

COVER SHEET

for
UNAUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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

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

1	1	6		E	A	S	T		M	A	I	N		A	V	E	N	U	E	,		P	H	A	S	E		V	
S	E	Z	,		L	A	G	U	N	A		T	E	C	H	N	O	P	A	R	K	,		B	I	Ñ	A	N	
L	A	G	U	N	A																								

Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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

Company's Email Address

N/A

Company's Telephone Number/s

(632) 7729-6205

Mobile Number

N/A

No. of Stockholders

28

Annual Meeting
Month/Day

26-May

Fiscal Year
Month/Day

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Brian Gregory Liu

Email Address

brian.liu@cirtek.ph

Telephone Number/s

(632) 7729-6205

Mobile Number

N/A

Contact Person's Address

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2023
2. Commission identification number CS2011102137 3. BIR Tax Identification No 007-979-726
-
4. Exact name of issuer as specified in its charter **Cirtek Holdings Philippines Corporation**
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5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: (SEC Use Only)
- 116 East Main Avenue, Phase V-SEZ Laguna Technopark, Binan Laguna 4024**
7. Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code +63 2 7729 6205 +63 49 541 2310
-
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 Code, or Sections 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/ n/a

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

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange – Common Shares and Preferred B2 Shares
PDEX – Commercial Paper

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [☐]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please see attached

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.:

Signature and Title


Emejita Cruzada

Chief Compliance Officer and Asst. Corporate Secretary

Date: November 20, 2023

Principal Financial/Accounting Officer/Controller:

Signature and Title.


Brian Gregory Liu

EVP & Chief Financial Officer

Date: November 20, 2023

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES INTERIM
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In US Dollars)**

	NOTES	Sept 30 2023 (Unaudited)	December 31, 2022 (Audited)
A S S E T S			
Current Assets			
Cash and cash equivalents	6	34,831,807	44,297,405
Trade and other receivables – net	7	37,854,810	36,457,599
Due from related parties	20	189,589	341,127
Inventories – net	8	67,776,371	67,635,435
Prepayment and other current assets	9	4,116,091	6,992,437
		144,768,668	155,724,003
Non-current Assets			
Other financial assets at amortized cost – net of current portio	10	479,329	479,182
Property, plant and equipment – net	12	49,630,085	53,075,196
Intangible assets – net	13	95,216,215	95,820,004
Right-of-use assets – net	14	203,344	349,262
Deferred tax assets		280,286	282,549
Other non-current assets	15	5,892,110	5,732,395
		151,701,368	155,738,588
TOTAL ASSETS		296,470,036	311,462,591
LIABILITIES AND STOCKHOLDERS' EQUITY			
LI A B I L I T I E S			
Current Liabilities			
Trade and other payables	16	17,713,302	26,172,689
Short-term loans	17	23,754,653	28,472,196
Long-term loans	18	1,747,134	7,147,134
Due to related parties	20	648,468	650,791
Dividend payable	32	-	126,955
Lease liabilities	19	31,222	163,484
Income tax payable		56,048	436,104
		43,950,826	63,169,353
Non-current Liabilities			
Long-term loans – net of current portion	18	30,064,583	25,675,615
Lease liabilities – net of current portion	19	194,211	195,889
Retirement benefit obligation	25	1,831,972	1,719,981
Deferred tax liabilities		3,143,601	2,920,365
		35,234,367	30,511,850
TOTAL LIABILITIES		79,185,194	93,681,203
S T O C K H O L D E R S ' E Q U I T Y			
Common Stock	31	14,562,067	14,562,067
Preferred Stock	31	3,925,528	3,925,528
Additional Paid-in Capital	31	179,726,321	179,726,321
Stock Warrants	31,32	6,458,070	6,458,070
Equity Reserve	31	4,030,214	4,030,214
Remeasurement	31	1,175,507	1,175,507
Retained Earnings	31	7,420,232	7,916,778
Parent Company shares held by a subsidiary	31	(13,097)	(13,097)
TOTAL STOCKHOLDERS' EQUITY		217,284,842	217,781,388
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		296,470,036	311,462,591

(See accompanying Notes to Interim Consolidated Financial Statements.)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In US Dollars)

		For The Nine Months Ended Sept. 30		For The Three Months Ended Sept 30	
	NOTES	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUE FROM CONTRACTS WITH CUSTOMERS	21	61,225,466	67,794,821	22,744,904	21,694,126
COST OF SALES	22	44,058,708	49,378,240	16,108,862	17,073,941
		17,166,759	18,416,581	6,636,042	4,620,185
OPERATING EXPENSES	23	7,236,905	7,589,743	2,073,259	2,210,880
FINANCE COSTS	18	2,416,558	2,898,481	1,127,557	892,106
FINANCE INCOME	6,19	(67,219)	(55,381)	(26,244)	(46,565)
OTHER INCOME (EXPENSE) – net	26	393,358	857,850	182,398	824,517
PROFIT BEFORE TAX		7,973,872	8,841,588	3,643,868	2,388,281
INCOME TAX EXPENSE	27	330,766	296,548	30,440	102,033
PROFIT		7,643,106	8,545,040	3,613,428	2,286,248
OTHER COMPREHENSIVE INCOME					
ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:					
Remeasurement – net	31	0		-	-
TOTAL COMPREHENSIVE INCOME		7,643,106	8,545,040	3,613,428	2,286,248
Basic Earnings per Share	28	(0.0007)	0.0028	0.0012	0.0002

See accompanying Notes to Interim Consolidated Financial Statements.

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES INTERIM
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
(In US Dollars)

									Parent Company shares held by a subsidiary	Total
	Note	Common Stock	Preferred Stock	Stock Warrants	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income (Loss) Remeasurement		Retained Earnings	
Balance, December 31, 2022		14,562,067	3,925,528	6,458,070	179,726,321	4,030,214	1,175,507	-	7,916,778	(13,097)
Profit									7,643,106	
Cash dividends declared	32								(8,139,652)	
Balance, September 30, 2023		14,562,067	3,925,528	6,458,070	179,726,321	4,030,214	1,175,507	-	7,420,232	(13,097)
									-	
For the Nine Months ended September 30, 2022 (Unaudited)										
							Other Comprehensive Income (Loss)			
Balance, December 31, 2021		14,562,067	3,925,528	6,458,070	179,726,321	4,030,214	3,032,298	-	5,275,552	(35,865)
Profit									8,545,040	
Cash dividends declared	32								(6,657,977)	
Balance, September 30, 2022		14,562,067	3,925,528	6,458,070	179,726,321	4,030,214	3,032,298	-	7,162,615	(35,865)

See accompanying Notes to Interim Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS
(In US Dollars)

For The Nine Months Ended September 30

	NOTES	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,973,872	8,841,588
Adjustments for:			
Depreciation and amortization	12,22,23	6,335,530	5,687,385
Finance costs from loans	18	2,414,881	2,898,481
Retirement benefit costs	25	111,991	367,478
Finance cost on lease liabilities		1,678	-
Loss (Gain) on disposal of assets		-	(187,634)
Finance income	6,19	(67,219)	(55,381)
Net unrealized foreign exchange losses (gains)	26	(391,145)	380,509
Operating cash flows before changes in working capital		16,379,587	17,932,426
Decrease (Increase) in operating assets:			
Trade and other receivables		(1,448,587)	2,395,873
Inventories		(140,936)	(590,479)
Prepayment and other current assets		2,876,346	
Other noncurrent assets		(159,715)	
Increase (Decrease) in trade and other payables		(8,326,906)	(700,478)
Cash generated from (used in) operations		9,179,790	19,037,342
Interest received	6,19	67,219	55,381
Income taxes paid		(710,822)	(421,069)
Net cash from (used in) operating activities		8,536,187	18,671,655
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of assets at amortized cost		(147)	
Proceeds from disposal assets held for sale	11	-	188,260
Acquisitions of:			
Product development costs	13	(913,384)	(9,841,441)
Property, plant and equipment	12	(838,499)	(11,132,263)
Net cash from (used in) investing activities		(1,752,030)	(19,870,987)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term and LT loans		19,128,320	
Payments of:			
Lease liabilities	19	(133,940)	160,379
Finance costs on loans	18	(2,344,499)	(3,765,791)
Cash dividends	32	(8,139,652)	(6,657,977)
Dividends Payable		(126,955)	
Long-term loan	18	(1,011,032)	(4,200,000)
Short-term loan	17	(23,659,259)	(21,590,816)
Net movement in amounts owed by and owed to related parties		149,214	(27,044)
Net cash from (used in) financing activities		(16,137,802)	(36,081,249)
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH AND CASH EQUIVALENTS		(111,953)	(103,717)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(9,465,598)	(37,384,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		44,297,405	71,415,234
CASH AND CASH EQUIVALENTS AT END OF YEAR		34,831,807	34,030,936

See accompanying Notes to Interim Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Nine-Month Period Ended September 30, 2023

(With Comparative Audited Figures as of December 31, 2022 and Reviewed Figures for the Nine Month Periods Ended September 30, 2022)

1. CORPORATE INFORMATION AND STATUS OF OPERATION

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

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

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

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

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

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

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

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

Acquisition of Quintel

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

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

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

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

Commercial Papers

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

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

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

On April 28, 2021 the Company listed its \$20,657,743 or ₱1,000,000,000 worth of Commercial Papers (CP) with the Philippine Dealing and Exchange Corp as part of TECH's \$123,946,458 or ₱6,000,000,000 CP Program. The CPs may be issued in lump-sum or in tranches as follows:

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

On December 6, 2022, the Company listed its ₱598,400,000 or \$10,662,865 worth of CPs with the PDEC as part of Company's Six Billion Pesos (₱6,000,000,000) CP Program.

The CPs may be issued in lump-sum or in tranches as follows:

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

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

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS).

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

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

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

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

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

The following are the amendments to PFRS 16:

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

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

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

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

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

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition

necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments.

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

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

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

- Annual Improvements to PFRS Standards 2018-2020 Cycle

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

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

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

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

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

2.02 New and Revised PFRSs in Issue but Not Yet Effective

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

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

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

The amendments to PAS 1 are the following:

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

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

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

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

The amendment also clarifies the following:

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

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

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

The amendments to PAS 1 are the following:

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

The amendments also clarify the following:

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

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

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

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

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

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

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and

lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

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

- PFRS 17, *Insurance Contracts*

PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the statements of financial position as the total of the fulfillment 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.

2.02.01 Deferred

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

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

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

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

3.01 Statement of Compliance

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

3.02 Functional and Presentation Currency

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

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

3.03 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its subsidiaries as of September 30, 2023 and December 31, 2022:

	Country of Incorporation	Functional Currency	Percentage of Ownership			
			September 30, 2023		December 31, 2022	
			Direct	Indirect	Direct	Indirect
CEC	Philippines	USD	100%		100%	
CEIC	BVI	USD	100%		100%	
CATS	BVI	USD		100%		100%
CATS – Philippine Branch	Philippines	USD		100%		100%
RBWRP	Philippines	USD		100%		100%
Cirtek Corporation	United States of America	USD		100%		100%
Quintel	Cayman Islands	USD		100%		100%
Quintel USA	United States of America	USD		100%		100%

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

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

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

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

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

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

than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Business Combination

Business combination is a transaction or event in which an acquirer obtains control of one or more businesses. The Group accounts for each business combination by applying the acquisition method in accordance with PFRS 3. The Group elects to measure the non-controlling interest in the acquiree at fair value or at the proportionate

share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

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

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

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

- a) The aggregate of:
 - i. The consideration transferred, which is generally measured at acquisition-date fair value;
 - ii. The amount of any non-controlling interest in the acquiree; and
 - iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
- b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

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

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

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

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

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

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

5. Operating Segments

Financial information on the Group's business segments as of September 30, 2023, and 2022 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Revenue from contracts with customers for the nine months ended September 30, 2023 (Unaudited) are as follows:

	CEC	CATS- Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Integrated circuits	\$ 7,960,055	\$ -	\$ -	\$ -	\$ 7,960,055
6 port antennas		1,720,985	5,976,555		7,697,540
Discrete	7,408,546				7,408,546
New product			7,380,461		7,380,461
Multichips	5,274,422				5,274,422
Dual and quad flat no-leads	5,157,084				5,157,084
16 port antennas		4,569,344			4,569,344
Analog		3,704,718			3,704,718
Hermetics	2,860,042				2,860,042
Microwave Network Inc		1,797,535			1,797,535
8 port antennas		385,106	859,956		1,245,062
12 port antennas		1,122,491	15,411		1,137,902
Brackets		336	1,115,449		1,115,785
Remec manufacturing services		799,704			799,704
Cougar		397,429			397,429
10 port antennas		225,875	54,979		280,854
NRE+addtl charging costs/serv inc		186,431			186,431
Indoor radio frequency unit		67,404			67,404
Outdoor units		35,312			35,312
Others		1,555,331	594,504		2,149,835
	\$ 28,660,150	\$ 16,568,000	\$ 15,997,316	\$ -	\$ 61,225,466

	CEC	CATS- Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Segment depreciation and amortization	\$ 3,315,533	\$ 1,063,661	\$ 40,462	\$ -	\$ 4,419,656
Segment interest income	60,311	6,908	-	-	67,219
Segment interest expense	2,212,511	-	204,048	-	2,416,559
Segment profit(loss) before income tax	15,076,056	3,782,802	1,515,014	(12,400,000)	7,973,872
Segment provision for (benefit from) income tax	232,292	76,882	21,592	-	330,766
Segment profit (loss) after income tax	\$ 14,843,764	\$ 3,705,920	\$ 1,493,421	\$ (12,400,000)	\$ 7,643,106

Other financial information of the operating segments as of September 30, 2023 (Unaudited) is as follows:

	CEC	CATS- Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	\$ 363,325,223	\$ 58,393,083	\$ 9,901,129	\$ (286,850,768)	\$ 144,768,668
Non-current assets	134,728,341	23,400,430	5,058,830	(11,486,233)	151,701,368
	\$ 498,053,564	\$ 81,793,513	\$ 14,959,959	\$ (298,337,000)	\$ 296,470,036
Liabilities					
Current liabilities	\$ 169,889,074	\$ 65,305,379	\$ 22,837,793	\$ (214,081,420)	\$ 43,950,826
Non-current liabilities	31,880,142	-	82,264	3,271,962	35,234,367
	\$ 201,769,215	\$ 65,305,379	\$ 22,920,057	\$ (210,809,458)	\$ 79,185,194

Revenue from contracts with customers for the nine months ended September 30, 2022 (Unaudited):

	CEC	CATS- Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
New product	\$ -	\$ -	\$ 12,809,372	\$ -	\$ 12,809,372
Integrated circuits	8,346,942				8,346,942
Discrete	7,846,046				7,846,046
Multichips	6,160,639				6,160,639
Dual and quad flat no-leads	5,802,079				5,802,079
16 port antennas		5,206,106			5,206,106
Analog		4,835,181			4,835,181
8 port antennas		1,478,615	2,952,207		4,430,822
6 port antennas		1,306,443	2,187,189		3,493,632
12 port antennas		2,468,131	202,452		2,670,583
Hermetics	2,366,238				2,366,238
Microwave Network Inc		1,000,961			1,000,961
Bridgewave		3,737	902,039		905,776
NRE+addtl charging costs/serv inc		801,560			801,560
Cougar		278,096			278,096
Brackets			165,327		165,327
10 port antennas		72,235	87,944		160,179
Outdoor units		52,332			52,332
Indoor radio frequency unit		47,453			47,453
Remec manufacturing services		4,579			4,579
	\$ 30,521,943	\$ 17,966,348	\$ 19,306,530	\$ -	\$ 67,794,821

	CEC	CATS- Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Segment depreciation and amortization	\$ 3,142,754	\$ 716,310	\$ 58,027	\$ 685,370	\$ 4,602,461
Segment interest income	47,478	7,875	28		55,381
Segment interest expense	2,882,070	-	16,411		2,898,481
Segment profit(loss) before income tax	8,414,731	7,556,188	6,140,644	(3,924,726)	18,186,837
Segment provision for (benefit from) income tax	225,090	38,422	33,036	-	296,548
Segment profit (loss) after income tax	\$ 8,189,641	\$ 7,517,766	\$ 6,107,608	\$ (3,924,726)	\$ 17,890,289

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

	CEC	CATS- Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	\$ 365,271,391	\$ 81,746,607	\$ 14,267,382	\$ (305,561,377)	\$ 155,724,003
Non-current assets	136,984,473	24,662,476	5,577,875	(11,486,236)	155,738,588
	\$ 502,255,864	\$ 106,409,083	\$ 19,845,257	\$ (317,047,613)	\$ 311,462,591
Liabilities					
Current liabilities	\$ 172,703,677	\$ 83,626,870	\$ 29,216,512	\$ (222,377,707)	\$ 63,169,353
Non-current liabilities	27,571,950	-	82,264	2,857,636	30,511,850
	\$ 200,275,627	\$ 83,626,870	\$ 29,298,776	\$ (219,520,071)	\$ 93,681,203

6. CASH AND CASH EQUIVALENTS

	September 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	\$ 238	\$ 239
Cash in banks	32,304,828	38,266,047
Cash equivalents	2,526,741	6,031,119
	\$ 34,831,807	\$ 44,297,405

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

Aggregate finance income earned and received amounted to \$67,219, and \$48,496 for the nine months ended September 30, 2023 and 2022, respectively.

7. TRADE AND OTHER RECEIVABLES– net

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

	September 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	\$ 31,319,635	\$ 29,634,768
Less: Allowance for expected	(741,012)	(741,012)
	\$ 30,578,623	\$ 28,893,756
Others	7,276,187	7,563,843
	\$ 37,854,810	\$ 36,457,599

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

Management believes that the expected credit losses provided are sufficient based on changes of the related financial assets' credit risks.

Others include accrued interest receivable from short-term deposits and non-trade receivable from suppliers which are expected to be collected within one year.

8. INVENTORIES– net

Details of the Group's inventories are as follows:

	September 2023 (Unaudited)	December 31, 2022 (Audited)
Raw materials	\$ 50,196,145	\$ 48,075,743
Finished goods	13,348,130	14,581,569
Supplies and others	3,596,157	3,527,695
Spare parts and others	1,719,716	1,749,939
Work-in-process	-	554,267
	\$ 68,860,149	\$ 68,489,214
Less: Stock provision	(1,083,778)	(853,778)
	\$ 67,776,371	\$ 67,635,435

The cost of inventories charged to expenses amounted to \$29,662,234 and \$29,856,208 for the nine months in September 30, and 2022, respectively, as disclosed in Note 22.

9. PREPAYMENT AND OTHER CURRENT ASSETS

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

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Advances to suppliers	\$ 2,665,947	\$ 5,703,851
Loans to employees	1,074,892	774,612
Prepaid expenses	324,662	329,320
Security deposits	45,818	179,809
Others	4,771	4,843
	\$ 4,116,091	\$ 6,992,437

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

Loans to employees include loans extended to key management personnel as disclosed in Note 20.01.02.

10. OTHER FINANCIAL ASSETS AT AMORTIZED COST

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

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Current	\$ -	\$ -
Time deposit		
Non-current		
Government bonds	479,329	479,182
End of year	\$ 479,329	\$ 479,182

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

Finance income earned from the government bonds amounted to \$6,538 and \$6,885 in nine months ended September 30, 2023 and December 21, 2022, respectively.

11. ASSETS HELD FOR SALE

When Cirtek Electronic International Corporation (CEIC) acquired RBW Realty and Property Inc. and Cirtek Advanced Technologies and Solutions – Philippine Branch (CATS - PH), the manufacturing activities of CATS - PH had been transferred to Cirtek Electronics Corporation (CEC) facility for operational efficiency measures. As a result, the investment properties and building improvements owned by the Company

and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose these assets to interested buyers.

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

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

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

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

No impairment loss was recognized in relation to the reclassification.

The sale was completed on December 15, 2021. The assets sold includes a 40,000 square meter lot, buildings, and machineries which are all located in Lot 04, Innovation Drive, Camelry Industrial Park I, Calamba City, 4027, Laguna, Philippines.

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

As of September 30, 2023 and 2022, assets held for sale amounted to nil.

12. PROPERTY, PLANT AND EQUIPMENT– net

	September 2023 (Unaudited)	December 31, 2022 (Audited)
Property, Plant and Equipment	\$ 129,171,004	\$ 127,000,291
Less: Accumulated Depreciation	(79,540,919)	(73,925,095)
Property, Plant and Equipment - Net	\$ 49,630,085	\$ 53,075,196
Movements during the period:		
Balance, January 1	\$ 53,075,196	\$ 40,664,393
Cost:		
Additions	915,874	17,577,281
Disposal	(7,313)	(327,162)
Accumulated Depreciation		
Depreciation - Notes	(4,334,986)	(5,165,852)
Disposal	(18,688)	326,536
	\$ 49,630,085	\$ 53,075,196

The Group acquired assets as of September 30, 2023 and December 31, 2022 with a cost of \$915,874 and \$17,577,281, respectively.

Depreciation expense amounted to \$4,334,986 and \$3,875,656 for the nine-month period ended September 30, 2023 and September 30, 2022, respectively.

In both nine-month and twelve-month periods, the Group determined that there is no indication that impairment occurred on its properties, plant and equipment.

13. INTANGIBLE ASSETS– net

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

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Goodwill	\$ 55,541,157	\$ 55,541,157
Customer relationships	23,736,500	23,736,500
Product development costs	8,465,758	9,069,547
Trademark	7,472,800	7,472,800
	\$ 95,216,215	\$ 95,820,004

Goodwill

The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition, the Group recognized goodwill amounting to \$ 55,541,157 as of September 30, 2023 and December 31, 2022.

Customer Relationships

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

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

Technology Costs

Movements of technology costs are as follows:

	September 2023	December 2022
	(Unaudited)	(Audited)
Carrying amount		
Cost	\$ -	\$ 5,874,600
Accumulated amortization	-	(5,189,230)
	-	685,370
Movements during the year		
Balance, January 1	-	685,370
Amortization	-	(685,370)
Balance	\$ -	\$ -

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

Trademark

Trademark is estimated to have an indefinite useful life.

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

Product Development Cost

Movements of product development cost are as follows:

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Carrying amount		
Cost	\$ 12,571,294	\$ 9,350,051
Accumulated amortization	(3,501,747)	(3,005,926)
	\$ 9,069,547	\$ 6,344,125
Movements during the year		
Balance, January 1	\$ 9,069,547	\$ 6,344,125
Additions	913,384	4,186,933
Amortization - Note 22	(1,517,173)	(1,461,511)
Balances	\$ 8,465,758	\$ 9,069,547

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

Additions in all years were paid in cash. The Group has determined that there is no indication that an impairment loss has occurred on its product development cost.

Software

As of September 30, 2023 and December 31, 2022, CEC has software with a total cost of \$39,278 which are fully amortized but are still used for in operations.

14. RIGHT-OF-USE ASSETS– net

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

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance, January 1	\$ 832,633	\$ 832,633
Amortization - Notes 22,23	(483,371)	(266,343)
	\$ 349,262	\$ 566,290
Movements during the year		
Balance, January 1	\$ 349,262	\$ 566,290
Additions	-	-
Amortization - Notes 23, 24	(145,918)	(217,028)
Balances	\$ 203,344	\$ 349,262
Cost, January 1	\$ 832,633	\$ 832,633
Accumulated amortization	(629,289)	(483,371)
Carrying Amounts	\$ 203,344	\$ 349,262

As of September 30, 2023 and December 31, 2022, lease liabilities related to right-of-use asset amounted to \$225,433 and \$359,373, respectively, as disclosed in Note 19.

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

15. OTHER NON-CURRENT ASSETS

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

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Advances to suppliers	\$ 4,140,438	\$ 4,202,486
Rental deposit - Note 24	1,106,280	1,122,859
Miscellaneous deposits	432,681	168,012
Others - Note 20	212,711	239,038
	\$ 5,892,110	\$ 5,732,395

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

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

16. TRADE AND OTHER PAYABLES

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

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Trade	\$ 10,873,907	\$ 19,419,971
Accruals	3,736,620	4,326,357
Contract liabilities	1,522,266	1,561,738
Due to government	963,917	329,051
Provisions	616,592	535,571
	\$ 17,713,302	\$ 26,172,689

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

Accruals comprise mainly of amounts accrued for payroll, utilities, communication, security, shuttle services and professional services. Accruals also include amounts accrued for interest amounting to \$nil and \$426,314 as of September 30, 2023 and December 31, 2022, respectively, as disclosed in Note 16.

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

17. Short-term Loans

Details of short-term loans are as follows:

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Rizal Commercial Banking Corporation (RCBC)	\$ 7,646,352	\$ 11,469,528
Land Bank of the Philippines (LBP) / (UCPB)	4,239,803	4,239,803
Shinhan Bank	1,500,000	2,100,000
	\$ 13,386,155	\$ 17,809,331
Commercial Paper	5,347,518	10,662,865
Direct Lending Facility (DLF)	5,020,979	
	\$ 23,754,653	\$ 28,472,196

17.01.01 Bank Loans

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

- Revolving loan facilities with RCBC, which have payment terms of 180 days, unsecured and charged interest of 7.8% in both years.
- Revolving loan facilities with LBP/ UCPB have payment terms of 180 days. The facilities charged interest of 7.5% and nil per annum in both years.
- Loan agreement with Shinhan Bank – Manila Branch is unsecured, payable in one (1) year and has a fixed rate of 4.8% per annum. In 2021, the term of loan

was extended until August 30, 2022 with interest of 3.75% per annum. In 2022, the term of loan was extended until August 30, 2023 with interest rate of 6.195% per annum.

17.01.02 Commercial Paper

The Securities and Exchange Commission (the "Commission") has approved on February 19, 2020 the Company's Amended Registration of up to Two Billion Pesos (P2, 000,000,000) or \$39,401,103 worth of Commercial Paper (CP), which is listed on the Philippine Dealing and Exchange Corp. on February 20, 2020. The Commission has subsequently issued a Certificate of Permit to Offer Securities for Sale authorizing the sale and distribution of the aforesaid securities. The CPs may be issued in lump-sum or in tranches and shall have an interest rate fixed prior to the issuance. The succeeding tranches, if any, shall be issued within three (3) years from the date of effectivity of the subject Amended Registration Statement.

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

On May 29, 2020, listing of re-issued CP maturing on February 18, 2021 amounted to P275, 000,000 or \$5,421,176.

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

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

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

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

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

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

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

Direct Lending Facility (DLF) as of June 30, 2023 amounting to Php 816.0M, which have payment terms of 90 days; 180 days and 365 days; unsecured and charged average interest rate of 7.7%; payable based on agreed terms.

Movements of the short-term loans are as follows:

	September 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at January 1	\$ 28,472,196	\$ 41,460,364
Proceeds from loans and CP reissuance	14,739,352	10,662,865
Unrealized foreign exchange gain		(93,978)
Loan repayments	(19,456,895)	(23,557,055)
Balances	\$ 23,754,653	\$ 28,472,196

The Group is in compliance with the debt covenants as of September 30, 2023 and December 31, 2022.

18. Long-term Loans

Details of long-term loans are as follows:

	Current	Non-current	Total
September 30, 2023 (Unaudited)			
Principal	\$ 1,800,000	\$ 25,800,000	\$ 27,600,000
Direct Lending Facility (DLF)		4,388,968	4,388,968
Deferred finance cost	(52,866)	(124,385)	(177,251)
	\$ 1,747,134	\$ 30,064,583	\$ 31,811,717

December 31, 2022 (Audited)

Principal			
2018 NFA	\$ 7,200,000	\$ 25,800,000	\$ 33,000,000
Deferred finance cost	(52,866)	(124,385)	(177,251)
	\$ 7,147,134	\$ 25,675,615	\$ 32,822,749

18.01 2018 Note Facility Agreement (NFA)

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

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

The NFA contained an embedded derivative arising from voluntary prepayment option where the Group may redeem, in whole or in part, equivalent to an amount less than and in multiples of \$5,000,000 on any interest payment date beginning on

the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption was made on a non-interest payment date. The prepayment penalty shall not apply if the redemption is due to: (i) interest costs or (ii) illegality.

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

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

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

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

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

The carrying amount of the loan from the 2018 NFA amounted to \$31,811,717 and \$32,822,749 as of September 30, 2023 and December 31, 2022, respectively.

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

Total finance costs for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to \$2,414,881 \$4,711,588, and in September 30, 2023 and December 31, 2022, respectively.

Direct Lending Facility (DLF) amounting to Php 250.0M with 3-year maturity, which have quarterly interest payment terms; unsecured and charged interest rate of 8.0%; payable based on agreed terms.

19. LEASE LIABILITIES

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Notes 20 and 24. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease payment	
	September 2023	December 31, 2022	September 2023	December 31, 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Not later than one year	\$ 189,024	\$ 169,407	\$ 161,559	\$ 163,484
Later than one year but not later than five years	65,757	104,605	57,682	99,584
Later than five years	10,464	120,877	6,192	96,305
	265,246	394,889	225,433	359,373
Discount	(39,813)	(35,516)		-
Present value of minimum lease payments	225,433	359,373	225,433	359,373
Current lease liabilities	31,222	163,484	31,222	163,484
Non-current lease liabilities	\$ 194,211	\$ 195,889	\$ 194,211	\$ 195,889

Movement in the lease liabilities is as follows:

	September 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance, January 1	\$ 359,373	\$ 591,422
Finance incurred	1,678	5,924
Finance cost paid	(1,678)	(5,924)
Lease payments	(133,940)	(232,049)
Balances	\$ 225,433	\$ 359,373

The Group used its incremental borrowing rate of 5.0% to 5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

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

20. RELATED PARTY TRANSACTIONS

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

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

20.01 Due from Related Parties

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

20.01.01 Under Common Control

Transactions with under common control are detailed as follows:

	Transactions		Balances as of	
	September 30, 2023 (Unaudited)	September 30, 2022 (Reviewed)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Other related parties				
Cayon	\$ 151,538	\$ -	\$ 189,589	\$ 341,127
Advances Offsetting		4,746,597		
	\$ 151,538	\$ 4,746,597	\$ 189,589	\$ 341,127

The following are the nature, terms and conditions:

a) Transactions with Cayon

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

20.01.02 Key Management Personnel

Transactions with key management personnel pertains to granted loan amounting to \$500,000 and \$500,000 as of September 30, 2023 and December 31, 2022, respectively, as disclosed in Note 10. The amounts are unsecured and non-interest bearing, due and demandable and will be settled in cash. No guarantees have been received.

20.02 Due to Related Parties

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

20.02.01 Under Common Control

Transactions with under common control are detailed as follows:

	September 2022 (Unaudited)		December 2022 (Audited)	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CLC				
Rental	\$ 3,373	\$ 479,236	\$ 13,535	\$ 482,609
Cayon				
Rental	\$ (1,050)	133,304	10,929	132,254
	\$ 2,323	\$ 612,540	\$ 24,464	\$ 614,863

The following are the nature, terms and conditions:

a) Transactions with CLC

The Group had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 16 years starting January 1, 2019. The lease agreement provided for an annual rental of \$0.01 Million subject to periodic adjustments upon mutual agreement of both parties. The total rent expense charged to operations amounted to \$0.01 million in both years.

b) Transactions with Cayon

The Group entered into an agreement with Cayon starting January 1, 2019 to lease the land where the Group's Building 2 is located. The agreement calls for a fixed annual rate of \$0.01 Million for a period of five (5) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to \$0.01 Million in both years.

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

20.02.02 Key Management Personnel

Transactions with under common control are detailed as follows:

	September 30, 2023 (Unaudited)		December 31, 2022	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	\$ -	\$ 35,928	\$ -	\$ 35,928
Balances	\$ -	\$ 35,928	\$ -	\$ 35,928

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

20.03 Remuneration of Key Management Personnel

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

For the Nine Months ended September 30			
	2023 (Unaudited)		2022 (Unaudited)
Salaries and Wages	\$ 1,210,334	\$	1,212,212
Other Employees benefits	177,268		73,095
	\$ 1,387,602	\$	1,285,306

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below is the disaggregation of the Group's revenue from contracts with customers for the nine months ended September 30, 2023 and 2022, respectively:

For the Nine Months ended September 30			
	2023 (Unaudited)		2022 (Unaudited)
6 port antennas	\$ 7,960,055	\$	3,493,632
12 port antennas	7,697,540		2,670,583
10 port antennas	7,408,546		160,179
8 port antennas	7,380,461		4,430,822
Discrete	5,274,422		7,846,046
16 port antennas	5,157,084		5,206,106
Bridgewave	4,569,344		905,776
New product	3,704,718		12,809,372
Multichips	2,860,042		6,160,639
Integrated Circuits	1,797,535		8,346,942
Hermetics	1,245,062		2,366,238
Outdoor units	1,137,902		52,332
Dual and quad flat no leads	1,115,785		5,802,079
Remec, manufacturing services	799,704		4,579
Indoor radio frequency	397,429		47,453
Analog	280,854		4,835,181
Brackets	186,431		165,327
Cougar	67,404		278,096
Microwave Network Inc	35,312		1,000,961
NRE+addtl charging costs/serv inc	-		801,560
QPCBA	-		4,481
Others	2,149,835		406,437
	\$ 61,225,466	\$	67,794,821

The Group has no contract assets as of September 30, 2023 and December 31, 2022.

The Group's contract liabilities pertain to advance payments from customers amounting to \$1,522,266 and \$1,561,738 as at September 30, 2023 and December 31, 2022, respectively, as disclosed in Note 16.

22. COST OF SALES

Components of cost of sales account are as follows:

For the Nine Months ended September 30		
	2023 (Unaudited)	2022 (Unaudited)
Raw materials, spare parts, supplies and	\$ 29,662,234	\$ 29,856,208
Salaries, wages and employees' benefits	5,644,575	6,906,942
Depreciation and amortization - Notes 12,	4,375,268	4,540,508
Utilities	3,129,728	3,883,715
Inward freight and duties and others	977,310	3,859,550
Others	269,593	331,318
	\$ 44,058,708	\$ 49,378,240

23. OPERATING EXPENSES

The account is composed of the following expenses:

For the Nine Months ended September 30		
	2023 (Unaudited)	2022 (Unaudited)
Salaries, wages and employees' benefits	\$ 4,534,373	\$ 3,811,194
Commissions	728,086	1,047,524
Professional fees	661,977	566,743
Taxes and licenses	228,528	236,631
Utilities	215,368	207,273
Transportation and travels	154,665	100,847
Entertainment, amusement and recreation	89,353	111,492
Insurance premiums	86,238	86,476
Depreciation and amortization - Notes 12,	44,388	61,953
Office supplies	30,320	20,616
Others	463,610	1,338,994
	\$ 7,236,905	\$ 7,589,743

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

Taxes and licenses are business permits, registration renewals and others fees to government units.

Utilities are consumptions of water, electricity and telephone service.

24. LEASE AGREEMENTS

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

24.01 The Group as a Lessee

24.01.01 Cirtek Land Corporation

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

24.01.02 Cayon Holdings, Inc.

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

Rental security deposits amounted to \$1,106,280 and \$1,122,859 as of September 30, 2023 and December 31, 2022, respectively, as disclosed in Note 15.

As of September 30, 2023 and December 31, 2022, the Group's ROU assets amounted to \$203,344 and \$349,262, respectively, as disclosed in Note 14.

Lease Liabilities

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

	For the Nine Months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Current	\$ 31,222	\$ 472,705
Non-current	194,211	279,096
	\$ 225,433	\$ 751,801

25. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

	For the Nine Months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Salaries and Wages	\$ 8,272,290	\$ 8,895,941
Other Employees benefits	1,655,128	1,525,295
Retirement costs - Note 25	251,529	296,900
	\$ 10,178,947	\$ 10,718,136

25.01 Retirement Employee Benefits

25.01.01 Defined Benefit Plan

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

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

25.01.02 Retirement Benefit Costs

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

September 30, 2023 (Unaudited)					
		CEC		CATS – Philippine Branch	Total
Current service cost	\$	269,988	\$	-	\$ 269,988
Net interest cost		-		-	-
	\$	269,988	\$	-	\$ 269,988

December 31, 2022 (Audited)					
		CEC		CATS – Philippine Branch	Total
Current service cost	\$	269,988	\$	-	\$ 269,988
Net interest cost		-		-	-
	\$	269,988	\$	-	\$ 269,988

25.01.03 Retirement Benefit Obligation

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

September 30, 2023 (Unaudited)					
		CEC		CATS – Philippine Branch	Total
Present value of defined benefit obligation	\$	2,387,837	\$	-	\$ 2,443,279
Fair value of plan assets		(555,865)		-	(583,586)
	\$	1,831,972	\$	-	\$ 1,859,693

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

26. OTHER INCOME (EXPENSES) – net

	For the Nine Months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Foreign exchange gains (losses)- net	\$ 391,145	\$ 380,509
Others - net	2,212	477,341
	\$ 393,358	\$ 857,850

27. INCOME TAXES

27.01 CEC

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

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

27.02 CATS - Philippine Branch

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

As a PEZA-registered entities, CEC and CATS – Philippine Branch are entitled to tax incentives equivalent to 5% of the gross income earned on its registered activities after the income tax holiday (ITH) of three (3) years and five (5) years for expansion projects and new projects, respectively.

Details of income tax expense are as follows:

	For the Nine Months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Current	\$ 330,766	\$ 296,548
Deferred	-	-
	\$ 330,766	\$ 296,548

The provision for current income tax for the nine months ended September 2023 and 2022 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

Based on the National Internal Revenue Code Sec 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the

fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Group is subject to MCIT beginning 2015.

28. EARNINGS PER SHARE

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

	For the Nine Months ended September 30	
	2023	2022 (Unaudited)
	(Unaudited)	
Net income attributable to common shareholders of Parent Company*	\$ (496,546)	\$ 1,887,063
Weighted average number of common shares outstanding	668,505,825	668,505,825
Basic and diluted EPS	\$ (0.0007)	\$ 0.0028

**Net of dividends on preferred A, preferred B-1, preferred B-2 shares for the months ended*

September 30, 2023 amounting to \$8,139,652 and on preferred A, preferred B-1, preferred-2 for the nine months ended September 30, 2022 totaling to \$6,657,977.

As of September 30, 2023 and December 31, 2022, the Group has no potential dilutive common shares.

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

29. FAIR VALUE MEASUREMENTS

29.01 Fair Value of Financial Assets and Liabilities

As of September 30, 2023 and December 31, 2022, the carrying value of the Group's financial assets and liabilities, excluding financial assets at FVOCI because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

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

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

Financial assets at FVTPL

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

Financial assets at FVOCI

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

Other financial assets at amortized cost

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

Miscellaneous deposits

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

Lease liabilities

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

Long-term Loans

The fair value of long-term loans are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rate used was 7.5% in 2022 and 2021 (Level 3).

September 30, 2023 (Unaudited)				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Other financial assets at amortized cost	\$ 479,329	\$ -	\$ -	\$ 479,329
Long-term loans	-	-	31,811,717	31,811,717

December 31, 2022 (Audited)				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Other financial assets at amortized cost	\$ 479,182	\$ -	\$ -	\$ 479,182
Long-term loans	-	-	32,822,749	32,822,749

30. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

trade and other payables, due to related parties which generally arise directly from its operations.

30.01 Credit Risk Management

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

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

Credit Risk

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

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

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

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

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

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

- Gross domestic products
- Inflation rates

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

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

The aging per class of financial assets and expected credit loss as of September 30, 2023 and December 31, 2022 are follows:

September 30, 2023 (Unaudited):

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents	\$ 34,831,569	\$ -	\$ -	\$ -	\$ 34,831,569
Trade and other receivables	-		741,012	37,854,810	38,595,822
Amounts owed by related parties	189,589				189,589
Other current assets:					
Loans to employees	1,074,892				1,074,892
Security deposits	45,818				45,818
Other financial assets at					
amortized cost	479,329				479,329
Rental deposits	1,106,280				1,106,280
Miscellaneous deposits	432,681				432,681
	\$ 38,160,158	\$ -	\$ 741,012	\$ 37,854,810	\$ 76,755,980

*Excluding cash on hand amounting to 238

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of September 30, 2023

Trade receivables and other receivables

	Days past due					Impaired Financial Assets	Total
	Current	<30 days	30-60 days	61-90 days	>91 days		
Expected credit loss rate	0%	0%	0%	0%	0%	8.41%	
Estimated total gross							
carrying amount at default	\$ 24,307,148	\$ 1,197,063	\$ 1,235,845	\$ 2,002,928	\$ 1,045,626	\$ 8,807,212	\$ 38,595,822
Expected credit loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 741,012	\$ 741,012

December 31, 2022 (Audited):

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

*Excluding cash on hand amounting to 239

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2022

Trade receivables and other receivables

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

September 30, 2023(Unaudited):

	Days Past due						ECL	Total
	Current	<30 days	30-60 days	61-90 days	>91 days			
Cash and cash equivalents	\$ 34,831,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,831,807
Trade and other receivables	24,307,148	1,197,063	1,235,845	2,002,928	9,852,838	(741,012)		37,854,810
Amounts owed by related part	189,589							189,589
Other current assets:								
Financial asset at FVTPL	-							
Loans to employees	1,074,892							1,074,892
Security deposits	45,818							45,818
Other financial assets at amotized cost	479,329							479,329
Other noncurrent assets:								
Rental deposits	1,106,280							1,106,280
Miscellaneous deposits	432,681							432,681
	\$ 62,467,544	\$ 1,197,063	\$ 1,235,845	\$ 2,002,928	\$ 9,852,838	\$ (741,012)		\$ 76,015,206

December 31, 2022 (Audited)

	Days Past due					Impaired Financial Assets	Total
	Current	<30 days	30-60 days	61-90 days	>91 days		
Cash and cash equivalents	\$ 44,297,166						\$ 44,297,166
Trade and other receivables	14,817,450	2,571,987	3,663,286	9,375,172	6,770,716	(741,012)	36,457,599
Due from related parties	341,127						341,127
Other current assets:							-
Financial asset at FVTPL	568						568
Loans to employees	774,612						774,612
Security deposits	179,809						179,809
Other financial assets at amotized cost	479,182						479,182
Other noncurrent assets:							-
Rental deposits	1,122,859						1,122,859
Miscellaneous deposits	168,012						168,012
	\$ 62,180,785	\$ 2,571,987	\$ 3,663,286	\$ 9,375,172	\$ 6,770,716	\$ (741,012)	\$ 83,820,934

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

September 30, 2023 (Unaudited)

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	\$ 34,831,807	\$ -	\$ -	\$ 34,831,807
Trade and other receivables	24,307,148	-	-	24,307,148
Amounts owed by related parties		189,589	-	189,589
Other current assets:				
Financial asset at FVTPL	-			-
Loans to employees	1,074,892	-	-	1,074,892
Security deposits	45,818	-	-	45,818
Other financial assets at amortized cost	479,329	-	-	479,329
Other noncurrent assets:				
Rental deposits	1,122,859	-	-	1,122,859
Miscellaneous deposits	432,681	-	-	432,681
	\$ 62,294,534	\$ 189,589	\$ -	\$ 62,484,123

December 31, 2022 (Audited)

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

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

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

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

Liquidity Risk

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

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

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

September 30, 2023 (Unaudited)

	On Demand	Less than 1 year	1-2 years	>2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	\$ 34,831,807	\$ -	\$ -	\$ -	\$ 34,831,807
Trade and other receivables	24,307,148	13,547,662	-	-	37,854,810
Due from related parties	189,589	-	-	-	189,589
	\$ 59,328,544	\$ 13,547,662	\$ -	\$ -	\$ 72,876,206
Financial Liabilities					
Trade payables		\$ 5,873,907	\$ -	\$ -	5,873,907
Accrued expenses	-	3,736,620	-	-	\$ 3,736,620
Short term loans	-	23,754,653	-	-	23,754,653
Due to related parties	648,468	-	-	-	648,468
Long term debts	-	1,747,134	3,000,000	22,675,615	27,422,749
	\$ 648,468	\$ 35,112,314	\$ 3,000,000	\$ 22,675,615	\$ 61,436,397

December 31, 2022 (Audited)

	On Demand	Less than 1 year	1-2 years	>2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	\$ 44,297,405	\$ -	\$ -	\$ -	\$ 44,297,405
Trade and other receivables		36,457,559			36,457,559
Due from related parties	341,127				341,127
Other current assets:	\$ 44,638,532	\$ 36,457,559	\$ -	\$ -	\$ 81,096,091
Financial Liabilities					
Trade payables	\$ -	\$ 19,419,971	\$ -	\$ -	\$ 19,419,971
Accrued expenses		4,326,357			4,326,357
Short term loans		28,472,196			28,472,196
Due to related parties	650,791				650,791
Dividends payable	126,955				126,955
Long term debts		7,147,134	3,000,000	22,675,615	32,822,749
	\$ 777,746	\$ 59,365,658	\$ 3,000,000	\$ 22,675,615	\$ 85,819,019

Foreign currency risk

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

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

The Group manages its capital structure, which pertains to its equity as shown in the consolidated statement of financial position, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2021.

The Group considers the following as capital:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Additional paid-in-capital	\$ 179,726,321	\$ 179,726,321
Common stock	14,562,067	14,562,067
Retained Earnings	7,420,232	7,916,778
Stock Warrants	6,458,070	6,458,070
Equity reserve	4,030,214	4,030,214
Preferred stock	3,925,528	3,925,528
Other comprehensive income	1,175,507	1,175,507
Parent company shares held t	(13,097)	(13,097)
	\$ 217,284,842	\$ 217,781,388

As of September 30, 2023 and December 31, 2022, the Group is subject to quantitative loan covenants and financial ratios on its long-term loans.

As of September 30, 2023 and December 31, 2022, the Group was able to meet its capital requirements and management objectives.

32. EQUITY

Components of issued capital are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Common shares	\$ 14,562,067	\$ 14,562,067
Preferred shares	3,925,528	3,925,528
Stock warrants	6,458,070	6,458,070
Additional Paid-in Capital	179,726,321	179,726,321
	\$ 204,671,986	\$ 204,671,986

32.01 Common Shares

Shown below are the details of common shares as of September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Shares	Amount	Shares	Amount
Authorized				
Common shares (P1.00 par value)	1,200,000,000	\$ 24,053,400	1,200,000,000	\$ 24,053,400
Issued and fully paid				
Common shares	668,505,825	\$ 14,562,067	668,505,825	\$ 14,562,067
Balances	668,505,825	\$ 14,562,067	668,505,825	\$ 14,562,067

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

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

In 2021, CEC sold the Parent Company shares amounting to \$810,281. Accordingly, transfer of cumulative net changes in fair value to retained earnings amounted to \$23,940,346.

As of September 30, 2023 and December 31, 2022, the carrying value of Group shares held by a subsidiary amounted to \$13,097 and \$13,097, respectively.

Stock Rights Offering

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

1. The approval to offer to all eligible stockholders of record of the Parent Company, as of the date to be set by its management in accordance with existing law and regulations (the 'Record Date'), rights to subscribe (the "Rights Offer") to the common shares of the Parent Company (the 'Rights Shares') with a bonus detachable warrant for each Rights Share (the 'Detachable Warrant'), subject to: (i) the approval of the increase in the Corporation's authorized capital stock; (ii) the registration or exemption requirements, whichever may be applicable, of the Securities and Exchange Commission ('SEC'); and (iii) the listing requirements of the Philippine Stock Exchange ('PSE').
2. The approval of the authority of any one (1) of the Chairman of the Board, the President, the Chief Financial Officer, and/or other senior officers of the Parent Company to fix the terms and conditions of the Rights Offer, including, but not limited to, the final issue size which shall be up to 250,000,000 common shares, the entitlement ratio, the offer price, the payment terms, the terms of the detachable warrant including the exercise price, the procedure for lodging the application to subscribe, the details and procedures for the various rounds of offer including the treatment of rump shares, as applicable, the Record Date and other relevant dates, and other terms, without the necessity of obtaining further approval from the stockholders and Board of Directors (BOD).

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

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

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

In 2021, proceeds from issuance of common stock amounted to \$20,864,536. As of September 30, 2023 and December 31, 2022, stock warrants amounted to \$6,458,070.

32.02 Preferred Shares

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

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Shares	Amount	Shares	Amount
Authorized				
Preferred shares A (P0.10 par value)	700,000,000	\$ 1,587,734	700,000,000	\$ 1,587,734
Preferred shares B-1 (P1.00 par value)	70,000,000	1,587,734	70,000,000	1,587,734
Preferred shares B-2 (P1.00 par value)	360,000,000	7,481,141	360,000,000	7,481,141
	1,130,000,000	\$ 10,656,609	1,130,000,000	\$ 10,656,609
Issued and fully paid				
Preferred shares A	700,000,000	\$ 946,863	700,000,000	\$ 946,863
Preferred shares B-1	70,000,000	342,399	70,000,000	342,399
Preferred shares B-2	67,000,000	1,326,733	67,000,000	1,326,733
Preferred shares B-2B	20,000,000	416,145	20,000,000	416,145
Preferred shares B-2C	16,936,400	332,093	16,936,400	332,093
Preferred shares B-2D	28,625,500	561,295	28,625,500	561,295
Balances	902,561,900	\$ 3,925,528	902,561,900	\$ 3,925,528

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

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

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

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

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

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

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

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

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

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

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

1. The designation of Subseries of Preferred B-2 Shares Consisting of 33 Million Unissued Existing Preferred B-2 Shares to be denominated as Preferred B2 Subseries B Shares and to denominate the Preferred B2 shares issued in 2017 consisting of 67 Million Preferred B-2 Shares as Preferred B-2 Subseries A Shares.
2. Approval of the Terms and Conditions of the Preferred B-2 Subseries B Shares and the filing of Enabling Resolutions/Directors' Certificate with the Securities and Exchange Commission for the Preferred B-2 Subseries B Shares.
3. The offer for sale or subscription of up to 33 Million of its Preferred B-2 Subseries B Shares by way of private placement and offer to qualified buyers for an offer price of up to One US Dollar (\$1.00) per share, and the listing of such shares with the Philippine Stock Exchange.

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

1. The designation of Subseries of Preferred B-2 Shares Consisting of 33 Million Unissued Existing Preferred B-2 Shares to be denominated as Preferred B-2 Subseries B Shares and to denominate the Preferred B-2 shares issued in 2017 consisting of 67 Million Preferred B2 Shares as Preferred B-2 Subseries A Shares.
2. Approval of the Terms and Conditions of the Preferred B-2 Subseries B Shares and the filing of Enabling Resolutions/Directors' Certificate with the Securities and Exchange Commission for the Preferred B-2 Subseries B Shares.
3. The offer for sale or subscription of up to 33 Million of its Preferred B-2 Subseries B Shares by way of private placement and offer to qualified buyers for an offer price of up to One US Dollar (\$1.00) per share, and the listing of such shares with the Philippine Stock Exchange.

On October 7, 2020, the SEC issued the Certificate of Filing of Enabling Resolution approving the Corporation's Enabling Resolutions designating the subseries of Preferred B-2 Shares, namely: Preferred B2 Subseries A and Preferred B2 Subseries B, and to allocate the 200,000,000 Preferred B-2 Shares as follows: (i) 67,000,000 Preferred

B-2 Subseries A Shares, and (ii) 33,000,000 Preferred B-2 Subseries B Shares, and the balance of 100,000,000 Preferred B-2 Shares shall be designated by the Board in subseries at a future date.

The Board of Directors, in its special meeting held on November 10, 2020, approved the subscription by Camerton, Inc. of up to 33,000,000 Preferred B2 Subseries B Shares of the Company at the subscription price of One US Dollar (\$1.00) per share.

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

On December 21, 2020, the execution of the Subscription Agreement between TECH and Camerton, Inc. for the issuance of a total of ₱20,000,000,000 Preferred B-2 Subseries B Shares.

Preferred Shares Offering

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

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

In line with the approved offering by way of primary offer of up to 70,000,000 cumulative, non-participating, non-voting, non-convertible, perpetual and redeemable peso-denominated Preferred Class B-2 shares with par value of Php 1.00 per share at an offer price of P50.00 per share, the Board approved the further allocation of the authorized and unissued Preferred Class B-2 Shares of Parent Company as follows: (i) up to 10,000,000 Preferred Class B-2 Subseries B Shares as Preferred Class B-2 Subseries C Shares; and (ii) up to 30,000,000 Preferred Class B-2 Shares as Preferred Class B-2 Subseries D Shares, bringing the total number of unissued and outstanding Preferred Class B-2 Subseries C Shares is up to 60,000,000 and the total number of unissued and outstanding Preferred Class B-2 Subseries D Shares is up to 50,000,000.

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

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

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

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

The Board approved and clarified its authority to offer for sale or subscription up to P2,500,000,000 or \$50,000,000 in aggregate issue value, consisting of up to 50,000,000 Preferred Class B-2 Shares, composed of Preferred Class B-2 Subseries C and/or D Shares (the "Base Offer Shares"), by way of private placement, offer to qualified buyers and/or public offering at an offer price of P50.00 per share and that in the event of oversubscription, PNB Capital, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Corporation, has the right (but not the obligation) to offer up to an additional 20,000,000 Preferred Class B-2 Shares, composed of Preferred Class B-2 Subseries C and/or D Shares (the "Oversubscription Shares"), equivalent to an additional aggregate issue value of up to P1,000,000,000 or \$20,000,000 at an offer price of P50.00 per share.

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

On November 24, 2021, the SEC issued Order of Registration and Certificate of Permit to Sell in relation to the Company's registration of follow-on offering of 30,000,000 Preferred Class B-2 Shares (the "Base Offer Shares") with an over-subscription option

of up to 20,000,000 Preferred Class B-2 Shares at an offer price of ₱50.00 per Preferred Class B-2 Shares and to be offered as either Subseries "C" or "D" (the "Offer").

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

In 2022, 2021 and 2020, proceeds from issuance of preferred stock amounted to nil, \$44,669,405 and \$20,000,000, respectively.

32.03 Retained Earnings

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

Date of declaration	Date of record	Dividends per share	Shares outstanding	Total Dividends
2023				
March 8, 2023				
Preferred B-2	March 08, 2023	\$ 0.0228125	67,000,000	\$ 1,528,434
Preferred B-2B	March 20, 2023	0.0150000	20,000,000	300,000
Preferred B-2C	March 14, 2023	0.0182496	16,936,400	309,083
Preferred B-2D	March 14, 2023	0.0182496	28,625,500	522,405
June 8, 2023				
Preferred B-2	June 08, 2023	\$ 0.0228125	67,000,000	1,528,434
Preferred B-2B	June 19, 2023	0.0150000	20,000,000	300,000
Preferred B-2C	June 14, 2023	0.0180629	16,936,400	305,921
Preferred B-2D	June 14, 2023	0.0180629	28,625,500	517,060
September 8, 2023				
Preferred B-2	September 08, 2023	\$ 0.0228125	67,000,000	1,528,434
Preferred B-2B	September 19, 2023	0.0250000	20,000,000	500,000
Preferred B-2C	September 14, 2023	0.0175559	16,936,400	297,333
Preferred B-2D	September 14, 2023	0.0175559	28,625,500	502,546
				\$ 8,139,652
Date of declaration	Date of record	Dividends per share	Shares outstanding	Total Dividends
2022				
March 8, 2022				
Preferred B-2	March 08, 2022	\$ 0.0153125	67,000,000	\$ 1,025,938
Preferred B-2B	March 18, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	March 14, 2022	0.0196082	16,936,400	332,093
Preferred B-2D	March 14, 2022	0.0196082	28,625,500	561,295
June 8, 2022				
Preferred B-2	June 08, 2022	\$ 0.0153125	67,000,000	1,025,938
Preferred B-2B	June 20, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	June 14, 2022	0.0196082	16,936,400	332,093
Preferred B-2D	June 14, 2022	0.0196082	28,625,500	561,295
September 8, 2022				
Preferred B-2	September 08, 2022	\$ 0.0153125	67,000,000	1,025,938
Preferred B-2B	September 16, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	September 14, 2022	0.0174114	16,936,400	294,886
Preferred B-2D	September 14, 2022	0.0174114	28,625,500	498,409
December 8, 2022				
Preferred B-2	Decemeber 09, 2022	\$ 0.0153125	67,000,000	1,025,938
Preferred B-2B	December 16, 2022	0.0150000	20,000,000	300,000
Preferred B-2C	December 14, 2022	0.0179585	16,936,400	304,153
Preferred B-2D	December 14, 2022	0.0179585	28,625,500	514,071
				\$ 8,702,044

In September 30, 2023 and December 31, 2023, amounts of dividends declared were \$ 8,139,652 and \$ 8,702,044 respectively.

In September 30, 2023 and December 31, 2022, cash dividends paid amounted to \$8,139,652 and \$8,702,044 respectively. Accordingly, as of September 31, 2023 and December 31, 2022, dividends payable amounted to \$126,955.

Retained earnings are further restricted for the payment of dividends to the extent of unrealized foreign exchange gains except those attributable to cash, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of September 30, 2023 and December 31, 2022.

33. Dividends per share on common stock

For the Nine months ended September 30			
	2023		
	(Unaudited)	2022	(Reviewed)
Dividends declared on common shares	\$ -	\$ -	-
Weighted average number of common shares outstanding	668,505,825		668,505,825
Basic and diluted EPS	\$ -	\$ -	-

34. EVENTS AFTER THE REPORTING PERIOD

34.01 Dividend Declaration

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

Declaration of cash dividends of the following shares:

a. Preferred B-1 Shares (Unlisted)

Declaration of cash dividend of \$0.000012196 per share for each of the 700,000,000 issued and outstanding Preferred A Shares amounting to an aggregate sum of \$8,537.01, for payment and distribution on March 8, 2023 to shareholders of record as of February 21, 2023. The cash dividend shall be paid in Philippine Pesos at the Bangko Sentral ng Pilipinas ("BSP") exchange rate one day prior to payment date.

b. Preferred B-1 Shares (Unlisted)

Declaration of cash dividend of ₱0.06125 per share for each of the 70,000,000 issued and outstanding Preferred B-1 Shares amounting to an aggregate sum of ₱4,287,500.00 for payment and distribution on March 8, 2023 to shareholders of record as of February 21, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

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

	For the Nine Months Ended September 30	
	2023	2022
<i>In US\$ Thousand except EPS</i>	(Unaudited)	(Unaudited)
NET SALES	\$61,225	\$67,795
COST OF SALES	(44,059)	(49,378)
GROSS PROFIT	17,167	18,417
NET INCOME	7,643	8,545
Basic/Diluted EPS	(\$0.001)	\$0.003
EBITDA	\$16,587	\$17,372

For the nine-month period ending September 30, 2023 compared to the nine-month period ending September 30, 2022

Revenue

The Company recorded consolidated revenue of US\$61.2 million for the nine months ending September 30, 2023, a decrease of 10% from US\$67.8 million for the same period in 2022. The decrease accounted for were mainly due to 6% decrease in revenue contribution of CEC; 8% decrease in revenue contribution of CATSI and 17% decrease in revenue contribution of Quintel.

Revenue contribution from Quintel for the nine-month period ending September 30, 2023 amounted to US\$16.0 million, an 17% decrease compared to the US\$19.0 million for same period in 2022.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the nine months ending September 30, 2023 amounted to US\$16.6 million, an 8% decrease compared to the US\$18.0 million for same period in 2022.

Revenues from the semiconductor business amounted to US\$28.7 million for the nine-month period ending September 30, 2023 compared to US\$30.5 million for the same period in 2022 a 6% decrease.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct 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 11% to US\$44.1 million for the nine months ending September 30, 2023 from US\$49.4 million for the same period in 2022. The decrease was mainly due to:

- Raw materials, spare parts, supplies and other inventories decreased by 1% to US\$29.7 million for the nine months ending September 30, 2023 from US\$29.9 million for the same period in 2022.
- Salaries, wages and employees' benefits decreased by 18% to US\$5.6 million for the nine months ending September 30, 2023 from US\$6.9 million for the same period in 2022.
- Depreciation and amortization decreased by 4% to US\$4.4 million for the nine months ending September 30, 2023 from US\$4.5 million for the same period in 2022.
- Utility expenses decreased by 19% to US\$3.1 million for the nine months ending September 30, 2023, from US\$3.9 million for the same period in 2022.
- Inward freight and duties and others decreased by 75% to US\$977 thousand for the nine months ending September 30, 2023 from US\$3.9 million for the same period in 2022.

The Company's gross margin was 28% for the nine months ending September 30, 2023, 27% recorded for the same period in 2022.

Operating Expenses

The Company's operating expenses for the nine months ending September 30, 2023 amounted to US\$7.2 million, 5% lower compared to the US\$7.6 million recorded during the same period in 2022. The significant decrease is due to:

- Commissions decreased by 30% to US\$728 thousand for the nine-months ending September 30, 2023 from US\$1.0 million for the same period in 2022.
- Taxes and licenses decreased by 3% to US\$229 thousand for the nine-months ending September 30, 2023, from US\$236 thousand for the same period in 2022.
- Entertainment, amusement and recreation decreased by 20% to US\$89 thousand for the nine months ending September 30, 2023 from US\$111 thousand for the same period in 2022.
- Depreciation and amortization decreased by 28% to US\$44 thousand for the nine months ending September 30, 2023 from US\$62 thousand for the same period in 2022.

Income Before Income Tax

For the nine months ending September 30, 2023, the Company recorded a net income before income tax of US\$8.0 million, a decrease of 10% compared with US\$8.8 million recorded for the same period in 2022.

Provision for / Benefit from Income Tax

Provision for income tax for the nine-months ending September 30, 2023 amounted to US\$331 thousand, 12% higher compared with a provision for income tax of US\$297 thousand for the same period in 2022.

Net Income After Tax

The Company's net income after tax for the nine months ending September 30, 2023 amounted to US\$7.6 million a decrease of 11% compared with US\$8.5 million for the same period in 2022.

Financial Condition

For the nine-month period ending September 30, 2023 compared to the period ending December 31, 2022

Assets

The Company's cash and cash equivalent for the nine months ending September 30, 2023 amounted to US\$34.8 million, compared with US\$44.3 million for the period ending December 31, 2022, a decreased of US\$ 9.5 million or 21%.

Trade and other receivables for the nine months ending September 30, 2023 amounted to US\$37.9 million, compared with US\$36.5 million for the period ending December 31, 2022, a 4% increased.

Inventory levels for the nine months ending September 30, 2023 amounted to US\$67.8 million, 0.2% higher compared with US\$67.6 million for the period ending December 31, 2022.

Amounts owed by related parties for the nine months ending September 30, 2023 amounted to US\$190 thousand compared to US\$341 thousand for the period ending December 31, 2022, a 44% decreased.

Non-current assets, comprised of Available-for-sale (AFS) financial asset, HTM investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the nine months ending September 30, 2023 amounted to US\$151.7 million compared with US\$155.7 million for the period ending December 31, 2022, a decrease of 3%.

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, and income tax payable. For the nine months ending September 30, 2023, current liabilities were at US\$44.0 million, compared with US\$63.2 million the period ending December 31, 2022, a decrease of 30%.

For the nine months ending September 30, 2023, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US\$35.2 million same with US\$30.5 million for the period ending December 31, 2022.

Equity

The Company's shareholders' equity for the nine months ending September 30, 2023 amounted to US\$217.3 million compared with US\$217.8 million for the period ending December 31, 2022.

Liquidity and Capital Resources

For the nine months ending September 30, 2023, the Company's principal sources of liquidity were cash from sales of its products, bank credit facilities, proceeds from its corporate notes' 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 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 nine months ending September 30, 2023 and the same period in 2022.

<i>In US\$ Thousands</i>	For the nine months ending September 30	
	2023	2022
Net cash flows provided by/ (used for) operating activities	8,536	18,672
Net cash flows provided by/ (used for) investing activities	(1,752)	(19,871)
Net cash flows provided by/ (used for) financing activities	(16,138)	(36,081)
Net increase (decrease) in cash equivalents	(9,466)	(37,384)

Net Cash Flows from Operating Activities

Net cashflow used for operating activities was US\$8.5 million for the nine months ending September 30, 2023, compared with net cash inflow of US\$18.7 million for the same period in 2022.

Investing Activities

Net cash outflow used for investing activities amounted to (US\$1.7) million for the nine months ending September 30, 2023.

Financing Activities

Net cash flow from financing activities for the nine-months ending September 30, 2023 amounted to (US\$16.1 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\$36 million).

Material Changes to the Company's Unaudited Income Statement as of September 30, 2023 compared to the Unaudited Income Statement as of September 30, 2022 (increase/decrease of 5% or more)

- 10% decrease in net sales
-Decrease in revenue contribution of CEC, CATSI and Quintel
- 11% decrease in cost of sales
- Decrease in raw materials, salaries, depreciation, utilities, and inward freight and duties
- 5% decrease in operating expenses
-Decrease in Commissions, Taxes and licenses, Entertainment, and Depreciation and amortization
- 10% decrease in Income Before income Tax
-Lower revenue

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

- 21% decrease in Cash and Cash Equivalent
-Decrease in net cash flow from investing activities
- 3% increase in Other Noncurrent Assets
- Increase in advances to major suppliers
- 17% decrease in Short-term Loans
-Additional payment of short-term credit facilities
- 87% Decrease in Income Tax Payable
-Payment of income tax due

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>	2022 Full Year	2022 Nine Months	2023 Nine Months
EBITDA	22,310	17,372	16,587
EBITDA Margin	26%	26%	%
Sales Growth/(Declined)	21%	8%	(10%)
Current Ratio (x)	2.5x	2.75x	3.29x
Earnings per share (US\$)	0.004	0.003	0.000

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.

	For the years ended December 31		For Nine Months Ended September 30
<i>In US\$ 000</i>	2021	2022	2023
Net income	8,140	11,343	7,643
Add back:			
Interest expense/income-net	5,469	4,718	2,417
Provision for / Benefit from income tax	(105)	661	331
Depreciation and amortization	7,301	7,569	6,197
EBITDA	20,804	24,291	16,587

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

	For the years ended December 31		For Nine Months Ended September 30
<i>In US\$ 000</i>	2021	2022	2023
EBITDA	20,804	24,291	16,587
Deduct:			
Interest expense/income-net	(5,469)	(4,718)	(2,417)
Provision for / Benefit from income tax	(105)	(661)	(331)
Depreciation and amortization	(7,301)	(7,569)	(6,197)
Net Income	8,140	11,343	7,643

- *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.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS

SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

Ratios	Formula	SEPTEMBER 30, 2023	December 31, 2022
(i) Current Ratio	Current Assets/Current Liabilities	3.29	2.47
(ii) Debt/Equity Ratio	Bank Debts ¹ / Total Equity	0.26	0.28
(iii) Net Debt/Equity Ratio	Bank Debts ¹ -Cash & Equivalents/Total Equity	0.10	0.08
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.36	1.43
(iv) Interest Cover Ratio	EBITDA ² /Interest Expense	6.86	5.15
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	0.28	0.26
Net Profit Margin	Net Income/Revenues	0.12	0.13
EBITDA Margin	EBITDA/Revenues	0.27	0.29
Return on Assets	Net Income/Total Assets ³	0.03	0.03
Return on Equity	Net Income/Total Equity ³	0.04	0.04

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

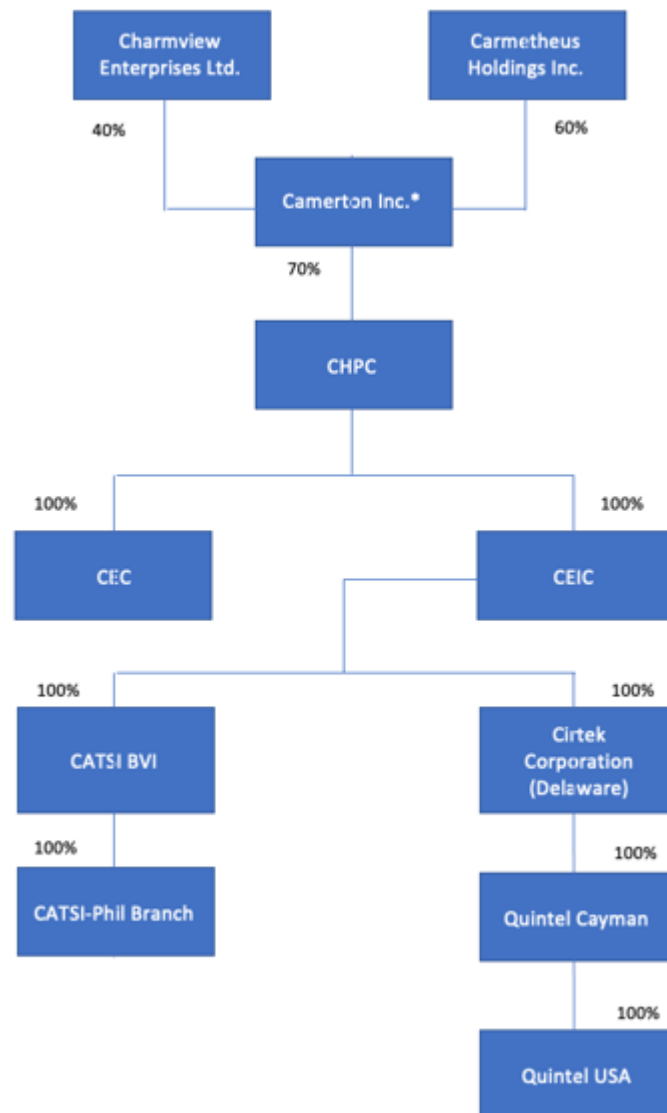
2 EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

3 Based on balances as at September 30, 2023 and December 31, 2022

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2023

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SCHEDULE I - MAP SHOWING THE RELATIONSHIPS BETWEEN AND
AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT
COMPANY AND CO-SUBSIDIARIES
SEPTEMBER 30, 2023



CIRTEK HOLDINGS PHILIPPINES CORPORATION
SCHEDULE II -RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2023

Unappropriated retained earnings, beginning	\$ 8,235,570
Net income/(loss) actually earned during the period	11,060,752
Cash dividends declared	(8,139,652)
Retained earnings available for dividend declaration	\$ 11,156,670

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SCHEDULE III - FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2023 AND DECEMBER 2022

Ratios	Formula	SEPTEMBER 30, 2023	December 31, 2022
(i) Current Ratio	Current Assets/Current Liabilities	3.29	2.47
(ii) Debt/Equity Ratio	Bank Debts ¹ / Total Equity	0.26	0.28
(iii) Net Debt/Equity Ratio	Bank Debts ¹ -Cash & Equivalents/Total Equity	0.10	0.08
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.36	1.43
(iv) Interest Cover Ratio	EBITDA ² /Interest Expense	6.86	5.15
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	0.28	0.26
Net Profit Margin	Net Income/Revenues	0.12	0.13
EBITDA Margin	EBITDA/Revenues	0.27	0.29
Return on Assets	Net Income/Total Assets ³	0.03	0.03
Return on Equity	Net Income/Total Equity ³	0.04	0.04

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

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

³ Based on balances as at September 30, 2023, and December 31, 2022

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2023

	Name of issuing entity and association of each	Amounts shown in the balance sheet	Valued based on market quotations: of reporting period	Income received or accrued
Cash and cash equivalents	N/A	\$ 34,831,807	\$ 34,831,807	\$ -
Trade and other receivables	N/A	37,854,810	37,854,810	
Amounts owed by related parties	N/A	189,589	189,589	
Other current assets:	N/A		-	
Loans to employees	N/A	1,074,892	1,074,892	
Security deposits	N/A	45,818	45,818	
Other financial assets at amortized cost	N/A	479,329	479,329	
Other noncurrent assets:	N/A		-	
Miscellaneous deposits	N/A	432,681	432,681	
Rental Deposits	N/A	1,106,280	1,106,280	
		\$ 76,015,206	\$ 76,015,206	\$ -

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 THIRD QUARTER ENDED SEPTEMBER 30, 2023

Amounts owed by related parties						
Description	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Related parties under common control						
RBWPI	\$ 148,697			\$ 148,697	\$ -	\$ 148,697
Cayon Holdings, Inc	192,431		2,841	189,589	-	189,589
TOTAL	\$ 341,128	\$ -	\$ 2,841	\$ 338,286	\$ -	\$ 338,286

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 THIRD QUARTER ENDED SEPTEMBER 30, 2023

Receivables from related parties which are eliminated during the consolidation
(under Trade and Other Receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel USA	\$144,296	\$	\$-	-	\$-	-	\$144,296

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amount written off	Current	Not Current	Balance at the end of the period
CHPC							
CEC	\$ 45,984,962	\$ 5,408,427	\$ 7,033,051	\$ 44,360,337			\$ 44,360,337
CEIC	54,625,739	12,400,000		67,025,739			67,025,739
CATS	37,575,408		16,407,577	21,167,831			21,167,831
RBWRPI	212,371			212,371			212,371
Quintel	15,245,001			15,245,001			15,245,001
Total	\$ 153,643,481	\$ 17,808,427	\$ 23,440,628	\$ -	\$ 148,011,279	\$ -	\$ 148,011,279
CEC							
CHPC	\$ -			\$ -			\$ -
CATS	-			-			-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CEIC							
CHPC	\$ -			\$ -			\$ -
CEC	25,912,768	1,771,499	172,250	27,512,017			27,512,017
CATS	1,694,609	169,537		1,864,145			1,864,145
Quintel	82,478,692			82,478,692			82,478,692
Total	\$ 110,086,069	\$ 1,941,036	\$ 172,250	\$ -	\$ 111,854,855	\$ -	\$ 111,854,855
CATS							
CEC	\$ 4,423,702		4,423,702	\$ -			-
Total	\$ 4,423,702	\$ -	\$ 4,423,702	\$ -	\$ -	\$ -	\$ -
RBW							
CATS	\$ 4,750,384	152,762	13,234	\$ 4,889,912			\$ 4,889,912
Total	\$ 4,750,384	\$ 152,762	\$ 13,234	\$ -	\$ 4,889,912	\$ -	\$ 4,889,912
TOTAL	\$ 272,903,636	\$ 19,902,224	\$ 28,049,814	\$ -	\$ 264,756,046	\$ -	\$ 264,756,046

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS – OTHE ASSETS
AS OF SEPTEMBER 30, 2023

Intangible Assets - Other Assets						
Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	\$55,541,157	\$ –	\$ –	\$ –	\$ –	\$ 55,541,157
Product development costs	8,685,650	285,198	(505,090)	–	–	8,465,758
Customer relationships	23,736,500	–	–	–	–	23,736,500
Trademark	7,472,800	–	–	–	–	7,472,800
Total	\$95,436,107	\$-	(\$219,892)	\$ –	\$ –	\$95,216,215

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF SEPTEMBER 30, 2023

Long-term Debt			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	\$31,811,717	\$6,136,102	\$25,675,615

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED
PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS OF SEPTEMBER 30, 2023

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF
OTHER ISSUERS
AS OF SEPTEMBER 30, 2023

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GROSS AND NET PROCEEDS BY A
LISTED COMPANY WITH RECENT OFFERING OF SECURITIES
(COMMERCIAL PAPER) TO THE PUBLIC
AS OF AND FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2023

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

Gross	₱2,000,000,000
Net	1,871,587,499

2. Actual gross and net proceeds –

Gross	₱598,400,000
Net	572,199,800

3. Each expenditure item where the proceeds were used –

<i>Loans</i>	<input type="checkbox"/> 165,500,000
<i>Capex</i>	141485,161
<i>Working capital</i>	2264,841,639

4. Balance of the proceeds as of September 30, 2023

₱ -

SCHEDULE I

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS OF SEPTEMBER 30, 2023

Capital Stock						
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common Stock	1,200,000,000	668,505,825	249,442,472	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	249,442,472	-	-	-