represent the Parent Company's common shares acquired by its subsidiary. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the consideration, if reissued, is charged or credited to Equity Reserve.

## Other Comprehensive Income

Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group includes net changes in fair values of financial assets at FVTOCI and AFS financial assets, and remeasurements on retirement benefit obligation.

## Revenue Recognition - Effective January 1, 2018

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

### *Sale of goods*

Revenue from sale of goods is recognized at the point in time when the goods have been transferred to the customer (i.e., upon delivery). The Group's normal credit term is 30 to 120 days upon delivery.

Revenue is measured based on the transaction price the Group expects to be entitled to. The Group's contracts with customers generally provide customers with discounts. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Variable considerations include discounts and right of return. Discounts and returns are not significant to the Group.

### *Contract balances*

- *Contract assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.
- *Trade receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under Financial Assets and Financial Liabilities - Financial assets at amortized cost (debt instruments).
- *Contract liability.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

## Revenue Recognition - Effective Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns, rebates

and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Sale of goods*

Revenue from the sale of goods (including scrap) is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, net of discounts and returns. Discounts and returns are not significant to the Group.

#### Interest Income

Interest income is recognized as it accrues using the effective interest method.

#### Costs and Expenses Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

#### *Cost of sales*

Cost of sales is recognized when the related sale has met the criteria for recognition.

#### *Operating expenses*

Operating expenses are recognized in the period in which they are incurred.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangements is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

#### *The Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit

or loss on a straight-line basis over the lease term.

### Retirement Benefits Costs

#### *Defined benefit plans*

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are 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.

### Foreign Currency-denominated Transactions

The consolidated financial statements are presented in US dollars, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

### Income Taxes

#### *Current income tax*

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial reporting date. Current income tax for the current and prior periods, shall, to the extent unpaid, be recognized as a liability in the consolidated balance sheet. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and be presented as part of "Other current assets" in the consolidated balance sheet.

#### *Deferred income tax*

Deferred income tax is provided using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary difference,

and the carryforward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to offset current tax assets against current tax liabilities exist and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered. Subsidiaries file income tax returns on an individual basis. Thus, the deferred income tax assets and deferred income tax liabilities are offset on a per entity basis.

#### Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

#### Operating Segments

The Group operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses. The segments are segregated as follows: (a) manufacture and sale of semiconductor packages based in the Philippines through CEC, (b) manufacture and sale of radio frequency, microwave, and millimeter wave products based in the Philippines through CATS - Philippine Branch, and (c) sale of advanced high-efficiency, high-performance antenna solutions for wireless cellular networks based in the



U.S. through Quintel. Information with respect to these subsidiaries is disclosed in Note 4. The Group operates and derives its revenue from its domestic operation and from its operation in the U.S. through Quintel.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Contingencies

Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

#### **Events After the Balance Sheet Date**

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### **1. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, if any, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Determination of functional currency*

The functional currencies of the entities under the Group are the currencies of the primary economic environment in which the entities operate. It is the currency that mainly influences the sales prices of goods and cost of goods sold. Based on the economic substance of the underlying circumstances, the functional currency of the Parent Company and its subsidiaries is the US dollar.

#### *Determination of operating segments*

Determination of operating segments is based on the information about components of the Group that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Management assessed that the Group's operating businesses are organized and managed separately according to the nature of products as well as the geographical locations of businesses (see Note 4).

#### *Reclassification from investment properties and property, plant and equipment to noncurrent assets as held for sale*

Prior to reclassification of the Group's investment properties into assets held for sale, the carrying value of the investment properties amounted to \$8,788,538, which was net of accumulated depreciation amounting to \$1,079,896. The Group's investment properties consist of land, and building and improvements, costing \$3,698,601 and \$6,169,833, respectively.

On December 9, 2014, the Group's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS - Philippine Branch's operations.

An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of \$11,408,611 was classified as assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

The fair value of the non-current assets held for sale was determined as the sum of:  
Fair value of land computed using the Market Approach (Level 3); and  
Fair value of building and building improvements, and machinery and equipment computed as Replacement Cost New less estimated accrued depreciation (Level 3).

The valuations were performed by the Philippine SEC-accredited independent appraiser as of December 31, 2017. Market Approach is method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparable range from \$125 to \$150. Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

Replacement Cost New is estimated as follows:

For building and improvements, the appraiser used the Comparative Unit Method. This method is derived by dividing the total known cost of similar buildings or structures by the total construction floor area of those structures, combining all the costs of a particular type and quality of structure into one value as a cost per square meter. The resulting benchmark costs

are then adjusted to reflect the difference between the benchmark building and structures to the subject property in term of market conditions, locations and/or physical characteristics.

Construction cost per square meter range from \$308 to \$411. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence.

For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history is also considered.

Costs to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive the amount of fair value less costs to sell. As of December 31, 2017, the carrying value of noncurrent assets held for sale amounting to \$11,408,611 lower than fair value less costs to sell.

In 2018, land and building with a total carrying value of \$10,605,040 reclassified to investment properties as disclosed in Note 14 and building plant and machineries with a total carrying value of \$2,846,227 were reclassified to property, plant and equipment. Management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, as disclosed in Notes 13 and 14. Depreciation recognized has the properties not been reclassified as non-current asset held for sale amounted to \$0.5 million presented under "Operating expenses" in the consolidated statement of comprehensive income.

In 2020, the Group reclassified land and building with a total carrying value of \$10,605,040 presented as investment properties as non-current assets held for sale. Management assessed that the sale of these properties is probable and will meet the classification criteria set by PFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

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, 2021, assets held for sale is measured at its fair value. No impairment loss was recognized in relation to the reclassification. The sale was completed in December 15, 2021. The assets sold includes a 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

*Deferred income tax liability on a subsidiary's undistributed profits*

CEIC has undistributed profits as of December 31, 2023 and 2022 that will become taxable when distributed to the Parent Company. PAS 12 requires the recognition of deferred income tax liability on taxable temporary difference associated with investments in subsidiaries and interests in joint ventures, unless the Group has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has made a judgment that it is probable that the temporary difference will not reverse in the foreseeable future based on management's plan that the Group will not be declaring dividends from CEIC in the foreseeable future. Accordingly, the Parent Company did not recognize deferred income tax liability on CEIC's undistributed earnings amounting to \$9.6 million and \$12.5 million as of December 31, 2023 and 2022, respectively.

### *Impairment of nonfinancial assets (excluding goodwill)*

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount which is the higher of an asset's fair value less costs to sell and VIU. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Based on management's evaluation, no indication of impairment was noted on the Group's nonfinancial assets as of December 31, 2023 and 2022.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Determination of fair values in business combination*

The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss.

The acquisition of Quintel resulted in recognition of goodwill amounting to \$55.5 million

### *Estimation of useful life of intangible assets acquired as part of business combination*

The assigned useful lives of intangibles assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset.

The Group estimates that technology will have an economic life of 5 years. Trademark and customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing. As of December 31, 2023, the carrying value of customer relationship and trademark amounted to \$23.7million and \$7.5 million, respectively. As of December 31, 2023, and 2022, the carrying value of technology amounted to \$ nil and \$ 685 thousand, respectively

#### *Impairment testing of goodwill and intangible assets with indefinite useful life*

The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. The Group performs impairment test of trademark and goodwill annually every reporting period.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill and intangible assets relate, which in this case was determined to be Quintel. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience and are consistent with external sources of information. Key assumptions on which management has based its cash flow projections include sales volume and price, variable costs, terminal growth rate and discount rate. Cash flows beyond the forecast period are extrapolated into perpetuity assuming 1.50% growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used is 10.7%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill, customer relationships and trademark to exceed its recoverable amount. Based on management's assessment, the recoverable amount of the goodwill and intangible assets with indefinite useful life is higher than the carrying value, thus no impairment loss was recorded. As of December 31, 2023, and 2022, the carrying value of the goodwill, customer relationships and trademark, product development cost subjected to impairment testing amounted to \$ 94.9 million, \$ 95.8 million, respectively.

#### *Estimation of fair value less cost to sell of noncurrent assets held for sale - December 31, 2023 and prior*

The determination of the fair value less cost to sell of noncurrent assets held for sale is made with reference to the selling price of the asset in the market and other factors such as the local market conditions and the asking price of the potential buyers.

#### *Estimation of fair value of investment properties - Starting January 1, 2018*

The fair value of the Company's investment properties, consisting of land, and building and improvements, is based on a valuation made by professionally qualified independent appraisers who hold a recognized and relevant valuation license. The fair value was arrived at using Cost Approach. In this approach, the fair values of land and improvements are estimated separately. The value of the land is computed using the Market Approach and the value of the improvements is arrived at by computing the estimated replacement cost less estimated accrued depreciation. The appraisal study on April 22, 2019 reported fair value of the properties amounting to \$10.6 million (see Note 14).

Management believes that this value approximates the fair value of the investment properties as of December 31, 2032.

#### *Fair values of financial instruments*

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, fair values are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect

actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The fair values of the financial instruments of the Group are disclosed in Note 30 to the consolidated financial statements.<sup>4</sup>

*Estimating useful lives of property, plant and equipment*

The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets. There were no changes in the useful lives of property, plant and equipment in 2023 and 2022.

Depreciation charged in the consolidated statements of comprehensive income amounted to \$5.8 million, \$5.2 million, \$4.9 million, in 2023, 2022 and 2021, respectively. As of December 31, 2023 and 2022, the Group's property, plant and equipment have a net book value of \$48 million and \$53 million, respectively.

*Estimating allowance for inventory obsolescence*

The Group recognizes allowance for inventory obsolescence when the inventory items are no longer marketable and diminishes in value. Obsolescence is based on the physical and internal condition of inventory items. The Group reviews on a monthly basis the condition of its stocks. The assessment of the condition of the inventory goods either increase or decrease the expenses or total inventory.

The estimated allowance for inventory obsolescence is nil as of December 31, 2023 and 2022, respectively. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to \$59 million and \$67 million and \$795 thousand and \$853 thousand as of December 31, 2023 and 2022, respectively.

*Provision for ECL on financial assets at amortized cost (expected credit loss model) - Effective starting January 1, 2018*

For cash in banks and cash equivalents, other receivables, amounts owed by related parties, various deposits and loans to employees, management evaluated that these financial assets have low credit risk. Hence, the Group measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Group uses external credit ratings to determine whether the cash and cash equivalents, other receivables, amounts owed by related parties, various deposits and loans to employees have significantly increased in credit risk and to estimate ECL.

The Group uses a simplified approach to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast

of economic conditions may also not be representative of the customer's actual default in the future.

In its ECL model, the Group relies on a broad range of forward-looking information as economic inputs such as gross domestic product and inflation. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's allowance for ECL on trade receivables as at December 31, 2023 amounted to \$33 million. The carrying amount of cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, various deposits, loans to employees and other financial assets at amortized cost amounted to \$73 million as at December 31, 2023.

*Estimating of impairment of loans and receivables (incurred loss model) - Effective prior to January 1, 2018*

The Group maintains allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this impairment allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of receivable, and identifies accounts that are to be provided with allowance on a continuous basis either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded expenses and decrease current assets.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing the impairment is the inability to collect from the counterparty based on the contractual terms of the receivables.

For collective assessment, allowance is assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

The Group recognized allowance for impairment loss on trade and other receivables amounting to \$741 thousand for the year ended December 31, 2023. The carrying amount of loans and receivables, which include cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, loans to employees and deposits amounted to \$72.8 million as of December 31, 2023.

*Estimating retirement benefit cost and liability (defined benefit plans)*

The determination of the obligation for retirement benefits is dependent on the selection by management of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While management believes that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement obligation.

The Group's retirement benefits costs arising from its defined benefit plans amounted to \$0.2 million, \$0.2 million, \$0.2million in 2023, 2022 and 2021, respectively. As of December 31, 2023, and 2022, the Group's retirement benefit obligation amounted to \$2.1 million and \$1.7 million, respectively.

*Estimating useful life of software costs and capitalized product development costs*

The estimated useful lives of amortizing software costs and capitalized product development cost were determined on the basis of management's assessment of the period within which the benefits of these costs are expected to be realized by the Group.

As of December 31, 2023, and 2022, software with a total cost of \$39,278 has been fully amortized. The carrying amount of capitalized development costs amounted to \$8.1 million and \$9.0 million as of December 31, 2023 and 2022, respectively. The amortization of capitalized development cost amounted to \$4.5 million and \$3.0 million in 2023 and 2022 respectively.

*Recoverability of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has recognized gross deferred income tax assets amounting to \$0.30million and \$0.28 million as of December 31, 2023 and 2022.

*Determining provision for warranty*

The Group estimates the total warranty reserve to be recognized on the total internal and external sales for the period using a predetermined percentage rate. Assumptions made by the Group such as percentage used is based on their cumulative and industry experience on approximate inventory returns made by the customers.

The provision for warranty amounted to \$91 thousand and \$100 thousand as of December 31, 2023 and 2022, respectively.

*Provision and contingencies*

The Group is currently involved in various litigations and possible claims with third parties that are normal to its business. The estimate of probable costs for the resolution of these litigations and possible claims has been developed in consultation with outside legal counsel handling these matters and is based on an analysis of potential results. The Group currently does not believe that these litigations and possible claims will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Provisions recognized as of and for the year ended December 31, 2023 amounted to \$626 thousand.



## Results of Operations

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

	For the Years Ended	
<i>In US\$ Thousands except EPS</i>	2023	2022
<b>NET SALES</b>	<b>\$72,844</b>	\$84,774
<b>COST OF SALES</b>	<b>(51,758)</b>	(62,496)
<b>GROSS PROFIT</b>	<b>21,086</b>	22,278
<b>NET INCOME</b>	<b>7,689</b>	9,486
<b>Basic/Diluted EPS</b>	<b>(\$0.004)</b>	\$0.004
<b>EBITDA</b>	<b>\$20,869</b>	\$24,291

### ***For the period ending 31 December 2023 compared to the period ending 31 December 2022***

#### *Revenue*

The Company recorded consolidated revenue of US\$72.8 million for the period ending December 31, 2023, a decrease of 14% from US\$84.8 million for the same period in 2022. The decrease accounted for was mainly due to 4% decrease in revenue of semiconductor business; 1% decrease in revenue of from the RF/MW/mmW business and 37% decrease in Qintel business.

Revenue contribution from Qintel for the period ending 31 December 2023 amounted to US\$17.3 million compared to US\$27.4 million for the same period in 2022.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the period ending 31 December 2023 amounted to US\$19.6 million, a 1% decrease compared to the US\$19.8 million for same period in 2022.

Revenues from the semiconductor business amounted to US\$36 million for the period ending 31 December 2023 compared to US\$37.6 million for the same period in 2022 a 4% decrease.

#### *Cost of Sales and Gross Margin*

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and others. The Company's cost of sales decreased by 17% to US\$51.8 million for the period ending 31 December 2023 from US\$62.5 million for the same period in 2022. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories used decreased by 15% to US\$31.6 million for the period ending 31 December 2023 from US\$37.2 million for the same period in 2022.

- Salaries, wages and employees' benefits decreased by 17% to US\$7.4 million for the period ending 31 December 2023 from US\$8.9 million for the same period in 2022.
- Utilities decreased by 26% to US\$3.9 million for the period ending 31 December 2023, from US\$5.3 million for the same period in 2022.
- Inward freight and duties and others decreased by 74% to US\$976 thousand for the period ending 31 December 2023, from US\$3.7 million for the same period in 2022.

The Company's gross margin was 29% for the period ending 31 December 2023, compared to 26% gross margin recorded for the same period in 2022.

### **Operating Expenses**

The Company's operating expenses for the period ending 31 December 2023 amounted to US\$9.0 million, 6% lower compared to the US\$9.7 million recorded during the same period in 2022. The decrease is due to:

- Salaries, wages and employees' benefits decreased by 15% to US\$4.1 million for the period ending 31 December 31, 2023, from US\$4.9 million for the same period in 2022.
- Commissions decreased by 26% to US\$999 thousand for the period ending 31 December 31, 2023, from US\$1.4 million for the same period in 2022.
- Taxes and licenses decreased by 15% to US\$360 thousand for the period ending 31 December 31, 2023, from US\$423 thousand for the same period in 2022.
- Entertainment, amusement and recreation decreased by 41% to US\$99 thousand for the period ending 31 December 2023, from US\$166 thousand for the same period in 2022.
- Depreciation and amortization decreased by 25% to US\$60 thousand for the period ending 31 December 2023 from US\$80 thousand for the same period in 2022.

### **Income Before Income Tax**

For the period ending 31 December 2023, the Company recorded a net income before income tax of US\$9.2 million, a decrease of 23% compared with US\$12million recorded for the same period in 2022.

### **Provision for / Benefit from Income Tax**

Benefit from income tax for the period ending 31 December 2023 amounted to US\$0.60 million compared with a provision for income tax of US\$0.66 million for the same period in 2022.

### *Net Income After Tax*

The Company's net income from continuing operations for the period ending 31 December 2023 amounted to US\$8.6million, a decrease of 24% compared with US\$11.3 million for the same period in 2022. The decrease was brought about by the decrease of revenue.

### **Total Comprehensive Income**

The Company's total comprehensive income for the period ending 31 December 2023 amounted to US\$7.7 million, compared to US\$9.5 million for the same period in 2022, a decrease of 19% mainly due to the decrease of Revenue.

## **Financial Condition**

### ***For the period ending December 31, 2023 compared to the period ending December 31, 2022***

#### *Assets*

The Company's cash and cash equivalent for the period ending 31 December 2023 amounted to US\$36.7 million, compared with US\$44.3 million for the period ending 31 December 2022, a decrease of US\$7.6 million or 17%.

Trade and other receivables for the period ending 31 December 2023 amounted to US\$33.4 million, compared with US\$36.5 million for the period ending 31 December 2022, a 9% decrease.

Inventory levels for the period ending 31 December 2023 amounted to US\$59.4 million, 12% lower compared with US\$67.6 million for the period ending 31 December 2022.

Due from related parties for the period ending 31 December 2023 amounted to US\$0.19 million compared to US\$0.34 million for the period ending 31 December 2022.

Non-current assets, comprised of Other financial asset at amortized cost, investment property, property, plant and equipment (PPE), intangible assets, right-of-use-asset, deferred income taxes and other noncurrent assets for the period ending 31 December 2023 amounted to US\$150 million compared with US\$156 million for the period ending 31 December 2022.

#### *Liabilities*

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, Dividend payable, Lease liability-current portion, deposit for future stock subscription and income tax payable. For the period ending 31 December 2023, current liabilities were at US\$44.0 million, compared with US\$63.2 million the period ending 31 December 2022, a decrease of 30%.

For the period ending 31 December 2023, the Company's non-current liabilities, comprised of long-term debt – net of current portion, lease liability, retirement benefit obligation, and deferred income tax liability amounted to US\$26.3 million compared with US\$30.5 million for the period ending 31 December 2022, a 14% decreased.

#### *Equity*

The Company's shareholders' equity for the period months ending 31 December 2023 amounted to US\$214.5 million compared with US\$217.8 million for the period ending 31 December 2022

## **Liquidity and Capital Resources**

For the period ending 31 December 2023, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its corporate note's issuances, and proceeds from its follow-on offering. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

For the next twelve (12) months, the Company plans to increase its production further by increasing volume deliveries to existing customers, entering into new production agreements, and expanding its customer base through new product introduction and aggressive sales and marketing activities. The following table sets out the Company's cash flows for the period months ending December 31, 2023 and the same period in 2022.

<i>In US\$ Thousands</i>	<b>For the years ended</b>	
	<b>2023</b>	<b>2022</b>
Net cash flows provided by/ (used for) operating activities	26,666	38,457
Net cash flows provided by/ (used for) investing activities	(2,120)	(21,745)
Net cash flows provided by/ (used for) financing activities	(32,944)	(44,005)
Net increase (decrease) in cash equivalents	(7,595)	(27,118)

#### *Net Cash Flows from Operating Activities*

Net cashflow used for operating activities was US\$26.7 million for the period ending 31 December 2023, compared with net cash inflow of US\$38.5 million for the same period in 2022.

#### *Investing Activities*

Net cash outflow used for investing activities amounted to US\$(2.1) million for the period ending 31 December 2023 compared to US\$(21.7) million in the same period in 2022. Investing activities mainly involved decrease in PPE.

#### *Financing Activities*

Net cash flow from financing activities for the period ending 31 December 2023 amounted to US\$(32.9) million. Major financing activities involved proceeds from availment of short-term loans, less acquisition of parent company shares by subsidiary, payment of cash dividends, payment of interest, payment of short-term and long-term loans, and net movement in amounts owed by and owed to related parties. For the same period in 2022 net cash flow from financing activities amounted to US\$(44.0) million.

#### **Material Changes to the Company's Audited Income Statement as of December 31, 2023 compared to the Audited Income Statement as of December 31, 2022 (increase/decrease of 5% or more)**

- 14% decrease in net sales
  - Decrease in revenue contribution of CEC, CATSI and Quintel
- 17% decrease in cost of sales
  - Decrease in raw materials, spare parts, supplies and other inventories used, salaries, wages and employees' benefits, Utilities, Inward freight duties and others
- 6% decrease in operating expenses
  - Decrease in Salaries, wages and employees' benefits, Commissions, Entertainment, Taxes and licenses, and Depreciation and amortization
- 23% decrease in Income Before income Tax
  - Decrease in revenue

**Material Changes to the Company's Audited Balance Sheet as of December 30, 2023 compared to the Audited Balance Sheet as of December 31, 2022 (increase/decrease of 5% or more)**

- 17% decrease in Cash and Cash Equivalent
  - Decrease in net cash flow from financing activities
- 9% decrease in Trade and Other Receivables – Net
  - More collection for certain major customers
- 18% decrease in Long-term debt
  - Payment to Long-term loans

**KEY PERFORMANCE INDICATORS**

The Company's top five (5) key performance indicators are listed below:

<i>Amounts in thousand US\$, except ratios, and were indicated</i>		<b>2021 Full Year</b>	<b>2022 Full Year</b>	<b>2023 Full Year</b>
EBITDA		20,804	24,291	20,869
EBITDA Margin		30%	29%	29%
Sales Growth/Decline		2%	21%	(14%)
Current Ratio (x)		2.36x	2.5x	3.06x
Earnings per share (US\$)		0.004	0.004	(0.004)

*Note:*

*\*Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2023 and 2022*

*\*\*Earning per share was calculated less dividends for preferred shares which has a fixed amount per quarter*

▪ *EBITDA and EBITDA Margin*

Earnings before interest, tax, depreciation and amortization (EBITDA) provides an indication of the rate of earnings growth achieved.

The EBITDA margin shows earnings before interest, tax, depreciation and amortization as a percentage of revenue. It is a measure of how efficiently revenue is converted into EBITDA.

EBITDA and EBITDAR Margin are not measures of performance under PFRS, and investors should not consider EBITDA and EBITDA Margin in isolation or as alternatives to net income as an indicator of our Company's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA and EBITDA Margin calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

The following table sets out the Company's EBITDA after consolidation entries.

	<b>For the years ended December 31</b>		
<b><i>In US\$ 000</i></b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Net income	8,140	11,343	8,598
Add back:			
Interest expense/income-net	5,469	4,718	3,783
Provision for / Benefit from income tax	(105)	661	603
Depreciation and Amortization	7,301	7,569	7,884
<b>EBITDA</b>	<b>20,804</b>	<b>24,291</b>	<b>20,869</b>

The table sets forth a reconciliation of the Company's consolidated EBITDA to consolidated net income.

	<b>For the years ended December 31</b>		
<b><i>In US\$ 000</i></b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
EBITDA	20,804	24,291	20,869
Deduct:			
Interest expense/income-net	(5,469)	(4,718)	(3,783)
Provision for / Benefit from income tax	(105)	(661)	(603)
Depreciation and amortization	(7,301)	(7,569)	(7,884)
<b>Net Income</b>	<b>8,140</b>	<b>11,343</b>	<b>8,598</b>

- *Sales growth*

Sales growth is a key indicator of the Company's ability to grow the business

- *Current ratio*

Current ratio measures a company's short-term liquidity, i.e. its ability to pay its debts that are due within the next 12 months. It is expressed as the ratio between current assets and current liabilities.

- *Earnings per share*

Earnings per share show the Company's attributable profit earned per common share. At constant outstanding number of shares, as the Company's earnings increase, the earnings per share correspondingly increase.

## **FINANCIAL RISK DISCLOSURE**

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation.

The Company does not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

The Company has allocated up to US\$8 Million for capital expenditure for full year 2018, from the proceeds of the Company's Follow-on Offering and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The Company is not aware of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

## **ITEM 7 FINANCIAL STATEMENTS**

Please see attached Audited Financial Statements ending 31 December 2023.

## **ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

## **PART III - CONTROL AND COMPENSATION INFORMATION**

### **ITEM 9 DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

The following is a brief profile of the Corporation's Directors and Officers for the year 2022-2023.

Regular and Independent Directors.

**Jerry Liu**, 75 years old was elected as the Corporation's Chairman and President on 25 May 2012. He is currently the Chairman of the Corporation. He is also concurrently Chairman of CEC, Director of Cirtek Land and Cayon Holdings, Inc. Mr. Liu holds a Bachelor of Science degree in Physics from Chung Yuan University of Taiwan and an MBA from the University of the East.

**Jorge Aguilar**, 66 years old, was elected as Director, Vice-Chairman and President on 10 May 2019. Mr. Aguilar served as a director of the Company from 2011 until 2015. He joined CEC in 1985 and is concurrently EVP/General Manager of CEC, a position he has held since 2004. Mr. Aguilar has a Bachelor of Science degree in Mechanical engineering from the Manuel L. Quezon University and an MBA from the Collegio de San Juan de Letran.

**Ernest Fritz Server**, 80 years old, was elected as an Independent Director of the Corporation on 17 February 2011 and was elected as a regular Director in the Annual Stockholders' Meeting held last 30 July 2020. Mr. Server serves as the President of Multimedia Telephony Inc., Vice Chairman of RFM Corporation, Chairman of Arrakis Holdings, Inc., President of Seacage Industries, Inc., President of West Properties, Inc., President of Superior Las Pinas, Inc., a director of ABS CBN Convergence, Inc. and a director of BJS Development Corp. Previously, Mr. Server served as Vice Chairman of the Commercial Bank of Manila, Consumer Bank and Cosmos Bottling Corporation, President of Philippine Home Cable Holdings, Inc. and Philam Fund, and a director of Philippine Township, Inc.. Mr. Server graduated from the Ateneo de Manila University in 1963 with degree in Bachelor of Arts degree in Economics and holds an MBA Major in Banking and Finance from the University of Pennsylvania, Wharton Graduate School.

**Michael Stephen T. Liu**, 39 years old, is currently the EVP and CTO of Cirtek Holdings Philippines Corporation and General Manager of Cirtek Advanced Technology and Solutions (CATSI) a Cirtek company catering to the telecom and wireless broadband space. He was first elected as Director on 11 May 2015. Mr. Liu obtained his degree in Electronics and Communications Engineering from De La Salle University in 2007 and is a licensed Electrical Engineer.

**Brian Gregory T. Liu**, 37 years old, is the Executive Vice-President, Treasurer, and Chief Financial Officer. He was formerly the Assistant Corporate Secretary of TECH from March 2011 to 11 October 2018. He was first elected as Director on 11 May 2015. He is concurrently a stockholder in Cirtek Electronics Corporation, Cirtek Land Corporation and Turbog Trading. Mr. Liu trained as an Operations Trainee in Domino's Pizza from 2001 to 2002, then as an Analyst in Evergreen Stockbrokerage & Securities Inc. from 2003 to 2005. He obtained his degree in Management in Financial Institutions from the De La Salle University in 2009.

**Justin T. Liu**, 42 years old, was elected as Executive Vice President and Corporate Information Officer on February 01, 2019. He is also a President and Director of Figaro Coffee Systems; Inc. Mr. Liu graduated from the De La Salle University with a Bachelor of Science in Business Management and earned his Master's in Finance from the University of San Francisco in 2006.

**Corazon P. Guidote**, 63 years old, has held executive positions in companies such as Senior Vice-President for Investor Relations and Corporate Communications at SM Investments Corporation, Chief Operations Officer at ABN AMRO Asia Securities Philippines, Group Vice President at Metro Pacific Corporation, Managing Director and Head of Philippine Equities at UBS Securities (East Asia) Ltd. and Vice-President and Managing Director at Citibank, N.A. She also served in public office as



the Presidential Consultant for Investor Relations at the Office of the President and as Executive Director at the Bangko Sentral ng Pilipinas. Ms. Guidote is a Certified Public Accountant from the University of Sto. Tomas. She got her Masters in Applied Business Economics at the University of Asia and the Pacific. As a Chevening Fellow, she studied Government Economic Reform and Regulation at Bradford University, United Kingdom.

**Hector Villanueva**, 88 years old, has held senior positions in both private and public sectors. He was Chairman of the Board of First Metro Philippine Equity Exchange Traded Fund, Inc., Chairman, Postmaster General & CEO of Philippine Postal Corporation, Member of the Advisory Board, First Metro Investment Corporation, and Publisher and Editor-in-Chief, Sun Star Manila. Mr. Villanueva was also Cabinet Secretary from 1995-1998. Mr. Villanueva obtained a Bachelor of Science degree in Economics from the London School of Economics and Political Science, and post-graduate studies from Royal Institute of Bankers, United Kingdom.

**Bernardino Ramos**, 79 years old, is a Certified Public Accountant and has a Bachelor of Science degree in Business Administration Major in Accounting from the Far Eastern University and a Manager's Secondment/ On-the-Job Training at Ernst & Young (Formerly Ernst & Whinney) – Chicago, USA. He served as Partner in SGV & Co. (Affiliated with Arthur Andersen & Co. from 1985 to 2001, & Ernst & Young from 2002 to 2005), including almost 7 years as Partner/Advisor of Drs Utomo & Co., SGV Group. He was previously a Technical advisor of PSALM (Power Sector Assets and Liabilities Management Corporation), and also been a Member, Board of Directors and Board Committees of PSI Technologies Inc., Sony Life Philippines, Inc. and Philippine Primark Properties, Inc. At present he is an Independent financial consultant, primarily on: company/ business acquisitions and advisory on accounting/ financial matters, and also a Chairman of the Board of Directors of GB Distributors, Inc. and Member, Board of Directors and Board Committees of private companies including PSI Holdings, Inc., State Investment Trust, Inc. (SITI), State Properties, Inc. and PILAC, Inc., to name a few.

#### Key Officers

**Dyan Danika G. Lim-Ong**, was appointed as Corporate Secretary on 28 May 2021 during the Organizational Board meeting of the Directors. Atty. Lim-Ong is a Partner at Tolosa Javier Lim & Chua Law Firm. She completed her Master of Laws degree at the University of Pennsylvania School of Law and graduated with distinction in 2017. Atty. Dyan Danika G. Lim-Ong was formerly a part of Institutional and Transaction Advisory Group of China Banking Corporation, one of the largest commercial banks in the Philippines. While at China Bank, Atty. Lim-Ong was promoted to Assistant Vice President and worked on trust, treasury, bancassurance and capital raising transactions worth more than US\$1 billion in aggregate, including the largest bond and LTNCD issuance in the bank's history. In 2019, Atty. Lim-Ong left China Bank to become a named partner of Tolosa Javier Lim & Chua Law Firm, where she currently heads the firm's Special Projects and Banking/Finance practice areas. Atty. Lim-Ong has advised clients on joint venture agreements, mergers and acquisitions, and other commercial transactions across several key industries such as water, energy, mining, infrastructure and banking and finance. She manages the firm's corporate housekeeping clients and also assists in commercial litigation, energy, data privacy and competition law matters. Atty. Lim-Ong is concurrently a professor at the University of the Philippines College of Law where she teaches Sales and Legal Profession/Legal Ethics.

**Justin Liu**, was appointed as the Company's new Corporate Information Officer on 1 February 2019. He was re-elected during the Organizational Board Meeting of the Directors held last 28 May 2021.

**Emelita Cruzada** was appointed as the Company's Chief Compliance Officer on 28 April 2021 and appointed as Assistant Corporate Secretary on 28 May 2021 during the Organizational Board meeting of the Directors. She is concurrently the Vice-President HR/Admin and Purchasing of Cirtek Electronics Corporation. She obtained her degree in Bachelor of Science in Management Engineering from Feati University.

## ITEM 10 EXECUTIVE COMPENSATION

The aggregate compensation during the last fiscal year and to be paid in the ensuing fiscal year to the Chief Executive Officer and the Company's 4 most highly compensated officers and to its officers and directors as a Cirtek Group unnamed is as follows:

<b>Name &amp; Position</b>	<b>Year</b>	<b>Estimated Salary</b>	<b>Estimated Bonus</b>
Jerry Liu (Chairman) Jorge Aguilar (Vice Chairman & President) Brian Gregory Liu (EVP & CFO) Michael Stephen Liu (President Quintel)	2023	<del>P40</del> million	-
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2023	<del>P50</del> million	-

<b>Name &amp; Position</b>	<b>Year</b>	<b>Estimated Salary</b>	<b>Estimated Bonus</b>
Jerry Liu (Chairman) Jorge Aguilar (Vice Chairman & President) Brian Gregory Liu (EVP & CFO) Michael Stephen Liu (President Quintel)	2022	<del>P40</del> million	-
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2022	<del>P50</del> million	-

### Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Each of the Directors is entitled to a per diem of Php 8,000.00 for every Board of Directors meeting attended. Each member of the Audit and Risk Management Committee, Sustainability and Compliance Committee, Compensation and Nomination Committee, and Related Party Transactions Committee is entitled to a fee of Php8,000.00 for every committee meeting attended.

Below are the details of the remuneration paid to the Directors in 2023:

Remuneration for Board Meetings Attended in 2023	Remuneration for Committee Meetings Attended in 2023	Total
Php 360,000.00	Php 24,000.00	Php 384,000.00

### Standard Arrangements and Other Arrangements

There are no other arrangements for compensation either by way of payments for committee participation or special assignments.

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by the Company's Chief Executive Officer, other officers and/or directors.

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

The Cirtek Group has executed employment contract with some of its key officers. Such contracts provide the customary provision on job description, benefits, confidentiality, non-compete, and non-solicitation clauses. There are no special retirement plans for executives. There is also no existing arrangement for compensation to be received by any executive officer from the Company in the event of change in control of the Company.

### Warrants and Options

There are no outstanding warrants and options held by any of the Company's directors and executive officers.

### ITEM 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Owners of record of more than 5% of the Corporation's voting securities as of 31 March 2024:

Title of Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% of Class
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	536,701,049	80.806
Common	Camerton, Inc.	Camerton, Inc.	Filipino	110,260,791	16.494
Common	Total			646,961,840	97.30%

Under PCD account, the following participants hold shares representing more than 5% of the company's outstanding shares

Participant	Number of Shares	Percentage
Abacus Securities Corporation	134,966,227	24.18%
COL Financial Group, Inc.	120,319,384	21.56%
Guild Securities, Inc.	38,282,658	6.86%

First Metro Securities Brokerage Corp.	37,248,139	6.67%
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Except as stated above, the corporation has no knowledge of any person or any Cirtek Group who, directly or indirectly, is the beneficial owner of more than 5% of the corporation's outstanding shares or who has a voting power, voting trust, or any similar agreement with respect to shares comprising more than 5% of the corporation's outstanding common stock.

The number of common shares beneficially owned by directors and executive officers as of 31 March 2024 are as follows:

Stockholder Name	Number of Common Shares Held	Percentage of Shareholding
Jerry Liu	110,260,792	16.49%
Jorge Aguilar	1	0
Brian Gregory Liu	1	0
Justin T. Liu	1	0
Michael Stephen Liu	1	0
Hector Villanueva	1	0
Ernest Fritz Server	1	0
Corazon Guidote	1	0
Bernardino Ramos	1	0
Total	110,260,800	16.49%

#### **Voting Trust Holder of 5% or More**

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

#### **Description of any arrangement which may result in a change in control of the corporation**

No change in control of the corporation has occurred since the beginning of the last fiscal year.

#### **Item 12 Certain Relationships and Related Transactions**

The Liu family, primarily through Camerton, Inc., is the largest shareholder in the Corporation, and as of March 31 2024 owns 110,260,792 shares, or approximately 16.49% of the Corporation's issued and outstanding common shares.

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships.

In the normal course of business, the Group has entered into transactions with affiliates. The significant transactions consist of the following:

- Advances for operating requirements of CHI, former parent of CEC and CEIC;
- Rental of land and lease deposit with Cirtek Land Corporation (CLC), an affiliate, where the

- manufacturing building 1 and administrative building is situated;
- c. Payments and /or reimbursements of expenses made or in behalf of the affiliates; and
- d. Rental of land with Cayon Holdings, Inc. (Cayon), an affiliate, where the building 2 of the Group is situated;
- e. Collections made by Camerton in behalf of the Group;
- f. Advances to officers and stockholders.

The consolidated balance sheets and consolidated statements of comprehensive income include the following significant account balances resulting from the above transactions with related parties:

- a. Amounts owed by related parties

The above related parties, except the stockholders, are entities under common control of the ultimate parent company.

*Transactions with individual stockholders, Camerton Inc.*

As of December 31, 2020, advances to stockholder, Camerton, Inc., which are due and demandable and noninterest-bearing paid the \$20.9 million in 2020.

*Transactions with CHI, Charmview Enterprises Ltd (CEL)*

The amount owed by an officer amounting to \$7.7 million as of December 31, 2010 was transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, the parent of CHPC.

The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.

For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to \$7.7 million and \$0.8 million, respectively.

The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling \$3.6 million representing unpaid advances of \$2.3 million and dividends of \$1.3 million as of March 17, 2011 (see Note 28).

Thereafter, on March 18, 2011, the Parent Company and CHI, in view of being creditors and debtors to each other as a result of the assignment agreements above, entered into a set-off agreement for the value of the Group's liability aggregating \$6.8 million. The amount represents the above-mentioned total liability of \$3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to \$3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of December 31, 2017 and 2016 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

*Transactions with CLC and Cayon*

CLC is an entity under common control of the ultimate parent company. CEC had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another 25 years at the option of CEC. The lease agreement provided for an annual rental of \$151,682, subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to ₱60.1 million (\$1.1 million and \$1.2 million as of December 31, 2018 and 2017, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 10).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to \$11,559, \$12,713 and \$12,777 in 2018, 2017 and 2016, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to \$3,561, \$10,503 and \$11,551 in 2020, 2019 and 2018, respectively.

## **PART IV – CORPORATE GOVERNANCE**

### **ITEM 13 CORPORATE GOVERNANCE**

The Corporation is committed to the ideals of good corporate governance. In compliance with the SEC requirement, The Corporation is studying best practices in good corporate governance to further improve the current corporate governance practices of the Corporation and to develop an efficient and effective evaluation system to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

Corporate governance rules/principles were established to ensure that the interest of stakeholders are always taken into account; that directors, officers and employees are conducting business in a safe and sound manner; and that transactions entered into between the Corporation and related interests are conducted at arm's length basis and in the regular course of business. There are no incidences of deviation from the Corporation's Manual of Corporate Governance.

The Corporation has sufficient number of independent directors that gives the assurance of independent views and perspective.

## **PART V - EXHIBITS AND SCHEDULES**

### **ITEM 14**

### **EXHIBITS**

<b>Schedule</b>	<b>Contents</b>
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration
IV	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	Capital Stock

## **(b) Reports on SEC Form 17-C**

The following disclosures were filed during the period January to December 2023:

20 January 2023

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 US\$0.000012196 per share for each of the Seven Hundred Million (700,000,000) issued and outstanding Preferred A Shares amounting to an aggregate sum of Eight Thousand Five Hundred Thirty-Seven and 1/100 US Dollars (US\$8,537.01), for payment and distribution on 8 March 2023 to shareholders of record as of 21 February 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 PhP0.06125 per share for each of the Seventy Million (70,000,000) issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of Four Million Two Hundred Eighty-Seven Thousand Five Hundred Pesos (PhP4,287,500.00) for payment and distribution on 8 March 2023 to shareholders of record as of 21 February 2023.

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

Declaration of cash dividend of US\$0.0228125 per share for each of the Sixty-Seven Million (67,000,000) outstanding and issued Preferred B-2A Shares amounting to an aggregate sum of One Million Five Hundred Twenty-Eight Thousand Four Hundred Thirty-Seven and 50/100 US Dollars (US\$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. 8 March 2023 to shareholders of record as of 21 February 2023;
- ii. 8 June 2023 to shareholders of record as of 24 May 2023;
- iii. 8 September 2023 shareholders of record as of 24 August 2023; and
- iv. 11 December 2023 shareholders of record as of 24 November 2023.

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

Declaration of cash dividend of US\$0.015 per share for each of the Twenty Million (20,000,000) outstanding and issued Preferred B-2B Shares amounting to an aggregate sum of Three Hundred Thousand US Dollars (US\$300,000.00), for each Dividend Period.

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

- i. 20 March 2023 to shareholders of record as of 3 March 2023;
- ii. 19 June 2023 to shareholders of record as of 2 June 2023;
- iii. 18 September 2023 shareholders of record as of 1 September 2023; and
- iv. 18 December 2023 shareholders of record as of 1 December 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 PhP0.8233 per share for each of Sixteen Million



Nine Hundred Thirty-Six Thousand Four Hundred (16,936,400) outstanding and issued Preferred B-2 Subseries C Shares amounting to an aggregate sum of Thirteen Million Nine Hundred Forty-Three Thousand Seven Hundred Thirty-Eight Pesos and Twelve Centavos (PhP 13,943,738.12), and declaration of cash dividend of PhP0.968825 per share for each of the Twenty-Eight Million Six Hundred Twenty-Five Thousand and Five Hundred Pesos (28,625,500) outstanding and issued Preferred B-2 Subseries D Shares amounting to an aggregate sum of Twenty-Seven Million Seven Hundred Thirty Three Thousand One Hundred and Four Centavos (PhP27,733,100.04), 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. 14 March 2023 to shareholders of record as of 27 February 2023;
- ii. 14 June 2023 to shareholders of record as of 30 May 2023;
- iii. 14 September 2023 shareholders of record as of 30 August 2023; and
- iv. 14 December 2023 shareholders of record as of 29 November 2023.

24 February 2023	<p>The Board of Directors of TECH, in its special meeting held on 24 March 2023, approved the following:</p> <p>-Schedule of the 2023 Annual Stockholders' Meeting (ASM) and setting of the Record Date of the Stockholders who are entitled to vote during the Annual Stockholders' Meeting. The ASM for this year shall be on 26 May 2023 and the record date for such ASM is on 27 April 2023.</p>
23 March 2023	<p>Philippine Rating Services Corporation (PhilRatings) assigned an Issuer Credit Rating of PRS A (corp.), with a Stable Outlook, for Cirtek Holdings Philippines Corporation (CHPC).The current issuer rating renewal is in relation to CHPC's second tranche of commercial papers (CPs) of up to P2.0 billion tranche from a proposed Shelf Registration of Commercial Papers (CPs) of up to P6 billion.With the renewal of its issuer credit rating, CHPC will be able to issue its last tranche of up to a maximum amount of P2.0 billion.</p>
19 April 2023	<p>The Board of Directors of TECH, in its special meeting held on 19 April 2023, approved the Separate And Consolidated Audited Financial Statements ("AFS") of the Corporation as of and for the Year Ended 31 December 2022;</p>
16 June 2023	<p>The Board of Directors of TECH, in its regular meeting held on 16 June 2023, approved the following:</p> <p>1. Approval of the Adjustment of the Dividend Rate in relation to the subsequent declaration of dividends of the Preferred B-2 Subseries B Shares ("Preferred B-2B Shares") of the Company from 6.1250% to 10.1250% effective 18 June 2023.</p> <p>The Company is preparing for the forthcoming adjustment of the Dividend Rate that is expected two and a half (2.5) years after the issue date, or the Step-Up Date on 18 June 2023, of the 20,000,000 Preferred B-2B Shares, where the Initial Dividend Rate of 6.1250% per annum shall be accordingly adjusted by adding a Step-Up Spread of 400 basis points, resulting to a Step-Up Rate of 10.1250% per annum.</p>

By way of background, the Board of Directors of the Company on 1 September 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 B-2 Subseries B Shares and to denominate the Preferred B-2 Shares issued in 2017 consisting of 67 Million Preferred B-2 Shares as Preferred B-2 Subseries A Shares.
2. The Features, 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 ("SEC") 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 subsequent offer to qualified buyers for an offer price of up to One US Dollar (USD1.00) per share, and the listing of such shares with The Philippine Stock Exchange ("PSE").

On 7 October 2020, the SEC issued the Certificate of Filing of Enabling Resolution approving the Company's Enabling Resolutions designating the subseries of Preferred B-2 Shares, namely: Preferred B-2 Subseries A and Preferred B-2 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 of Directors of the Company in subseries at a future date.

The Board of Directors of TECH, in its special meeting held on 10 November 2020, approved the subscription by Camerton, Inc. of up to 33,000,000 Preferred B-2 Subseries B Shares of the Company at the subscription price of One US Dollar (USD1.00) per share. Hence, on 18 December 2020, TECH issued Preferred B-2B Shares to Camerton, Inc.

On 20 January 2021, The PSE approved the application for listing of its 20,000,000 U.S. Dollar Denominated Preferred B-2B Shares issued to Camerton, Inc. by way of private placement. TECH has complied with all post-approval requirements for the listing of the shares subject of the private placement transaction. TECH's Preferred B2-B Shares, with the stock symbol "TCB2B", was listed on 2 February 2021.

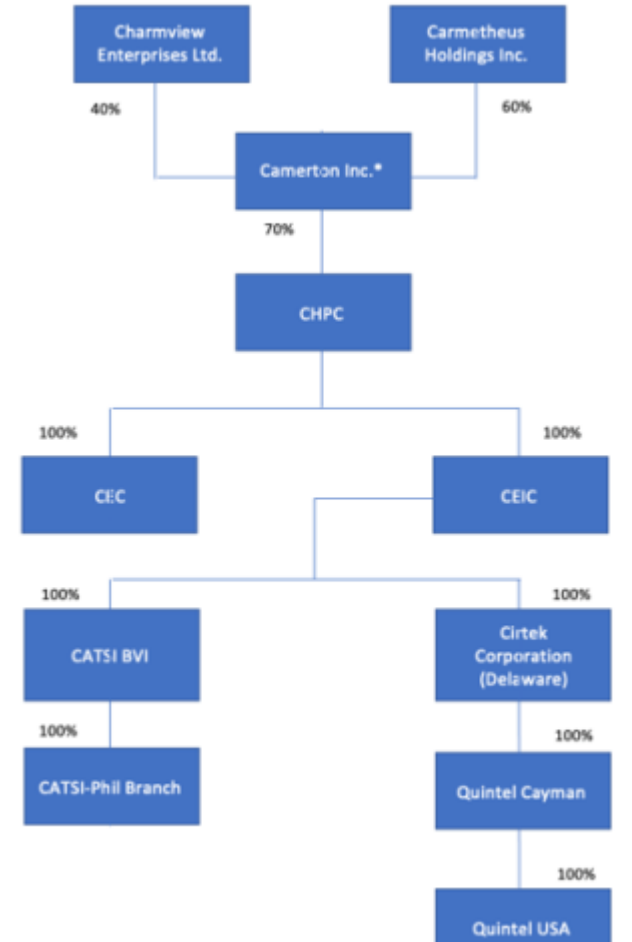
16 June 2023

Cirtex Holdings Philippines Corporation (the "Corporation") do hereby give notice in the Adjustment of the Dividend Rate in relation to the subsequent declaration of dividends of the Preferred B-2 Subseries B Shares of the Corporation from 6.1250% to 10.1250% effective 18 June 2023. The adjustment in the Dividend Rate of the 20,000,000 Preferred B2-B shares is expected on the two and a half (2.5) years anniversary of the issue date, or the Step-Up Date on June 18, 2023, when the Initial Dividend Rate of 6.1250% shall be accordingly adjusted by adding a Step Up Spread of 400 bps, resulting to a Step-Up Rate of 10.1250%. The adjusted dividend rate of 10.1250% will take effect on the third Quarterly Dividend Payment for the year 2023. The Board of Directors of the Corporation, during its meeting held on 16 June 2023 approved the foregoing adjustment. By way of background, On 7 October 2020, the SEC issued the Certificate of Filing of Enabling Resolution approving the Corporation's Enabling Resolutions designating the subseries of Preferred B-2 Shares, namely: Preferred B2 Subseries A and Preferred B2 Subseries B, and to allocate the 200,000,000 Preferred B-2 Shares as follows: (i) 67,000,000 Preferred B-2

Subseries A Shares, and (ii) 33,000,000 Preferred B-2 Subseries B Shares, and the balance of 100,000,000 Preferred B2 Shares shall be designated by the Board in subseries at a future date. The Board of Directors of TECH, in its special meeting held on 10 November 2020, approved the subscription by Camerton, Inc. of up to 33,000,000 Preferred B2 Subseries B Shares of the Company at the subscription price of One US Dollar (USD1.00) per share. On 18 December 2020, the stock certificates and shares were thereafter issued to Camerton, Inc.; On 20 January 2021, the PSE approved the application for listing of its 20,000,000 U.S. Dollar Denominated Preferred B2-B Shares issued to Camerton, Inc. by way of private placement. TECH has complied with all post-approval requirements for the listing of the shares subject of the private placement transaction. TECH's Preferred B2-B Shares, with the stock symbol "TCB2B", listed on February 2, 2021. Based on the Features, Terms, and Conditions of the Preferred B-2 Subseries B Shares ("Features, Terms and Conditions"), unless the Preferred B-2 Subseries B Shares shall have been redeemed by the Issuer on the Step-Up Date, or two and a half (2.5) years from Issue Date, the Dividend Rate shall be adjusted by adding a Step Up Spread of four hundred (400) basis points of the Initial Dividend Rate of 6.125% per annum. Since the Issue Date of the Preferred B-2 Subseries B Shares is on 18 December 2020, the Step-Up Date is on 18 June 2023. Further, based on the Features, Terms and Conditions, the Issuer may redeem, in whole and not in part, after giving not less than thirty (30) nor more than sixty (60) days' writ-ten notice prior to the intended date of redemption:

a) As and if approved by the Board of Directors, two and a half (2.5) years from Issue Date, which is the same as the Step-Up Date ("Early Redemption Date"), or on any Dividend Payment Date thereafter (each, an "Optional Redemption Date"); or  
b) At any time, if an Accounting Event, Tax Event or Change of Control Event ("Events"), as defined in the Features, Terms and Conditions, has occurred and is continuing. However, due to the absence of any of the Events and the Company's decision not to exercise its option to redeem the Preferred B-2 Subseries B Shares by the Early Redemption Date or Optional Redemption Date, the Company's management have decided, in accordance with the Features, Terms and Conditions, to adjust the dividend rate of Preferred B-2 Shares Subseries B Shares to Step Up Rate of 10.125% effective on its Step-Up Date, or on 18 June 2023, pursuant to the approval of the Board of Directors in a Regular Board Meeting held on 16 June 2023.

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE**  
**COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-**  
**SUBSIDIARIES**



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2023		Adopted	Not Adopted	Not Applicable
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
<b>Philippine Accounting Standards</b>				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2023</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine	Liabilities arising from Participating in a Specific			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2023</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
Interpretation IFRIC-6	Market-Waste Electrical and Electronic Equipment			
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS19The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation IFRIC-23	Uncertainty over Income Tax Treatments	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases- Incentives			✓
Philippine Interpretation SIC-25	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2023</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets- Web Site Costs			✓



**CIRTEK HOLDINGS PHILIPPINES CORPORATION**  
**SCHEDULE II -RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2023**

<b>Unappropriated Retained Earnings, beginning of reporting period (see Footnote 2)</b>	<b>11,405,202</b>
<b>Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings</b>	
Reversal of Retained Earnings Appropriation/s	-
Effect of restatements of prior-period adjustments	-
Others (describe nature)	-
Sub-total	-
<b>Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings</b>	
Dividend declaration during the reporting period	10,988,032
Retained Earnings appropriated during the reporting period	-
Effect of restatements of prior-period adjustments	-
Others (describe nature)	-
Sub-total	10,988,032
<b>Unappropriated Retained Earnings, as adjusted</b>	<b>417,170</b>
<b>Add/Less: Net Income (Loss) for the current year</b>	<b>15,134,967</b>
<b>Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of investment property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
Sub-total	-
<b>Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)</b>	
Realized foreign exchange gain, except those attributable to cash and cash equivalents but realized in the current reporting period (net of tax)	-
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Realized fair value gain of investment property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
Sub-total	-
<b>Add: <u>Category C.3:</u> Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)</b>	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Reversal of previously recorded fair value gain of Investment Property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-
Sub-total	-
<b>Adjusted Net Income/Loss</b>	<b>15,552,137</b>
<b>Add: <u>Category D:</u> Non-actual losses recognized in profit or loss during the reporting period (net of tax)</b>	
Depreciation on revaluation increment (after tax)	-
Sub-total	-

**Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote 3)**

Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	
Sub-total		-

**Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution**

Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (describe nature)	-	
Sub-total		-

<b>Total Retained Earnings, end of the reporting period available for dividend</b>	<b>15,552,137</b>
--	-------------------

**FOOTNOTES**

- (1) The amount of retained earnings of a company should be based on its separate ("stand-alone") audited financial statements.
- (2) Unappropriated Retained Earnings, beginning of reporting period refers to the ending balance as reported in the "Reconciliation of Retained Earnings Available for Dividend Declaration" of the immediately preceding period.
- (3) Adjustments related to the relief provided by the SEC and BSP pertain to accounting relief (e.g. losses that are reported on a staggered basis) granted by the regulators. However, these are actual losses sustained by the Company and must be adjusted in the reconciliation to reflect the actual distributable amount.
- (4) This Reconciliation of Retained Earnings Available for Dividend Declaration in pursuant to Sec. 42 of the Revised Corporation Code, which prohibits stock corporations to retain surplus profits in excess of one hundred (100%) percent of their paid-in capital and their power to declare dividends. However, this Reconciliation of Retained Earnings should not be used by the REIT companies as a basis to determine the amount of its distributable income or dividends to its shareholders. The determination of its distributable income should be in accordance with the REIT Act and Implementing Rules and Regulations.

## CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

### SCHEDULE III - FINANCIAL SOUNDNESS INDICATORS DECEMBER 31, 2023 AND 2022

Ratios	Formula	December 31, December 31,	
		2023	2022
	Current Assets/Current Liabilities	<b>3.06</b>	2.47
(i) Current Ratio			
(ii) Debt/Equity Ratio	Bank Debts/Total Equity	<b>0.20</b>	0.28
(iii) Net Debt/Equity Ratio	Bank Debts/Cash & Equivalents/Total Equity	<b>0.19</b>	0.08
(iii) Assets to Equity Ratio	Total Assets/Total Equity	<b>1.33</b>	1.43
(iv) Interest Cover Ratio	EBITDA / Interest Expense	<b>5.45</b>	5.15
(v) Profitability Ratio			
GP Margin	Gross Profit/Revenues	<b>0.29</b>	0.26
Net Profit Margin	Net Income/Revenues	<b>0.11</b>	0.13
EBITDA Margin	EBITDA Revenues	<b>0.28</b>	0.29
Return on Assets	Net Income/Total Assets	<b>0.03</b>	0.04
Return on Equity	Net Income/Total Equity	<b>0.04</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, 2023 and 2022

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS****AS OF AND FOR THE YEAR-ENDED DECEMBER 31, 2023**

	Name of issuing entity and association of each issue	Amount shown on the balance sheet	Value based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	\$ 36,703,356	\$ 36,703,356	\$ 12,843
Trade and other receivables	N/A	33,356,802	33,356,802	
Amounts owed by related parties	N/A	404,278	404,278	
Other current assets:			-	
Loans to employees	N/A	561,233	561,233	
Security deposits	N/A	45,818	45,818	
Other financial assets at amortized cost	N/A	479,468	479,468	
Other noncurrent assets:			-	
Rental deposits	N/A	1,134,033	1,134,033	
Miscellaneous deposits	N/A	154,842	154,842	
		<b>\$ 72,839,830</b>	<b>\$ 72,839,830</b>	<b>\$ 12,843</b>

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, 2023**

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Written-off /Reclassification	Current	Non-Current	Balance at end of period
Related parties under common control							
RBWPI	\$ 148,697	-		\$ (148,697)	-		\$ 0
Cayon Holdings, Inc	192,431	1,915					194,346
<b>TOTAL</b>	<b>\$ 341,128</b>	<b>\$ 1,915.06</b>	<b>\$ -</b>	<b>\$ (148,697)</b>	<b>\$ -</b>		<b>\$ 194,346</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, 2023**

Receivables from related parties which are eliminated during the consolidation  
(under Trade and Other Receivables)

Name and designation of debtor	Receivables	Additions	Amount Collected	Amounts written off	Current	Noncurrent	the end of period
Quintel USA	\$ 1,216,999		(1,216,999)		\$ 82,957		\$ 82,957

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Receivables	Additions	Amount Collected	Amounts written off	Current	Noncurrent	the end of period
<b>CHPC</b>							
CEC	\$ 45,984,962	\$ 11,051,182	(16,094,811)		\$ 40,941,333		\$ 40,941,333
CEIC	54,625,739	17,900,000	(10,287,801)		62,237,938		62,237,938
CATS	37,575,408	7,837,058	(20,367,637)		25,044,829		25,044,829
RBWPI	212,371				212,371		212,371
Quintel	15,245,001				15,245,001		15,245,001
<b>Total</b>	<b>\$ 153,643,481</b>	<b>\$ 36,788,240</b>	<b>(46,750,249)</b>	<b>\$ -</b>	<b>\$ 143,681,472</b>	<b>\$ -</b>	<b>\$ 143,681,472</b>
<b>CEIC</b>							
CHPC	\$ -				\$ -		\$ -
CEC	25,912,768	\$ 7,047,658	(4,188,600)		28,771,826		28,771,826
CATS	1,694,609	\$ 449,843	(157,759)		1,986,693		1,986,693
Quintel	82,478,692				82,478,692		82,478,692
<b>Total</b>	<b>\$ 110,086,069</b>	<b>\$ 7,497,501</b>	<b>(4,346,359)</b>	<b>\$ -</b>	<b>\$ 113,237,211</b>	<b>\$ -</b>	<b>\$ 113,237,211</b>
<b>CATS</b>							
RBWPI	\$ -				\$ -		\$ -
CEC	4,423,702	254,095	(4,677,797)		0		0
<b>Total</b>	<b>\$ 4,423,702</b>	<b>\$ 254,095</b>	<b>(4,677,797)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>RBW</b>							
CATS	\$ 4,750,384	\$ 148,198	(9,129)		\$ 4,889,453		\$ 4,889,453
<b>Total</b>	<b>\$ 4,750,384</b>	<b>\$ 148,198</b>	<b>(9,129)</b>	<b>\$ -</b>	<b>\$ 4,889,453</b>	<b>\$ -</b>	<b>\$ 4,889,453</b>
<b>TOTAL</b>	<b>\$ 272,903,636</b>	<b>\$ 44,688,034</b>	<b>(55,783,533)</b>	<b>\$ -</b>	<b>\$261,808,136</b>	<b>\$ -</b>	<b>\$ 261,808,136</b>

**SCHEDULE D**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER**  
**ASSETS**  
**AS OF DECEMBER 31, 2023**

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	\$ 55,541,157	\$ -	\$ -	\$ -	\$ -	\$ 55,541,157
Product development costs	9,069,547	1,101,774	(2,022,415)			8,148,906
Customer relationship	23,736,500					23,736,500
Trademark	7,472,800					7,472,800
<b>Total</b>	<b>\$ 95,820,004</b>	<b>\$ 1,101,774</b>	<b>(2,022,415)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94,899,363</b>

SCHEDULE E

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**AS OF DECEMBER 31, 2023**

Title of issue and type of obligation		Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Trademark		7,472,800		7,472,800
Notes Payable		N/A	\$ 8,644,426	\$ 21,103,073



**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, 2023**

<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, 2023**

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

**SCHEDULE H**

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**

**AS OF DECEMBER 31, 2023**


<b>TITLE OF ISSUE</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under the 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>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	-	-	-	-

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of **CITY OF STA. ROSA** on **APR 26 2024**, 2024.

By:

  
**JERRY LIU**  
Chairman of the Board

  
**JORGE AGUILAR**  
Vice-Chairman and President


  
**BRIAN GREGORY LIU**  
EVP & Chief Financial Officer

  
**DYAN DANIKA LIM-ONG**  
Corporate Secretary

**SUBSCRIBED AND SWORN TO** before me at **CITY OF STA. ROSA**  
on **APR 26 2024**; affiant exhibited to me the following:

Name	ID No.	Date / Place Issued
Jerry Liu	361906026	03/17/2023/Ministry of Foreign Affairs
Jorge Aguilar	P9239135A	10/20/2018/DFA NCR
Brian Gregory Liu	NO 1-04-002307	02/10/2019/Manila
Dyan Danika Lim-Ong	P6109202A	02/21/2018/DFA NCR

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Page No.: 26  
Book No.: 19  
Series No.: 2024

  
**ATTY. BENEDICTO M. JOSE**  
Notary Public for the City of Sta. Rosa  
Until December 31, 2025  
Notarial Commission A.N.C. No. 0087-SRCL  
2F Cardiaz Building, Pearl Road,  
SRCC, Balibago, Sta. Rosa City, Laguna  
MCLE Compliance No. VII-0025591; 01.16.23  
PTR No. 4779655; 01.02.24; Sta. Rosa City  
IBP Lifetime No. 011555; 02.11.2013  
Roll No. 43868

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

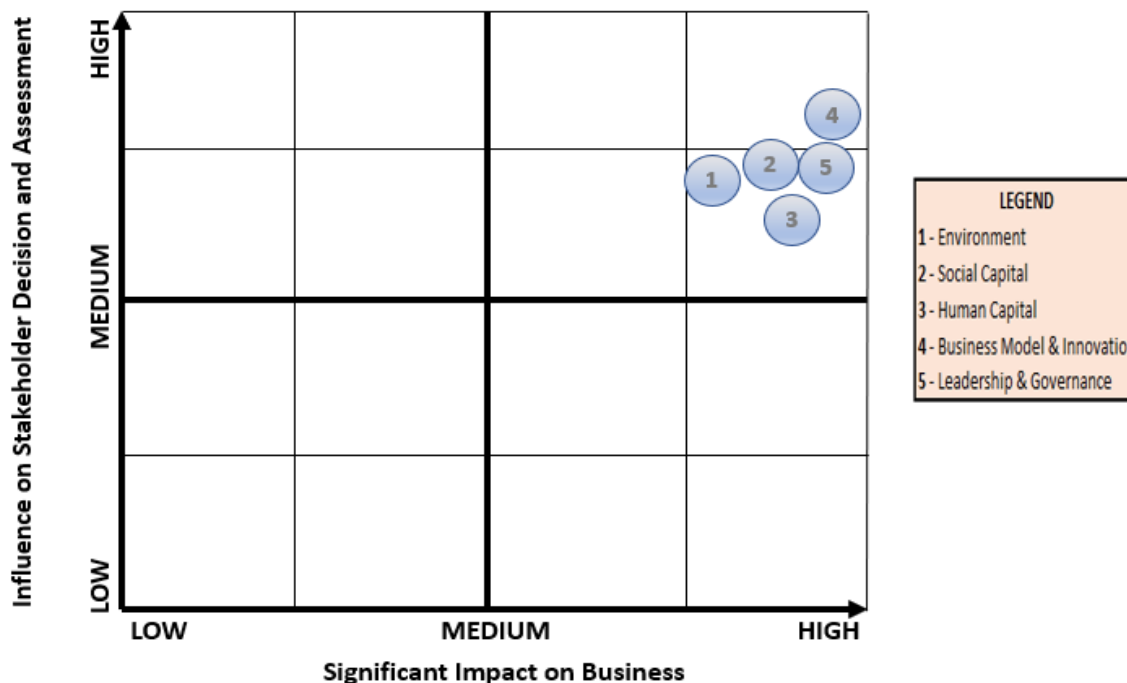
Company Details	
Name of Organization	Cirtek Holdings Philippines Corporation (the “Company”, “CHPC” or “Cirtek Group”)
Location of Headquarters	116 East Main Avenue Phase V SEZ Laguna Technopark Binan Laguna
Location of Operations	116 East Main Avenue Phase V SEZ Laguna Technopark Binan Laguna
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Cirtek Electronics Corporation (“CEC”) Cirtek Advanced Technologies and Solutions, Inc. (“CATSI”) Quintel
Business Model, including Primary Activities, Brands, Products, and Services	Cirtek Electronics Corporation: (Discrete, IC, Multichips, Hermetics, New Products) Cirtek Advanced Technologies and Solutions, Inc. : (Quintel, Remec Mftg. Services, Outdoor Unit, IRFU, Bridgewave, Cougars) Quintel: (ASB, WBB)
Reporting Period	For the year 2023
Highest Ranking Person responsible for this report	Emelita Cruzada Chief Compliance Officer

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.<sup>1</sup>**

The Company generated its material topics by probing the impacts of its business units along its key business activities – from product sourcing to empowering our employees and customers, to giving access to quality products, and determined the scope of this report to cover subsidiaries with the most material contributions to the continuity of our operations.



### SUSTAINABILITY CERTIFICATIONS

The Company's subsidiaries, Cirtek Electronics Corporation and Cirtek Advanced Technologies and Solutions, Inc. has been certified under the international environmental standard ISO 14001:2015, which specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 seeks to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

- enhancement of environmental performance;
- fulfilment of compliance obligations;
- achievement of environmental objectives.

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

The Cirtek Group is also SONY Green Partner Certified which passes the standards and requirements of SONY. This is a stepping stone that the system of the Company is in place in terms of their requirements for QMS and EMS standards. SONY has identified substances contained in the parts or materials of SONY products that have been judged to have a significant impact on the global environment and may harm human health. Thus, SONY established its "Management Regulations for Environment-related Substances to Be Controlled which Are Included in Parts and Materials" and clarifies which chemical substances cannot be used or whose use it is working to reduce. SONY introduced its "Green Partner Environmental Quality Approval System" for ensuring that suppliers comply with these standards and regulations, and SONY only procures from suppliers who are certified as Green Partners.

#### COVID-19 Impact and Developments

The Cirtek Group remain COVID-19 free while adhering to local government policies and measures in ensuring business continuity. Further, the health, safety and welfare of the employees of the Company, including its subsidiaries, are among the top priorities of the Company. Thus, the Cirtek Group has implemented its Workplace Policy and Program on COVID-19 Prevention and Control in compliance with the requirements of the Department of Labor and Employment, and the Department of Health.

Amidst the global pandemic, the Company is experiencing a surge in product orders for medical chips supplied to medical equipment end customers globally. In view of the recent manifestation of COVID-19 around the world, it is critical for hospitals to have enough medical equipment to save lives, flatten the curve, prevent further spread of the virus and control the pandemic. The Cirtek Group has been tapped by several of its customers for chips used in medical equipment desperately needed all over the world. Cirtek Group's medical chips are used in applications such as ventilators, CT scanners, defibrillators, ultrasounds, blood glucose, thermal scanners and oxygen level monitors. Cirtek Group is able to produce 1 million chips per week for these devices that are in urgent demand which medical practitioners rely on nor can function without key parts manufactured by the Company in its Laguna Technopark facility.

In line with the Company's social responsibility, it is stepping up beyond its call of duty to exert more effort in curbing down the global pandemic. The Cirtek Group has donated hundreds of thousands worth of Personal Protective Equipment (PPE) to various hospitals locally. The Cirtek Group remains operational with a work schedule of 24 hours a day 6 days a week to keep up with the pace in global demand.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	4,047,718,213.77	PhP
Direct economic value distributed:		
a. Operating costs	566,125,986.82	PhP
b. Employee wages and benefits	228,336,599.87	PhP
c. Payments to suppliers, other operating costs	34,968,794.87	PhP
d. Dividends given to stockholders and interest payments to loan providers	600,123,600	PhP
e. Taxes given to government	20,020,871.78	PhP
f. Investments to community (e.g. donations, CSR) 2022	50,000.00	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The impact of direct economic value generated and distributed occurs in the primary business operation of the Company</p>	<ul style="list-style-type: none"> <li>-Customers</li> <li>-Suppliers</li> <li>-Employees</li> <li>-Stockholders</li> <li>-Government</li> </ul>	<p>CHPC contributes to the economic growth of the locality where its business operates by providing employment and through its subsidiaries, the Company is primarily engaged in three major activities:</p> <ol style="list-style-type: none"> <li>1) The design, development, and delivery of the wireless industry's most advanced high-efficiency, high-performance antenna solutions;</li> <li>2) The manufacture of value-added, highly integrated technology products; and</li> <li>3) The manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services.</li> </ol>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>The following are the risks relating to the Company and its business:</p> <ul style="list-style-type: none"> <li>-Risks relating to the contractual right of the customers of the Cirtek Group to place orders in quantities less than the agreed minimum and their requirement for the latter to maintain certain key certifications and meet technical audit standards</li> <li>-Risks relating to working capital being tied up in inventories and inventory obsolescence</li> <li>-Risks relating to delayed or non-payment of customers for products sold or services rendered.</li> <li>-Risks relating to the industry's dependence on the continued growth of outsourcing by OEMs</li> <li>-Risks relating to the Company's exposure to the cyclical nature of the semiconductor industry</li> <li>-Risks relating to the volatility in the price of raw materials and the availability of supply used by the Company in its production process</li> <li>-Risks relating to intellectual properties</li> <li>-Risks relating to foreign exchange</li> <li>-Risks relating to industrial or labor disputes</li> <li>-Risks relating to the separation of key employees with the Company</li> </ul>	<ul style="list-style-type: none"> <li>-Customers</li> <li>-Suppliers</li> <li>-Employees</li> <li>-Stockholders</li> </ul>	<p>The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The manner by which some of these risks shall be managed and presented below:</p> <ul style="list-style-type: none"> <li>-The pace of innovation in the electronics and communications industries is high. In order to remain competitive, Cirtek Group must adapt to new technologies required by their customers. Thus, the Cirtek Group is focused on continuous R&amp;D, new product development, technical innovation and re-engineering.</li> <li>-The Company also makes provisions in its inventory systems and planning for a reasonable amount for obsolescence. It works with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk.</li> <li>-To mitigate the risk relating to the industry's dependence on the continued growth of outsourcing by OEMs, the Company has diversified to have its own product to lessen its dependency on outsourcing and is committed to grow this part of the business.</li> <li>-To mitigate the risk relating to the volatility in the price of raw materials and the availability of supply used by the Company in its production process, the Cirtek Group continually monitors its direct cost such as raw materials, spare parts, direct and indirect labor.</li> <li>-To mitigate the risk relating to IP, the</li> </ul>



		<p>Company adheres to a strict management process, which encompasses IP risk assessment and mitigation.</p> <p>-The Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non – US\$ currencies.</p> <p>-To mitigate the risk relating to the separation of key employees, the Cirtek Group gives attractive compensation packages that combine standard remuneration and performance incentives.</p>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<p>The opportunities identified are the following:</p> <ul style="list-style-type: none"> <li>- Investments</li> <li>- Economic growth</li> <li>- The Company plans to actively pursue business opportunities in high-growth market segments such as wireless communication, consumer electronics and automotive.</li> <li>- The Company has been also actively seeking business opportunities with new potential customers wherein the initial focus will be on large customers.</li> </ul>	<ul style="list-style-type: none"> <li>- Investors</li> <li>- Customers</li> </ul>	<p>CHPC prioritizes management policies that aim to sustain revenue stream and progressive growth of the business. The Company has a dedicated and experienced management team that understands the industry's requirements and technology trends that allows the Company to be highly competitive. The Cirtek Group has also implemented an internal reporting system, which allows senior management to monitor profitability for each of the production on a weekly basis. The Cirtek Group believes that these measures allow it to respond quickly and make the necessary adjustments, which have proven crucial in maintaining its competitiveness.</p>

### Climate-related risks and opportunities<sup>2</sup>

Governance	Strategy	Risk Management	Metrics and Targets
Understanding Climate Change as part of the business will help the Company to carry out analysis of risks and impacts of Climate Change.	Supply and demand vary from changes in policies, technology, and, market dynamics related to climate change could affect the valuation of organizations' assets and liabilities. Use of long – lived assets and, where relevant, reserves may be particularly affected by climate-related issues.	Climate-related risks and opportunities identified are raised to different divisions to determine whether to accept or mitigate risks; develop plans and carry out regular monitoring and reporting.	Metrics used to manage its climate – related risks and opportunities are those related to its finance and investing activities, its business operations and employee and community activities.
<b>Recommended Disclosures</b>			
The Company consider climate-related issues in its strategy, major plans of action and business plan as well.	Ways in which markets could be affected by climate change are varied and complex, one of the major ways is through	Risk assessment, measurement, control and monitoring and reporting.	Energy indirect Greenhouse Gases (GHG) Emission is the impact of usage of electricity and this is one of the major

<sup>2</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

	shifts in supply and demand for certain products, and services as climate-related risks and opportunities are increasingly taken into account.		inputs in the processes (production).
Development of environmental strategy, setting environmental performance standards and targets, and reporting on performance	The impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning could affect the valuation of organizations' assets and liabilities.	Identifying, managing and mitigating climate-related business risks include procedures, and analysis	Energy indirect Greenhouse Gases (GHG) Emission is the impact of usage of electricity and this is one of the major inputs in the processes (production).

## Procurement Practices

### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	85	71.43%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Convenient access of working closely with suppliers long after a deal has been signed. Impact on the organization's ability to achieve its objectives.</p> <p>The Company's domestic sourcing tends to build consumer confidence. When consumers can buy with confidence, businesses gain their trust, resulting in increased brand awareness and loyalty.</p> <p>On the other hand, with the Low-cost international country sourcing which is Company's procurement strategy that falls under a broad category of procurement efforts called global sourcing, this aims to minimize capital investment and maximize profits.</p> <p>Convenience on communication.</p> <p>Lesser cost on long distance calls and no time difference hindrance.</p>	<p>Suppliers (local and foreign)</p> <p>Customers</p> <p>Community</p>	<p>- Cirtex Group is certified under ISO 14001:2015 and is a SONY Green Partner.</p> <p>- Establish alliances with key suppliers</p> <p>- Two-way communication, which requires both buyer and seller to jointly manage the relationship, is more effective. The four primary objectives of an effective alliance management program with key suppliers include:</p> <ol style="list-style-type: none"> <li>1. Provide a mechanism to ensure that the relationship stays healthy and vibrant</li> <li>2. Create a platform for problem resolution</li> <li>3. Develop continuous improvement goals with the objective of achieving value for both parties</li> <li>4. Ensure that performance measurement objectives are achieved</li> </ol> <p>With a sound alliance management program in place, the Company is equipped to use the talents of your supply base to create sustained value while constantly seeking improvement.</p> <ol style="list-style-type: none"> <li>5. Establishing good partnership with Approved Vendors.</li> <li>6. Better understanding of each and every requirement of both parties.</li> </ol>

		<p>7. Creating lesser barriers on communications since working hours/time frame is at same platform.</p> <p>8. Swift communications of issues encountered that eventually result to quick resolution.</p> <p>9. Develop better system from inquiry, to order tracking, after sales feedback to ensure continual improvement on both sides, since they can assess day to day effectiveness of measures being utilized.</p> <p>10. Convenience in monitoring performances and evaluation thru periodic conference calls, to ensure all points for improvement are taken care well.</p>
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What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>Availability of supplies</p> <p>Cost impact</p> <p>Responsiveness to customers' changing needs</p> <p>Unavailability of materials due to prolonged CNY, brought about by Covid-19 status.</p>	<p>Customers</p> <p>Suppliers</p> <p>Government</p> <p>Community</p>	<p>Engage in collaborative strategic sourcing (Decision-making process).</p> <p>Solicit feedback and information regarding their objectives and strategies from those customers, which may include functional areas such as finance and accounting, engineering, operations, maintenance, safety/health/environment, and quality assurance—any internal business unit or function that will contribute to the initiative's success.</p> <p>Immediately implementing control measures to isolate Covid-19 infected patients (if there's any) from the group.</p> <p>Wearing Masks, Checking temperatures, and monitoring those with suspected symptoms for everyone's safety.</p> <p>Sending awareness articles and paraphernalia to ensure activities were being monitored not only but one employee but the whole group.</p> <p>From the Supply Chain point of view, identifying affected Vendors and its impact on supplies.</p> <p>Setting alternate Vendors to cater requirements while default Vendors are still at isolation stage.</p> <p>Continuously working out and localizing Vendors for more chances of avoiding process interruptions.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>Reduce working capital.</p> <p>Sourcing locally results to shorter lead time. This will save time and money when shipping domestically as this is typically faster and less expensive than shipping from international suppliers. Trucking carriers can be</p>	<p>Supply chain organization</p> <p>Customers</p> <p>Suppliers</p> <p>Supply Chain Organization</p>	<p>Optimize company-owned inventory.</p> <p>Placing more emphasis on demand planning and forecasting as an additional means of ensuring optimal inventory levels. Poor planning and forecasting are direct causes of inventories that are out of balance with a business's needs.</p>

<p>leveraged, while ocean carriers will largely be inflexible in terms of costs and timeframes.</p> <p>Following are our initiatives in partnering with local suppliers.</p> <ol style="list-style-type: none"> <li>1. Identify Potential Partners.</li> <li>2. Ensure supplier's compliance with local and international regulations.</li> </ol> <p>Establish strategic financing that benefits both parties.</p> <p>Additional Income /Cost saving activity</p>		<p>Locally supplied materials should have better pricing since you will be saving freights and operational costs on moving items from one Region to Another.</p> <p>Better delivery scheduling since material lead time is identified and transit is minimized.</p> <p>Better Inventory Management as delivery can be just in time and no need to be stretched to avoid delay on upcoming requirements. This happens when you are ordering from foreign partners and shipment requires sea shipment for lesser costs, yet considerations on future requirements should be included to avoid future downtime.</p>
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## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</p> <p>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</p> <p>The Cirtek Group's Anti-Corruption policies form part of the standard requirements and measures for all its dealings with suppliers, business partners and employees. As of date of this report, there has been no cases of corruption involving the Company's business partners and employees.</p>	<p>(e.g. employees, community, suppliers, government, vulnerable groups)</p> <p>Employees</p> <p>Suppliers</p> <p>Regulators</p>	<p>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</p> <p>- Strict implementation of the Company's Anti-corruption Policies and practices.</p> <p>- Promote corporate culture of transparency, accountability and integrity.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>Identify risk/s related to material topic of the organization</p> <p>Possible loss of business, key employee</p> <p>The Company has no incidents involving corruption.</p>	<p>Employees</p> <p>Suppliers</p> <p>Regulators</p>	<p>- Strict implementation of the Company's Anti-corruption Policies and practices.</p>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization Enhancement of Anti-corruption programs	Employees Suppliers	-Continued review of existing policies and practices to ensure adoption of prevailing international practices and policies.

### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) As of date of this report, there has been no cases of corruption involving the Company's business partners and employees.	(e.g. employees, community, suppliers, government, vulnerable groups) Employees Suppliers Regulators	What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?  - Strict implementation of the Company's Anti-corruption Policies and practices.  - Promote corporate culture of transparency, accountability and integrity.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization Possible loss of business, key employee The Company has no incidents involving corruption.	Employees Suppliers Regulators	- Strict implementation of the Company's Anti-corruption Policies and practices.  - Promote corporate culture of transparency, accountability and integrity.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization Enhancement of Anti-corruption programs	Employees Suppliers	-Continued review of existing policies and practices to ensure adoption of prevailing international practices and policies.

## ENVIRONMENT

The Company's subsidiaries, Cirtek Electronics Corporation and Cirtek Advanced Technologies and Solutions, Inc. has been certified under the international environmental standard ISO 14001:2015, which specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 seeks to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. ISO 14001:2015 helps an organization achieve the intended outcomes of its environmental management system, which provide value for the environment, the organization itself and interested parties. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include:

- enhancement of environmental performance;
- fulfillment of compliance obligations;
- achievement of environmental objectives.

The Cirtek Group is also SONY Green Partner Certified which passes the standards and requirements of SONY. This is a stepping stone that the system of the Company is in place in terms of their requirements for QMS and EMS standards. SONY has identified substances contained in the parts or materials of SONY products that have been judged to have a significant impact on the global environment and may harm human health. Thus, SONY established its "Management Regulations for Environment-related Substances to Be Controlled which Are Included in Parts and Materials" and clarifies which chemical substances cannot be used or whose use it is working to reduce. SONY introduced its "Green Partner Environmental Quality Approval System" for ensuring that suppliers comply with these standards and regulations, and SONY only procures from suppliers who are certified as Green Partners.

The Company is also audited annually by the government for the Annual Environmental Compliance Monitoring to check compliance of the Company.

### Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	None	GJ
Energy consumption (gasoline)	None	GJ
Energy consumption (LPG)	None	GJ
Energy consumption (diesel)	497.95	GJ
Energy consumption (electricity)	25,887,419.08	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	3,940,928.95	kWh/k units
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Electricity and Diesel is for Production used. Processes for production are dependent on power and once Meralco encounters failure there are stand by generator sets using diesel and company car for shipment and customer service.	Employees, customers, community, visitors, tenants, contractors	One of the Environmental Objective Targets and Programs (OTPs) of the Company is the Usage/Conservation of Electricity stipulated in our procedure under EMS-PEMTOT-004 (Procedure for Establishing Maintaining and Tracking the Objectives and Targets). Under this program, the utilization of power is encouraged to use more efficiently so this is

Efficient use of fuel and power directly affects not only the Company's costs and expenses but also the power supply management of the community.		directly proportional to product ship out. All units support and implement the programs and activities listed in the Environmental OTPs and Conservation of Electricity Program.  The Company targeted to reduce the consumption of electricity by 3% at the end of the year.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
- Increase of consumption but decrease in production ship out. - Wastages of power and diesel. - Power supply - High Cost	Employees, customers, community, visitors, tenants, contractors	Under the Environmental OTP, utilization of power is encouraged to use more efficiently so this is directly proportional to product ship out. All units support and implement the programs and activities under these Environmental OTPs and Conservation of Electricity. As part of contingency measures, the Company has stand-by generator sets as backup to supply power.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Use of renewable energy, i.e. Solar Power Use of Inverter motor for facilities equipment. Use of Inverter type (more efficient Airconditioning unit system). Use of LED lights to microscope and magnifying glass Use of shuttle services for saving gas	Employees, stockholders, customers, tenants, suppliers, community, government.	Management is pro-active in the adoption of more energy-efficient equipment and office facilities; considering alternative sources of power such as installation of rooftop solar panels with the capacity of 422.4 kWhp and 383.67 kWhp

#### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	None	Cubic meters
Water consumption	51,522 - Domestic 401,247 - Industrial	Cubic meters
Water recycled and reused	5,232	Cubic meters

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Water is used for production and domestic use. Certain processes of production are dependent on water and for domestic use of employees. Efficient use of water supports the water conservation programs of the Laguna Technopark community to manage water supply.	Employees, customers, community, visitors, tenants, contractors, government	The Company's Environmental OTPs include efficient utilization of water that is directly proportional to product ship out. All units support and implement the programs and activities in the Environmental OTPs and the Conservation of Water.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Increase of consumption but decrease in production ship out.	Employees, customers, community, visitors, tenants,	Implementation of the Company's Environmental OTPs, which include efficient



Wastages of water. High cost Supply of water	contractors, government	utilization of water. All units support and implement the programs and activities for the conservation of water.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Recycling Multiple Pass (Reverse Osmosis) more efficient use of water in 2020. Waterless urinal	Employees, stockholders/owners, customers, tenants, suppliers, community, government.	Management is pro-active in the adoption and implementation of resource conservation programs, including efficient usage and conservation of water measures.

#### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	None	kg/liters
• non-renewable	3,984,146.84	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	5	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Material consumption Environmental Product Compliance (Direct materials comply with the environmental-friendly I.e. compliance with RoHS, REACH, and other statutory /regulatory requirements). The Company uses highly-specialized and customized materials for production, and strictly adheres to all applicable laws and regulations to ensure environmental product compliance for all outputs.	Employees, suppliers, customers, government	Control consumption.  Alternative material supply.  Management ensures strict compliance with all applicable laws and regulations for 100% environmental product compliance.  Contracts with customers and suppliers include specific provisions on sourcing and use of materials, in accordance with ISO 14001:2015 and SONY Green Partner standards, when applicable.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Supply availability Single source supplier High cost Storage requirements	Stockholders, suppliers, employees, customers, government	Source out multiple suppliers and providers. Active customer engagement regarding sourcing of materials that are cost-efficient and sustainable. Maintain standards set in accordance with ISO 14001:2015 and SONY Green Partner certifications, when applicable.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Cheaper materials Environment-friendly materials	Suppliers, customers, stockholders	Management continues to engage its customers and suppliers to ensure sufficient source of materials from multiple suppliers, that are cost-efficient and sustainable, in accordance with global standards for quality and sustainability.

### Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	None	ha
IUCN <sup>3</sup> Red List species and national conservation list species with habitats in areas affected by operations	None	
<p>As part of the Company's Corporate Social Responsibility (CSR) programs and initiatives and its continuing commitment to the community and society, the Company actively participates in the Laguna Technopark community activities along with different groups. These activities which promote awareness and directly impacts the local ecosystem and biodiversity include: Quarterly Blood Letting "Dugo Mo, Buhay ko" last March 23 2023, June 20 2023, September 21 and December 13, 2023. Medical Mission last February 06 and March 01, 2023, CSR-LTEGI BUILDING A STRONGER ENVIRONMENTAL PROTECTION and IMPLEMENTATION (Coastal Clean-up and Tree Planting at Bohol last June 17-19, 2023, Brigada Eskwela 2023 donates school supplies to Loma Elementary School and Southville 5, Elementary School last August 14, 2023. Joined Coastal Clean-up at Dela Paz, Biñan, Laguna last September 16, 2023. LTAI Zombie Run benefits proceeds to students of less fortunate of indigent families, Kasuso Foundation (to benefit breast cancer patients), Katutubong Mangyans/ Aetas, and Bahay ni Maria (home for the aged). Also, Christmas Gift Giving at Bahay ni Maria, Calamba last December 18, 2023.</p> <p>The Company continues to move forward in its active involvement in various Environmental and Sustainability activities in the community.</p>		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Beneficial impact for helping and support the environment.</p> <p>Specific activities actively participated by Cirtex Group:</p> <p>Quarterly Blood Letting "Dugo Mo, Buhay ko" last March 23 2023, June 20 2023, September 21 and December 13, 2023. Medical Mission last February 06 and March 01, 2023, CSR-LTEGI BUILDING A STRONGER ENVIRONMENTAL PROTECTION and IMPLEMENTATION (Coastal Clean-up and Tree Planting at Bohol last June 17-19, 2023, Brigada Eskwela 2023 donates school supplies to Loma Elementary School and Southville 5, Elementary School last August 14, 2023. Joined Coastal Clean-up at Dela Paz, Biñan, Laguna last September 16, 2023. LTAI Zombie Run benefits proceeds to students of less fortunate of indigent families, Kasuso Foundation (to benefit breast cancer patients), Katutubong Mangyans/ Aetas, and Bahay ni Maria (home for the aged). Also, Christmas Gift Giving at Bahay ni Maria, Calamba last December 18, 2023.</p>	<p>Employees, community, government, customers, stockholders</p>	<p>The Company continues to advocate its CSR) programs and initiatives. The Company's commitment to support and implement sustainable business practices, and its active involvement and participation in various environment and sustainability programs for the community's ecosystems and biodiversity is embodied in the provisions under the Company's ECC (Environmental Compliance Certificate).</p>

<sup>3</sup> International Union for Conservation of Nature

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Costs Human resources limitations Possible government sanctions for breach in ECC conditions	Employees, community, government, customers, stockholders	Internal CSR in Cirtex group. The Company is committed to continue its CSR advocacies, programs and initiatives in coordination with the Laguna Technopark community. CSR activities form part of regular HR activities.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Expansion of investor base to include "green" funds/investors Good corporate image Attract/sustain customers, business	employees, community, government, customers, stakeholders, funders	The Company is committed to continue its CSR advocacies, programs and initiatives. Management ensures that the Company adopts and implements sustainable business practices and activities.

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions	19,415.56	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	0.483	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Energy indirect Greenhouse Gases (GHG) Emission is the impact of usage of electricity and this is one of the major inputs in the processes (production). All air-conditioning units serve in production and offices.	Employees, costumers, visitors, suppliers, government, community	The Company has adopted energy conservation measures including: - Convert Ozone Depleting Substances (ODS) to ODS Free - Convert old aircon to Variable Refrigerant Frequency (VRF) type  Also, as part of its CSR program, the Company actively supports and participates in tree planting activities in the community to offset CO <sub>2</sub> emission.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Depletion of Natural Resources. Depletion of Ozone Gases Poor air quality	Employees, costumers, visitors, suppliers, government, community	The Company has also adopted energy conservation measures including:  Convert ODS to ODS Free Convert old aircon to VRF type  And as part of its CSR program, the Company actively supports and participates in tree planting activities in the community to offset CO <sub>2</sub> emission.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Continue to convert AC production system to Ozone Depleting Substances (ODS)	Employees, costumers, visitors, suppliers, government, community	The Company is committed to continue to explore/study energy-saving, clean and sustainable processes and equipment. Use VRF System

### Air pollutants

Disclosure	Quantity	Units
NO <sub>x</sub>	< 7.8	µg/Ncm
SO <sub>x</sub>	< 8.1	µg/Ncm
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	20.7	µg/Ncm

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Part of the process to emit air pollutants. The Company has its Air Pollution Control Facility (APCF) with pertinent DENR Permit to Operate. Based on the history of results for ambient emission, the Company has consistently passed the standards far below the limit. And this is likewise the result of Generator Sets which is on standby and emits only when running. In light of the APCF and the Company's processes, the Company's results of Ambient and Emission tests for the year 2019 has consistently passed the DENR threshold limit. Taal Volcanic Eruption (Ash fall)	Employees, community, customers, suppliers, contractors	Management strictly implements procedures and processes to ensure that the air pollutants emitted pass the standards and regular test for Ambient, updated PTO and operational APCF.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Health Hazard Noise, Air Pollution Costly operation Possible regulatory sanctions	Employee, community, customers, suppliers, contractors	Management strictly implements procedures to ensure compliance with regulatory standards and regulations. Limit use of Generator only when necessary. Perform regular preventive maintenance of generator sets.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Use purified/cleaner diesel Preparations on Volcanic Eruption	employees, community	Management continues to identify, source out cheaper, cleaner and more sustainable alternatives.

### Solid and Hazardous Wastes

#### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	0	kg
Reusable	2,516	kg
Recyclable	22,881	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	32,9098	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Part of the process and daily activities produces solid and hazardous wastes. The Company provides regular trainings and awareness for its personnel regarding proper handling and disposal of wastes, and the corresponding penalties for any violations of the applicable laws and regulations. Laguna Technopark community has strict regulations for handling of wastes.	Employees, Visitors, customers, suppliers, government, community.	The Company strictly implements its SOPs for waste management to ensure compliance with regulatory standards and requirements. The Company's procedures include: EMS-SWS-027 (SOLID WASTE SEGREGATION PROCEDURE) and EMS-SMDSP-011 (SCRAP MATERIALS DISPOSAL AND/OR STORAGE PROCEDURE). The Company ensures that all solid wastes generated are safely and properly segregated, collected, stored and disposed. Proper implementation and execution of the procedures for Solid and Hazardous wastes must be strictly observed in compliance with the regulatory laws. The Company has specific wastes bins provided per classification as part of proper disposal management.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Increased wastes Costly for hazardous and residual Improper segregation Possible regulatory sanctions	Employees, Visitors, customers, suppliers, community, government.	The Company conducts regular trainings and awareness for all personnel, and strictly implements its procedures for solid and hazardous wastes management. Use of DENR accredited hauler, transporter and treater to handle our hazardous wastes. Zero-defect mind set to avoid wastes. Zero-defect performance is part of Company incentive program. Source out cheaper treatment for hazardous wastes
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Sales of recycle/reclaim scrap.	Employees, community, stockholders.	The Company continues to identify and develop ways of improving management of wastes, in keeping with its commitment to consistently adhere to more sustainable practices.

#### Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	20,380	kg
Total weight of hazardous waste transported	16,703	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Part of the process and daily activities produces hazardous wastes. The Company provides regular trainings and awareness for its personnel regarding proper handling and disposal of wastes, and its corresponding penalties for any violations of the applicable laws and regulations.	Employees, visitors, government, transporters, treaters, community	The Company ensures that the procedures for Hazardous wastes are properly implemented and executed, in compliance with the applicable laws and regulations.  The Company has specific wastes bins provided per classification as part of proper disposal management.

Laguna Technopark community has strict regulations for handling of wastes.		Use of DENR accredited hauler, transporter and treater is implemented.  The objective is effectively managed hazardous wastes within the Cirtex Group in order to minimize human and environmental impacts caused by industrial activities.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Increase wastes Costly for hazardous treatment Improper segregation Possible regulatory sanctions	Employees, visitors, customers, suppliers, government, transporters, treaters, community	The Company conducts regular trainings and awareness for all personnel, and strictly implements its procedures for solid and hazardous wastes management. Use of accredited hauler, transporter and treater. Zero-defect mind set to avoid wastes. Zero-defect performance is part of Company incentive program. Source out cheaper treatment for hazardous wastes
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Coordination with DENR for management of hazardous waste (mold runners) because this is not hazardous wastes.	Employees, government, transporters, treaters, community	The Company continues to identify and develop ways of improving management of wastes, in keeping with its commitment to consistently adhere to more sustainable practices.

### Effluents

Disclosure	Quantity	Units
Total volume of water discharges	51,522 - Domestic 401,247 - Industrial	Cubic meters
Percent of wastewater recycled	1.16	%

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Main part of the process is using water and for domestic necessity and its discharge. Pollute water if not properly treated	Employees, customers, tenants, visitors, contractors, governments, community	The Company has defined procedures and programs for Conservation of Water. Management ensures that all units utilize water efficiently and support the programs, activities in conservation of water. The Company also implements its Wastewater Treatment Plant System to treat industrial wastewater. And for domestic wastes water treated at STP (Laguna Water). The Company has consistently complied with regulatory standards.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Increase wastewater discharge Costly for treatment Discharge untreated water or improper wastewater disposal	Employees, customers, tenants, visitors, contractors, government, community	The Company conducts regular awareness programs for its personnel for its water conservation measures. Management ensures strict implementation of wastewater disposal and management, in coordination with local authorities, to be able to consistently comply

		with industry and regulatory standards. With wastewater treatment plant system for treatment of industrial wastewater and for domestic wastewater discharge treated at STP (Laguna Water).
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Good corporate image	Employees, customers, tenants, government, community	Continue to comply standards and follow regulatory requirements. The Company continues to identify and develop ways of improving management of resources, including water, in keeping with the Company's commitment to consistently adhere to more sustainable practices and to comply with industry standards and regulatory requirements.

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	None	#

The Cirtex Group is fully compliant to statutory and regulatory laws such as DENR, LLDA, PDEA, PEZA, Laguna Water.

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
EMS Section to ensure that all compliance obligations (i.e. permits, reports, certificates, licenses) are updated and being promptly complied with and reported/submitted on time. Continued compliance with industry standards and regulatory requirements ensures continued business operations and investor confidence. For the year 2019, the Company has no incident or related case, nor any record of non-compliance with environmental laws and regulations.	Employees (handling officers) customers, suppliers, government, shareholders	The Company implements defined procedures for its compliance obligations. Part of the EMS KRA Goals is Zero violations, Zero penalties. Management ensures that the Company's governance and sustainability policies and procedures are strictly implemented.  The government (PEZA) conduct annual checking of Environmental Monitoring Compliance.
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Possible regulatory sanctions Possible negative corporate image that may lead to loss of business and investor confidence	Employees (handling officers), government, customers, suppliers, community, shareholders.	Management ensures that the Company's governance and sustainability policies and procedures are strictly implemented. Specific units/personnel have the responsibility to ensure compliance with obligations and regulatory requirements set by government authorities, including DENR, LLDA and PEZA.
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
Good corporate image to expand the business and the investor base. CSR / Social Development Program	Customers, suppliers, government, shareholders	Continue to comply standards and follow regulatory requirements. Management continues to review its

(SDP) is part of our obligations. The Company actively participates in CSR activities of the private sectors (i.e. LTI, LTAI AOSHEOLI, etc.) such as tree planting, coastal clean-up, school and barangay donations and gift-giving, and others) and also we have internal CSR activities like brigada eskwela, family day, free medical check-up, blood donations, etc. The Company has received Recognition for its Environmental Programs and initiatives from the LT-MMT group (Laguna Technopark Multi-Partite Monitoring Team).		governance and sustainability policies and procedures to further improve the Company's compliance with industry standards and regulatory requirements. The Company likewise continues to engage its customers, suppliers and investors to enhance the Company's sustainability programs and practices.
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## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees <sup>4</sup>	1,505	
a. Number of female employees	1,024	#
b. Number of male employees	481	#
Attrition rate <sup>5</sup>	22.42%	rate
Ratio of lowest paid employee against minimum wage	0	ratio

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS (maternity leave and sick leave and Loan of regular employees only)	Y	74%	68%
PhilHealth	Y	22%	7.3%
Pag-ibig	Y	88%	71%
Parental leaves	Y	0%	2%
Vacation leaves	Y	8%	0.001%
Sick leaves	Y	5%	5.8%
Medical benefits (aside from PhilHealth))	Y	81%	77%
Housing assistance (aside from Pag-ibig)	N	0.5%	0
Retirement fund (aside from SSS)		22%	7%
Further education support	N	0.5%	0
Company stock options		n/a	
Telecommuting (24/7 after working hrs and during weekend and holidays)	N	0.6%	1.4%
Flexible-working Hours	y		
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Human capital is the most critical element for the	What policies, commitments, goals and targets,

<sup>4</sup> Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

<sup>5</sup> Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)



<p>Company's profitability. The Company's employees provide the core strength, innovation, creativity and resilience that enables Cirtek to consistently provide value to its customers and stakeholders.</p> <p>The hiring, retention, training and development of Cirtek's human resources and talent directly impacts the Company's efficiency, productivity, profitability and sustainability. Also, the Company provides job opportunities to the community, and prioritizes hiring manpower from the locals.</p> <p>Cirtek ensures the protection of the rights, welfare and dignity of its human resources by providing, among others, decent working conditions and fair compensation and benefits, in accordance with labor laws and global best practices in the industry.</p>	<p>responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</p> <p>1)QMS-032-CPRR- Company Policy, Rules and Regulation is in place to inform and guide the employees with respect to salary and benefits, company policies and protocol, rules and regulations and disciplinary actions</p> <p>2)Semi-Annual Management Review to address the updates of the goals and objective of the department</p> <p>3)Annual Performance Review to all level to identify the strength and weaknesses of the employees and their training needs</p> <p>4)KRA per Department to set up goals, objectives and target. Semi-annual review of the KRA to determine the performance of the department if the goals, objective and target are met, and identify the corrective actions in order to meet the goals and identify the outlook</p> <ol style="list-style-type: none"> <li>1) Annual Incentive Program and Budget in place to motivate the employees and recognize their contribution and significant performance</li> <li>2) Annual/Quarterly Sports and Recreation, continuously promoting health and safety and wellness program to motivate the employees to be concerned with their health and to promote team building.</li> <li>3) Continuous publications of updates from DOLE, Health Dept, BIR, SSS and other government agencies to convey their latest, additional and other directives</li> <li>4) Labor Management Council composed of representatives from management and staff is in place to discuss all matter related to labor and management that will affect the rights and privileges of both parties.</li> <li>5) Grievance committee is in place to discuss and settle any disputes of both parties at the plant level.</li> <li>6) Compliance to Wage Order No. IVA-20 Php 520/day minimum wage for Region IV-A and Government Mandates to Employees benefits.</li> </ol>
<p><b>What are the Risk/s Identified?</b></p>	<p><b>Management Approach</b></p>
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Risks include: (1) lack of manpower with the right skills set, (2) resignation/loss of key personnel and talent, (3) reduced productivity and profitability due to lack of talent/manpower, (4) possible negative image as an employer,(5) possible government sanctions that may be imposed for any breach in labor laws or standards.</p>	<p>Management has adopted and has been implementing the Company Policies to ensure the protection of the rights, welfare and dignity of Cirtek's human resources, in accordance with applicable the labor laws, customer commitments and industry best practices. Policies are periodically reviewed to ensure that prevailing HR management best practices and current labor laws are being adopted and employee benefits remain competitive.</p>

	The Company has engaged two (2) manpower providers to ensure the immediate deployment of manpower requirement in the operations
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
The Company prioritizes hiring of manpower from the local community. The Company maintains its good corporate image as an employer, thus, maintaining good relations as well with the local community.  Partnership with DualTech Training Foundation Inc. for Dual Training Program. Hands-on Technical Training during their schooling	Management periodically reviews all related Company Policies and Programs to remain competitive and to ensure that global industry best practices are being adopted and implemented. Program on CSR are advocated. Accept students of Dual Tech Training Foundation Inc. to undergo hands-on training during their schooling. Monthly allowance is provided to students and absorb them after their graduation.

### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	34,000	Hours
b. Male employees	5,040	hours
Average training hours provided to employees		
a. Female employees	40hrs/emp/yr	hours/employee
b. Male employees	40hrs/emp/yr	hours/employee

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Being the most important asset of the Company, the human resources' performance and output directly impacts the Company's productivity and profitability. Thus, the Company ensures the continuous technical, behavioral and leadership training programs relevant to the employees, based on the needs of the business operations, as well as the development and career path of the employees. Periodic KRA setting and performance appraisal systems are in place to manage, among others, training needs, employee development and career path. The Company also works closely with its customers to ensure that employees' skills and knowledge are matched with the business product needs.	Each employee is required to undergo at least 40hrs training per year. Employees directly involved in production should be certified prior to performing / operating machine, thus they are required training to be certified. Recertification training is semi-annual.  Employees Performance Appraisal yearly and Competency Assessment to assess the result of performance to be able identify the strength and weaknesses of employee and training needs as well. In-house training is provided to employees by a certified internal or external training facilitators.  Annual Training Plan is generated for all level of the organization to groom and develop the employees to improve performance, skills and efficiency.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risks include: (1) lack of manpower with the right skills set, (2) resignation/loss of key personnel and talent, (3) reduced productivity and profitability due to lack of skills and knowledge, (4) skills obsolescence, (5) possible negative image as an employer.	Management has adopted and has been implementing the Company Policies to ensure that employees have the right skills and knowledge necessary for the efficient operations and quality products output. Continuous training programs are being implemented both in-house and through third party providers. Management ensures that employees' skills remain competitive and through the Company's performance appraisal systems, the career development of employees are periodically reviewed and managed to retain talent and further develop the Company's human resource. Continuous grooming of successors in preparation for resignations of employees assigned in key positions.

What are the Opportunity/ies Identified?	Management Approach
<p>Improve and develop the skills and performance of employees to be competitive to the industry</p> <p>Improve productivity and quality.</p>	<p>Training and Development Program is provided</p> <p>Suppliers of sensitive machines and equipment are providing technical training to technicians and operators of the machines.</p> <p>Management periodically reviews all related Company Policies and Programs to remain competitive and to ensure that the Company's human resources have the rights skills, maintain work-life balance, and that global industry best practices are being adopted and implemented.</p>

### Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	
Number of consultations conducted with employees concerning employee-related policies	12	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Harmonious labor-management relationship is a major factor in productivity and production quality, and has big impact in promoting industrial peace and employee motivation</p>	<p>Labor-Management Council was created, and conduct regular weekly meeting for production updates, changes in policies, new directives of management, consultations, issues on employees' welfare, and other employee-related matters.</p> <p>Daily meeting is conducted for every shift of production personnel to discuss any issues encountered in the production floor during the shift, product quality, productivity and all matters related to production.</p> <p>Both labor and management consistently maintain open communication channels.</p> <p>Periodical Town Hall Meeting of Execom Meeting with employees will be imposed.</p>
What are the Risk/s Identified?	Management Approach
<p>Labor dispute may affect productivity, industrial peace and harmony.</p> <p>Miscommunication, misleading information related to implementation of company policies</p>	<p>Labor- Management Council, Grievance Committee and other committees were created and organized for the welfare of employees. A tool for labor-management dialogue to settle at the plant level any labor issue that may arise.</p> <p>Open communications for consultations, recommendations and suggestions to improve labor relations.</p>
What are the Opportunity/ies Identified?	Management Approach
<p>Opportunity to discover immediate and effective solutions if there are labor issues.</p> <p>Quick disseminations of new policies and programs.</p>	<p>Regular meetings with LMC and employees' representatives to quickly resolve any work-related issues.</p>

## Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	1,024	70%
% of male workers in the workforce	481	30%
Number of employees from indigenous communities and/or vulnerable sector*	1,505	100%

\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Company Policy Rules and Regulation (QMS-032-CPRR) is applicable to all levels of the organization to ensure non-discrimination of any employee. Cirtek Group is compliant with the rights and privileges of employees in accordance with Electronics Industry Citizenship Coalition ("EICC"), the standard to ensure that working conditions are safe, workers are treated with respect and dignity, and business operations are environmentally responsible and conducted ethically.	Company Policy Rules and Regulations (QMS-032-CPRR) cover the Training orientation for the newly hired employees.  Internal Promotion is applicable to male and female employees.  Incentive Program is applicable to all level of organization.
What are the Risk/s Identified?	Management Approach
Employees discontentment may affect their performance. May disturb the industrial peace	Compliance with EICC Code of Conduct and use of various communication channels, such as the Labor Management Council, and regular communication with employees (such as daily meetings with supervisors in the production floor, weekly committee meeting etc.)  Continuous practice of open-door communication to fosters transparencies, trust and collaboration within the workplace leading to better employee engagement, morale and productivity.
What are the Opportunity/ies Identified?	Management Approach
Opportunity of the employees to exceed the standard performance to achieve the career growth. PWD with minor disability is sometimes more productive. Help to uplift the morale of PWD employees to strengthen their confidence and personality.	Internal promotion than external hiring Hiring of PWD with minor disability and transgender provided they can still perform the assigned task.

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	3,822,552	Man-hours
No. of work-related injuries	16	pax
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	2x	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has adopted and implemented its First Aid Training, regular meeting of Health and Safety Committee to address health and safety issues at the work place, continuous health and wellness program initiated by medical team.	Management ensures that the Company consistently promotes the health and well-being of its human resources and that it always provides a safe and decent working environment. Management likewise ensures that adequate health benefits and insurance

Fire, Earthquake and Volcano eruption drill, First Aid Training, Regular Training and Orientation, Releasing Health Awareness Updates by Medical Team, Occupational Health and Safety training by Committee echoed to employees. These programs ensure the health and well-being of the Company's employees and provides a safe working environment.	safety nets are provided.  Occupational Health and Safety Committee are composed of labor and management representatives.  Active participation of OHSC to program and projects of LGU through the Industrial Park.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risks may include: possible injuries, ill-health or fatalities in the workplace, and regulatory sanction on non-compliance with laws and regulations.	Management ensures that mandatory standards on working conditions, occupational health and safety, safety and health are fully complied with. Regular employees' engagement is conducted as well with regard to adequacy of policies and safety nets in place. Occupational Health and Safety Committee is in place.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Opportunity to Improve attendance and productivity Opportunity to lessen the medical expenses Opportunity to lessen the breakdown of machines, purchases of spare parts and repair.	Management continues to conduct regular employee engagement, to assess global best practices on labor, safety and health standards and the working environment to ensure that the Company always abides with the laws and regulations and global best practices. Medical team consistently and regularly send updates and provide symposium/seminar to employees. Bench marking with the good practices of other companies. Periodical Blood Donation is in place in collaboration with Philippine Children Medical Center (PCMC).

### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Company Policy Rules and Regulations-QMS-032- CPRR
Child labor	Y	Company Policy Rules and Regulations- QMS-032-CPRR
Human Rights	Y	Company Policy Rules and Regulations-QMS-032-CPRR

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
Company Policies on Labor, Human Rights, Anti-Harassment, Anti-Bullying (QMS-32-CPRR) serve as clear guidelines for Management and staff. Thus, due process will be strictly observed for any violation, and when applicable, the appropriate sanctions will be imposed. Should there be any cases elevated to government authorities and the courts, the Company Policies and relevant documentation will support such cases.	Management ensures full compliance with applicable labor laws at all times, and consistently upholds the rights, welfare and dignity of the Company's human resources, through the Company's various Policies and programs. Management likewise ensures that the Company's commitments to its customers regarding labor practices are fully adopted and implemented. Also, regular assessment of international best practices on labor is being conducted for Management's periodic evaluation and appropriate action.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risks may include negative image of the Company, possible litigation/cases related to forced/child labor and human rights violations, and government sanctions. Labor cases	Management ensures full compliance with applicable labor laws and the protection of the rights, welfare and dignity of the employees. Regular employee

also need Management time and resources, other than for the Company's business operations. The Company did not have any violation on human rights laws, nor any instances/case involving child/forced labor.	engagement, in-house behavior and leadership trainings and other employee programs support Management's efforts in mitigating these risks. Management further ensures that it abides with global labor best practices.
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Review of relevant Company policies such as Anti-Harassment, Bullying QMS-032CPRR to align with prevailing laws, regulations and best practices. And when necessary, the Company shall accordingly adopt policies to comply with labor standards.	Management ensures continuous compliance with applicable labor laws, and shall consistently uphold the rights, welfare and dignity of the Company's human resources. Regular assessment of international best practices on labor shall be conducted for Management's evaluation and appropriate action. Immediate attention of HRD to employee's and concern and complaints to any violation against human rights.

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes, QMS-12-SMS- Supplier Management System

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Environmental Policy
Forced labor	Y	Supplier Corporate Social Responsibility (ite.8.12 Of QMS-12-SMS
Child labor	Y	Supplier Corporate Social Responsibility (ite.8.12 Of QMS-12-SMS
Human rights	Y	Supplier Corporate Social Responsibility (ite.8.12 Of QMS-12-SMS
Bribery and corruption	Y	Supplier Corporate Social Responsibility (ite.8.12 Of QMS-12-SMS

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
The Company Policies related to the accreditation of its suppliers provide clear guidelines for its suppliers to ensure, among others, not just quality products and services, but also sound labor practices and that such suppliers abide with global sustainability standards. These directly impact the Company's sustainability and profitability considering that these form part of the Company's commitment to its customers.	Management has adopted and implemented the Company's Policy for supplier accreditation, in accordance with the Company's related policies, rules and regulations on environment, labor, and corporate governance. Management also engages the Company's customers given the Company's commitments under the relevant contracts with regard to suppliers' labor practices and governance, in addition to the supplier's financials and other criteria.
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
Risks may include: absence or lack of suppliers, reduced productivity and profitability.	Management ensures that the Company Policies are implemented, and maintains regular accredited suppliers and customer engagement. Maintain at least 2 to 3 alternative accredited suppliers
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
Opportunity to select competitive price grants to meet the target in Cost Reduction for raw materials With continuous supply of raw materials, can confidently confirm customer's forecast and demand that will increase the sales. No customer's complaint when quality of materials is	Schedule annual audit to suppliers in the aspect of Quality and Delivery. Management continuous to actively explore opportunities in strengthening Cirtex supply chain management. Performance evaluation of suppliers.

meeting the standards.	Supplier Development Plan, requires automotive suppliers to be an IATF 16949 Certified.
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## Relationship with Community

### Significant Impacts on Local Communities

<b>Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)</b>	<b>Location</b>	<b>Vulnerable groups (if applicable)*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Collective or individual rights that have been identified that or particular concern for the community</b>	<b>Mitigating measures (if negative) or enhancement measures (if positive)</b>
Brigada Eskwela	Loma Elementary School, Binan City and Southville 5 Elementary School, Timbao, Biñan	Children and Youth	N	The program allows the stakeholders to increase knowledge and experience on the support of the Company in the Community	Continue conducting similar activities every year for better community engagement
International Coastal Clean-up City	Biñan CENRO	N/A	N	The program allows the stakeholders to increase knowledge and experience on the support of the Company in the Community	Continue conducting similar activities every year for better community engagement
Zombie Run (beneficiaries: Students of less fortunate of indigent families, Kasuso Foundation (to benefit breast cancer patients); Katutubong Mangyans/ Aetas, Bahay ni Maria (home for the aged)	LTAI Binan City	N/A	N	The program allows the stakeholders to increase knowledge and experience on the support of the Company in the Community	Continue conducting similar activities every year for better community engagement
Tree Planting and Coastal Clean-up	Bohol	N/A	N	The program allows the stakeholders to increase	Continue conducting similar activities every year for better



				knowledge and experience on the support of the Company in the Community	community engagement
Taal Donations	Batangas	children and youth, elderly	N	The program allows the stakeholders to increase knowledge and experience on the support of the Company in the Community	The operations have no significant negative impact, hence it requires no mitigating measures.

*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: \_\_\_\_\_

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization	N/A
What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization	N/A

## Customer Management

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Cirtek Group has a Customer satisfaction survey that is done annually. In 2023, Cirtek surveyed 25 active customers and 16 responded to the survey. Only one out of the 16 of the survey customers reflected fair rating on the Quality arising from the Supplier Corrective Action Report issued to Company.	<b>Overall Score - 8.3</b>	Yes, this is a Company initiative to measure the customer satisfaction.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<ol style="list-style-type: none"> <li>1. Impact, unsatisfied customer could result to lesser sales or orders in the future.</li> <li>2. Quantity, Quality, on-time delivery and cost are the considerations (Suppliers and CMs).</li> </ol>	The Management has created and is implementing a 360 deg communication loop with customers through interaction in the form of Customer Focus Team and Customer Satisfaction Team. Quarterly reviews are performed to review the performance on key indices such as Quality Indices, Cycle time and Yields. Customer satisfaction is achieved through Total Quality Management and application of its principles:



	<ol style="list-style-type: none"> <li>1. Customer focus, engaging our organization or management to serve our clients in delivering products and services with high quality and commitment.</li> <li>2. Measure client satisfaction through customer satisfaction survey or scorecard annually.</li> <li>3. Promoting quality indices and awareness campaign materials for the involvement of people in preventing quality issues in the future.</li> <li>4. Regular Yield, PPM/DPPM review and Improvement.</li> <li>5. Standardization of best practices and improvements</li> </ol>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<ol style="list-style-type: none"> <li>1. Delay in parts/materials delivery</li> <li>2. Parts/materials Shortage/s</li> <li>3. Supplier is the sole/only source</li> <li>4. Delivered defective incoming parts/materials</li> <li>5. Equipment/Machine breakdowns / Unaccomplished Preventive Maintenance</li> <li>6. Un-trained personnel</li> <li>7. Insufficient resources (5Ms, 1E)</li> </ol>	Management approach and direction: <ol style="list-style-type: none"> <li>1. Localization</li> <li>2. Provision of 2nd or 3rd source of parts/materials</li> <li>3. Supplier Qualification / Audits Mandatory submission of COCs and OIRs and other reports for parts/materials.</li> <li>4. Increase sampling size during IQC and require supplier to increase their sampling</li> <li>5. Schedule regular Preventive Maintenance.</li> <li>6. Schedule regular training</li> <li>7. CAPEX</li> </ol>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<ol style="list-style-type: none"> <li>1. Localization</li> <li>2. Source inspection</li> </ol>	Management approach and direction: <p>Localization</p> <p>Provision of 2nd or 3rd source of parts/materials</p> <p>Supplier Qualification / Audits</p> <p>Mandatory submission of Certificate of Conformance (COC) and Outgoing Inspection Report (OIR) and other reports for parts/materials.</p>

#### Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	ASB – 5,142 pcs WBB – 95,696 pcs
No. of complaints addressed	0	ASB – 5,142 pcs WBB – 95,696 pcs

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Management Approach</b>
<p>All employees are required to undergo an orientation/education program before assumption of their respective duties. The program shall include the following topics:</p> <ol style="list-style-type: none"> <li>a) Lifestyle assessment programs on health nutrition, weight management, stress management, alcohol</li> </ol>	<ol style="list-style-type: none"> <li>a) The Company promotes and ensures a healthy environment through its various health programs and workplace policy to safeguard its employees.</li> <li>b) Program on Hepatitis B</li> <li>c) Program on HIV/AIDS</li> </ol>

<p>abuse, smoking cessation, and other indicators of risk diseases;</p> <p>b) Thru Health wellness screenings</p> <p>c) Sports, recreational and fun-game activities</p> <p>The implementation of these policies and programs shall be monitored and evaluated periodically by management.</p> <p>- Evacuation Drills together with visitors/customers/employees for Emergency cases. Familiarized them in our facilities/evacuation areas. Health monitoring /screening of visitors esp. If there is a health issues to ensure their health &amp; safety within the company.</p>	<p>d) Program for a Drug-Free Workplace</p> <p>e) Program on Tuberculosis</p> <p>f) MATERNAL &amp; CHILD HEALTH PROGRAM</p> <p>g) VACCINATION</p> <p>h) PROGRAMS</p> <p>i) EVACUATION DRILLS TOGETHER WITH CUSTOMERS/VISITORS /EMPLOYEES TO ENSURE THEIR SAFETY DURING EMERGENCIES. SHOW THEM WHAT TO DO AND WHERE TO GO.</p> <p>j) HESCOM, Health Environment and Safety Committee monthly meeting.</p> <p>k) Promoting health and safety awareness campaign.</p> <p>l) HIRAC, Hazard Identification, Risk Assessment and Control</p> <p>m) LTI, Lost Time Incident monitoring monthly</p> <p>n) Strict health protocols on COVID-19 has been set in place and enforced, in accordance with DOH, DOLE and WHO requirements and procedures.</p>
<b>What are the Risk/s Identified?</b>	<b>Management Approach</b>
<ol style="list-style-type: none"> <li>1. Unfit personnel</li> <li>2. Unsafe working condition</li> <li>3. High rate of accident / incident</li> </ol>	<ol style="list-style-type: none"> <li>4. HESCOM, Health Environment and Safety Committee monthly meeting.</li> <li>5. Promoting health and safety awareness campaign.</li> <li>6. HIRAC, Hazard Identification, Risk Assessment and Control</li> <li>7. LTI, Lost Time Incident monthly monitoring</li> </ol>
<b>What are the Opportunity/ies Identified?</b>	<b>Management Approach</b>
<p>Regular health and safety awareness of personnel</p> <p>Giving a brief Health &amp; Safety Orientation upon entering our company, in forms of brochure/leaflets/videos</p>	<ul style="list-style-type: none"> <li>– The Company promotes and ensures a healthy environment through its various health programs and workplace policy to safeguard its employees.</li> <li>– a) Program on Hepatitis B</li> <li>– b) Program on HIV/AIDS</li> <li>– c) Program for a Drug-Free Workplace</li> <li>– d)Program on Tuberculosis</li> <li>– e) MATERNAL &amp; CHILD HEALTH PROGRAM</li> <li>– VACCINATION</li> <li>– f) PROGRAMS</li> <li>– g) EVACUATION DRILLS TOGETHER WITH CUSTOMERS/VISITORS /EMPLOYEES TO ENSURE THEIR SAFETY DURING EMERGENCIES. SHOW THEM WHAT TO DO AND WHERE TO GO.</li> <li>– h) HESCOM, Health Environment and Safety Committee monthly meeting.</li> <li>– i) Promoting health and safety awareness campaign.</li> <li>– j) HIRAC, Hazard Identification, Risk Assessment and Control</li> </ul> <p>Strict health protocols on COVID-19 has been set in place and enforced, in accordance with DOH, DOLE and WHO requirements and procedures.</p>

### Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	ASB – 0 WBB- 0	ASB – 5,142 pcs WBB – 95,696 pcs
No. of complaints addressed	ASB – 0 WBB- 0	ASB – 5,142 pcs WBB – 95,696 pcs

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For CEC, marketing program primarily involves attendance in trade exhibits and shows related to semiconductor packaging outside the Philippines. Networking via word of mouth from our existing customer base also effectively enhances Cirtek Group's marketing. For CATSI-Impact, low or less customer	Currently: <ol style="list-style-type: none"> <li>1. Our organization is ISO Certified with ISO 14001:2015 as part compliance to ISO and Customer Requirements and company branding/marketing/labelling.</li> <li>2. Website, Publicly listed company</li> </ol>
What are the Risk/s Identified?	Management Approach
Less customer	Maintain ISO Certification, enhance the public portals of Cirtek Group and continue with direct marketing programs.
What are the Opportunity/ies Identified?	Management Approach
Strategic company marketing and labelling	<ol style="list-style-type: none"> <li>1. CAPEX</li> <li>2. Create more business in the future through investors and better marketing / labelling strategy</li> </ol>

### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	ASB – 5,142 pcs WBB – 95,696 pcs
No. of complaints addressed	0	ASB – 5,142 pcs WBB – 95,696 pcs
No. of customers, users and account holders whose information is used for secondary purposes	0	ASB – 5,142 pcs WBB – 95,696 pcs

*\*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Cirtek Group consistently implements its Data Privacy policies and procedures to ensure protection of customer information, i.e., non-disclosure agreements for potential and existing customers, sufficient information systems, limited access to records, etc. Effective implementation of data privacy procedures is consistent with governance policies of Cirtek, enhances the integrity of business operations and likewise impacts on high ratings/scorecard by Cirtek Group's customers.</p> <p>As of date, Cirtek Group has not received any complaints nor has it been involved in any proceeding related to data privacy issues.</p>	<p>Contract engagement, non-disclosure agreements and integrity of information/data systems</p>
What are the Risk/s Identified?	Management Approach
<p>Confidential information or customer identity leakage. Risks may include government sanction for any breach/violation of applicable data privacy laws and regulations, customer complaints and loss of business in relation to involvement in any data privacy proceedings.</p>	<p>Ensure integrity of information systems, office records and strict implementation of Cirtek Group's data privacy policy and procedures.</p> <p>All Company and Customer property: materials, tools equipment and facilities etc. should be handled properly by respective employees. Any damage losses or needed repairs should be reported to the proper authorities of the company. Company and Customer's documents, intellectual property such as software/hard copy of diagrams, test programs, specification and other property owned by the Company and customer are not allowed to be brought out of the Company premises unless with the prior approval of the Company's authorized officers.</p>
What are the Opportunity/ies Identified?	Management Approach
<p>1. Information security</p>	<ul style="list-style-type: none"> <li>– Documented information either internal or external documents came from customer are being uploaded through Product Data Management System or ARAS System, user accounts are being issued to ensure identity and accessibility, likewise a data base on where parts/materials and inventory transaction are being monitored and made through Enterprise Resource Planning (ERP) and Material Requirements Planning (MRP).</li> <li>– Customer Portal – Data sheet and test data downloads</li> <li>– Employees are oriented to Non-Disclosure of Information related to the operations of the company and its company's customer, client and supplier such as structure and activities, financial status and performance, and other matter related to the operations of the Company.</li> </ul>

## Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Cirtek Group consistently implements its Data Privacy policies and procedures to ensure protection of customer information, i.e., non-disclosure agreements for potential and existing customers, sufficient information systems, limited access to records, etc. Effective implementation of data privacy procedures is consistent with governance policies of Cirtek, enhances the integrity of business operations and likewise impacts on high ratings/scorecard by Cirtek Group's customers.</p> <p>As of date, Cirtek Group has not received any complaints nor has it been involved in any proceeding related to data privacy/security issues.</p>	<p>Continued strict implementation of Data Privacy policies and procedures.</p> <p>Proper authorizations and checks and balances are set in place to ensure data security.</p>
What are the Risk/s Identified?	Management Approach
<p>Risks may include:</p> <p>Possible leakage of confidential information on customers, products and other sensitive Company information.</p> <p>Possible government sanction for any breach of applicable data privacy laws and regulations, customer complaints and loss of business in relation to involvement in any data privacy/security proceedings.</p>	<p>Ensure integrity of information systems, office records and strict implementation of Cirtek Group's data privacy policy and procedures.</p> <p>All Company and Customer property: materials, tools equipment and facilities etc. should be handled properly by respective employees. Any damage losses or needed repairs should be reported to the proper authorities of the Company. Company and Customer's documents, intellectual property such as software/hard copy of diagrams, test programs, specification and other property owned by the Company and customer are not allowed to be brought out of the Company premises unless with the approval of Company's authorized officers.</p>
What are the Opportunity/ies Identified?	Management Approach
Further enhance data security	Continued review of existing policies and systems to enhance data security systems.

# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<p>1. Manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services</p> <p>2. The design, development, and delivery of the wireless industry's most advanced high efficiency, high performance antenna solutions</p> <p>3. The manufacture of value-added, highly integrated technology products</p>	<p>SDG 3: Good Health and Well – being</p> <p>SDG 4: Quality Education</p> <p>SDG 5: Gender Equality</p> <p>SDG 6: Clean Water and Sanitation</p> <p>SDG 7: Affordable and Clean Energy</p> <p>SDG 8: Decent Work and Economic Growth</p> <p>SDG 9: Industry, Innovation and Infrastructure</p> <p>SDG 11: Sustainable Cities and Communities</p> <p>SDG 12: Responsible Consumption and Production</p> <p>SDG 13: Climate Action</p> <p>SDG 17: Partnerships to achieve the Goal</p>	<p>- One of the major inputs in the manufacturing processes and production is the usage of electricity which resulted in the impact of the Energy indirect Greenhouse Gases (GHG) Emission, this may contribute to the Depletion of Natural Resources and Ozone Gases and may contribute for the destruction of the Ozone Layer.</p> <p>- Part of the manufacturing process and daily activities in production are producing solid and hazardous wastes.</p>	<p>- The Cirtek Group maintains its ISO 14001:2015 Certification and is a certified SONY Green Partner. The Company has been strictly adhering to these international standards in all aspects of its business operations to ensure optimum sustainability and fulfillment of business and regulatory obligations.</p> <p>- The Company has adopted energy conservation measures including:</p> <ul style="list-style-type: none"> <li>- Convert Ozone Depleting Substances (ODS) to ODS Free</li> <li>- Convert old Air conditioner to Variable Refrigerant Frequency (VRF) type.</li> </ul> <p>- As part of the Company's CSR program, the Company actively supports and participates in tree planting activities in the community to offset CO2 emission.</p> <p>- The Company provides regular trainings and awareness for its personnel regarding proper handling and disposal of wastes and its corresponding penalties for any violations of the applicable laws and regulations. Laguna Technopark community has strict regulations for handling of wastes.</p>

			<p>- The Company strictly implements its SOPs for waste management to ensure compliance with regulatory standards and requirements.</p> <p>The Company's procedures include: EMS-SWS-027 (SOLID WASTE SEGREGATION PROCEDURE) and EMS-SMDSP-011 (SCRAP MATERIALS DISPOSAL AND/OR STORAGE PROCEDURE).</p> <p>The Company ensures that all solid wastes generated are safely and properly segregated, collected, stored and disposed. Proper implementation and execution of the procedures for Solid and Hazardous wastes must be strictly observed in compliance with the regulatory laws.</p>
		<p>- Possible emission of Air Pollutants from manufacturing of products from raw materials</p>	<p>- Management strictly implements procedures and processes to ensure that the air pollutants emitted pass the standards and regular test for Ambient, updated PTO (Permit To Operate) and operational APCF.</p> <p>The Company Air Pollution Control Facility (APCF) and with pertinent DENR Permit to Operate. Based on the history of results for ambient emission, the Company has consistently passed the standards far below the limit.</p> <p>In light of the APCF and the Company's processes, the Company's results of Ambient and Emission tests for the year 2019 has consistently passed the DENR threshold limit.</p>

		<p>-Main part of the production process is the use of water and its discharge. It may result for polluted water if not properly treated.</p>	<p>-The Company has defined procedure and programs in Conservation of Water. Management ensures that all units utilize the water efficiently and support the programs and activities in conservation of water. The Company also implements its Wastewater Treatment Plant System to treat Industrial Wastewater. And for domestic wastes water treated at STP (Laguna Water). The Company has consistently complied with regulatory standards.</p>
		<p>-Being a manufacturing Company, the most important asset of the Company is the human resources' performance and output which directly impacts the Company's productivity and profitability. The potential negative impact of Company's manpower includes injuries, ill-health or fatalities in the workplace.</p>	<p>- Management ensures that the Company consistently promotes the health and well-being of its human resources and that it always provides a safe and decent working environment. Management likewise ensures that adequate health benefits and insurance safety nets are provided. Management ensures that mandatory standards on working conditions, safety and health are fully complied with. Regular employee engagement is conducted as well with regard to adequacy of policies and safety nets in place.</p>

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*