

2021 Annual Report

NOTICE OF REGULAR MEETING | INFORMATION STATEMENT



NOTICE OF ANNUAL SHAREHOLDERS' MEETING

To All Shareholders:

You are cordially invited to the Annual Shareholders' Meeting of Ionics EMS, Inc. which will be conducted through remote communication on Friday, 17 June 2022 at 10:00 a.m.

The Agenda for the said meeting shall be as follows:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the Previous Meeting
5. Management Report for the Fiscal Year 2021
6. Ratification of All Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation from the date of the last Annual Shareholders' Meeting to the present
7. Election of Directors
8. Appointment of External Auditor
9. Adjournment

The details and rationale of each item in the Agenda are explained briefly under Annex A of the Information Statement which will be posted in www.ionics-ems.com/agm2022.

Only shareholders of record at the close of business hours on 27 May 2022 are entitled to receive notice of, and to vote at, the meeting or any adjournment thereof.

In light of the COVID-19 pandemic, the Company will conduct its Annual Shareholders' Meeting via remote communication. Shareholders who wish to attend the meeting or vote through remote communication should register using the Company's registration portal provided at www.ionics-ems.com/agm2022 on or before on 15 June 2022. The requirements and procedure for registration, participation and voting through remote communication are set out in the Company's Information Statement and shall be made available at www.ionics-ems.com/agm2022. There will be an audio and video recording of the meeting as required by the Securities and Exchange Commission.

In case you cannot attend the meeting, please designate your authorized representative by submitting a signed proxy form via email to IonEMS.agm@ionics-ems.com no later than the close of business hours on 15 June 2022. All proxies received will be validated on Thursday, 16 June 2022. A sample proxy form may be downloaded at www.ionics-ems.com/agm2022.

Shareholders of record may send their queries and comments about the items in the Agenda to IonEMS.agm@ionics-ems.com on or before 15 June 2022.

Copies of this Notice of Meeting, Information Statement, Management Report, Annual Report (SEC Form 17A), and Quarterly Report (SEC Form 17Q) for the First Quarter of 2022 will be made available at the Company's website at www.ionics-ems.com/agm2022.

Makati City, 29 April 2022.

A handwritten signature in black ink, appearing to read "Manuel R. Roxas", is written over a circular stamp or seal.

MANUEL R. ROXAS
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

GENERAL INSTRUCTIONS

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter **IONICS EMS, INC.**
3. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**
4. SEC Identification Number **A199913827**
5. BIR Tax Identification Code **203-683-907-000**
6. Business Address : **Circuit St., Light Industry
and Science Park of the
Philippines (LISPP) I,
Bo. Diezmo, Cabuyao,
Laguna 4025**
7. Registrant's telephone number, including area code **(049) 508-1111
(02) 519-4416**
8. Date of meeting : **17 June 2022**
Time of meeting : **10:00 a.m.**
Place of meeting : **The meeting will be conducted through remote
communication via Zoom. The link will be provided to
registered shareholders. The Chairman will preside over
the meeting from the principal office of the Corporation at
the above-mentioned address.**
9. Approximate date on which the Information Statement
is first to be published **27 May 2022**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):

The Company is not a registered issuer of securities.
11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of shareholders

- (a) Date : 17 June 2022
- Time : 10:00 a.m.
- Place : The meeting will be conducted through remote communication via Zoom. The link will be provided to registered shareholders. The Chairman will preside over the meeting from the principal office of the Company.
- Mailing address and Principal Office of the Company : Ionics EMS, Inc., Circuit St., Light Industry and Science Park of the Philippines, Cabuyao, Laguna, Philippines
- (b) This Information Statement, copies of the Company's Management Report, Annual Financial Statements, Annual Report (SEC Form 17A) and Interim Financial Statements as of 31 March 2022 shall be made available at the Company's website on or before 27 May 2022.

**WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY**

Item 2. Dissenter's Right of Appraisal

Title X, Section 80 of the Revised Corporation Code of the Philippines allows a shareholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such shareholder or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties; (3) in cases of merger or consolidation; or (4) in case the company decides to invest its funds in another corporation or business.

As required by Title X, Section 81 of the RCCP, a dissenting stockholder, who must have voted against a proposed corporation act, may exercise the right of appraisal, when available, by making a written demand on the corporation for the payment of the fair value of the shares held within thirty (30) days from the date on which the vote was taken.

The matters to be discussed in the meeting as specified in the attached Notice of Annual Shareholders' Meeting are not such as will give any dissenting shareholder any appraisal or similar right as provided in Title IV and Title X of the Revised Corporation Code of the Philippines.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) Each of the persons who have been a director or officer of the Company from the beginning of the fiscal year 2021, as well as each of the nominees for election as director for the year 2022, together with any associate of any of the foregoing, have not expressed any interest in any matter to be acted upon.

- (b) The Company has not received any information from any director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) *Total Number of Shares Issued and Outstanding as of 31 March 2022:*

1,560,000,000 common shares and 927,824,176 preferred shares.

- (b) *Number of Votes Per Share*

Each share is entitled to one (1) vote per share.

With respect to the election of directors, however, the shareholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

- (c) *Record Date*

All shareholder of record as of the close of business on 27 May 2022 are entitled to notice of, and to vote at, the Annual Shareholders' Meeting.

- (d) *Security Ownership of Certain Record and Beneficial Shareholder of More Than 5% of the Company's Voting Securities as of 31 March 2022:*

Title of Class	Names and Address of Record Owner and Relationship with Issuer	Citizenship	No. of Shares Held	Percentage Held
Common	Ionics, Inc. <i>Circuit Street, Light Industry & Science Park I, Cabuyao, Laguna</i> <i>Parent Company / Shareholder</i>	Filipino	1,508,801,439 (R) Common	96.72%
Preferred			927,824,176 (R) Preferred	100%

The right to vote the Company's shares in the name of Ionics, Inc. is lodged in its proxy, Mr. Lawrence C. Qua.

(e) Security Ownership of Management as of 31 March 2022

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Citizenship</i>	<i>Percent of Class</i>
Common	1. Lawrence C. Qua <i>Chairman/President/CEO</i>	70,002 Direct	Filipino	nil
Common	2. Meliton C. Qua <i>Director</i>	2 Direct	Filipino	nil
Common	3. Guillermo D. Luchangco <i>Director</i>	70,002 Direct	Filipino	nil
Common	4. Alfredo R. de Borja <i>Independent Director</i>	1 Direct	Filipino	nil
Common	5. Virginia Judy Q. Dy <i>Director</i>	1 Direct	Filipino	nil
Common	6. Raymond C. Qua <i>Director / SVP- Treasurer / Compliance Officer</i>	2 Direct	Filipino	nil
Common	7. Monica Siguion Reyna Villonco <i>Director</i>	2 Direct	Filipino	nil
Common	8. Medel T. Nera <i>Independent Director</i>	1 Direct	Filipino	nil
Common	9. Lilia de Lima <i>Independent Director</i>	1 Direct	Filipino	nil
Common	10. Judy C. Qua <i>VP- Human Resources</i>	-0-	Filipino	-0-
Common	11. Ariel B. La Madrid <i>VP – Inside Sales</i>	-0-	Filipino	-0-

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Citizenship</i>	<i>Percent of Class</i>
Common	12. Ronan R. Andrade <i>VP – Finance/Chief Risk Officer</i>	-0-	Filipino	-0-
Common	13. Earl Lawrence Qua <i>VP- Business Development / VP – Worldwide Sales</i>	-0-	Filipino	-0-
Common	14. Manuel R. Roxas <i>Corporate Secretary</i>	-0-	Filipino	-0-
Common	15. Krisha F. Villanueva <i>Assistant Corporate Secretary</i>	-0-	Filipino	-0-
Common	16. Cesar G. Caubalejo <i>VP- Chief Audit Executive / Assistant Compliance Officer</i>	-0-	Filipino	-0-
Common	17. Jay Chavez <i>SVP – Operations & Chief Operating Officer</i>	-0-	Filipino	-0-
Common	18. Emma Y. Gerodias <i>VP - Manufacturing</i>	-0-	Filipino	-0-
Common	19. Valerio A. Carandang, Jr. <i>VP-Field Sales and Customer Service</i>	-0-	Filipino	-0-
Common	20. Jonathan T. Bibal <i>AVP-Operations</i>	- 0 -	Filipino	- 0 -
Common	21. Rosalina Vicente <i>Senior Manager for Accounting & Budget</i>	-0-	Filipino	-0-

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Citizenship</i>	<i>Percent of Class</i>
	TOTAL	140,014 (all held directly)		nil

(f) *Voting Trust Holders of 5% or more*

There are no voting trust holders of 5% or more.

(g) *Change in Control*

The Company has not entered into any arrangement which may result in a change in control of the Company.

Item 5. Directors and Executive Officers

(a) *Directors*

Name/Position	Age	Citizenship
1. Lawrence C. Qua <i>Chairman</i>	75	Filipino
2. Alfredo R. de Borja <i>Member (Independent)</i>	77	Filipino
3. Virginia Judy Q. Dy <i>Member</i>	82	Filipino
4. Guillermo D. Luchangco <i>Member</i>	82	Filipino
5. Meliton C. Qua <i>Member</i>	79	Filipino
6. Raymond C. Qua <i>Member</i>	71	Filipino
7. Monica Siguion Reyna Villonco <i>Member</i>	68	Filipino
8. Medel T. Nera <i>Member (Independent)</i>	66	Filipino
9. Lilia de Lima <i>Member (Independent)</i>	81	Filipino

All of the above-named are nominated to the Board of Directors of the Company for the ensuing year and have been approved for re-election by the Nominations Committee at its meeting last 9 March 2022. The members of the Nominations Committee are:

Alfredo R. de Borja	-	Chairman
Virginia Judy Q. Dy	-	Member
Raymond C. Qua	-	Member

Mr. Alfredo R. de Borja, Mr. Medel T. Nera and Ms. Lilia de Lima are nominated as independent directors. Mr. De Borja, Mr. Nera and Ms. De Lima are all nominated by Mr. Lawrence C. Qua and Mr. Raymond C. Qua, both stockholders and directors of the Company. Neither Mr. L. Qua nor Mr. R. Qua is related to any of the nominated independent directors.

Directors serve for a term of one (1) year and until the election and qualification of his successor.

The following are the Chairman and members of the Corporate Governance Committee for the year 2021 - 2022:

Lilia B. De Lima	Chairman
Alfredo de Borja	Member
Medel T. Nera	Member

The following individuals were nominated to the Board of Directors of the Company for the ensuing year, and have been approved for election by Board of Directors at its meeting on 9 March 2022:

1. Lawrence C. Qua - *Chairman of the Board*
2. Alfredo R. de Borja - *Member (Independent)*
3. Medel T. Nera - *Member (Independent)*
4. Virginia Judy Q. Dy - *Member*
5. Guillermo D. Luchangco - *Member*
6. Meliton C. Qua - *Member*
7. Raymond C. Qua - *Member*
8. Lilia B. De Lima - *Member (Independent)*
9. Monica Siguion Reyna Villonco - *Member*

The members of the Nomination Committee for the year 2021-2022 are as follows:

Alfredo R. de Borja	Chairman
Raymond C. Qua	Member
Virginia Judy Q. Dy	Member

Nominated as independent directors are Mr. Alfredo R. de Borja, Mr. Medel T. Nera and Ms. Lilia B. De Lima. The Nomination Committee determined that the nominees for independent director possess all of the qualifications of an independent director provided for in the Revised Corporation Code, the Company's By-laws and Amended Manual of Corporate Governance.

The Independent Directors were advised of SEC Memorandum Circular No.4, Series of 2017 on the term limits for Independent Directors. Based on the Memorandum Circular, Mr. Alfredo R. de Borja has served the maximum cumulative term of nine

years. The Board resolved to approve the re-nomination of Mr. de Borja for the position of independent director for the term 2022-2023. The Board considered Mr. de Borja's in-depth knowledge of the Company's business as well as that of its subsidiaries due to his length of service as an independent director of the Company. Furthermore, the technical nature of the Company's business and the industry in which it belongs require specialized knowledge which Mr. de Borja has contributed to the Company for many years. The Board believes that retaining Mr. de Borja as independent director will be instrumental in attaining its goals for the ensuing year. These are meritorious justifications which support the re-nomination and re-election of Mr. de Borja as independent director of the Company. The Board therefore decided that it is to the best interest of the Company if Mr. de Borja will be re-nominated and re-elected.

(b) *Executive Officers*

Name	Rank/Title	Age	Citizenship
1. Lawrence C. Qua	Chairman / President / CEO	75	Filipino
2. Raymond C. Qua	SVP – Treasurer / Compliance Officer	71	Filipino
3. Judy C. Qua	VP – Human Resource	71	Filipino
4. Manuel R. Roxas	Corporate Secretary	72	Filipino
5. Krisha F. Villanueva	Assistant Corporate Secretary	29	Filipino
6. Ronan R. Andrade	VP – Finance/Chief Risk Officer	51	Filipino
7. Earl Lawrence Qua	VP – Business Development / VP – Worldwide Sales	43	Filipino
8. Ariel La Madrid	VP - Inside Sales	63	Filipino
9. Cesar G. Caubalejo	VP – Chief Audit Executive / Assistant Compliance Officer	55	Filipino
10. Jay A. Chavez	SVP – Operations & Chief Operating Officer	49	Filipino
11. Emma Y. Gerodias	VP - Manufacturing	52	Filipino
12. Valerio A. Carandang, Jr.	VP – Field Sales and Customer Service	51	Filipino
13. Jonathan T. Bibal	AVP – Operations	49	Filipino

(c) *Profile of Directors and Officers*

DIRECTORS

Lawrence C. Qua, 75, Filipino, is the founding Chairman and Chief Executive Officer (CEO) of The Ionics Group of Companies consisting of Ionics EMS, Inc., Ionics Properties Inc., Iomni Precision Inc., and Ionics Inc. (formerly Ionics Circuits Inc). He is also the Chairman and Director of Aqua Holdings, Inc. He is also a director and member of the investment committee of ICCP Venture Partners, Inc. and a director of various companies engaged in retailing and property development. He has been a trustee of the Semiconductor & Electronics Industry of the Philippines Inc. since its organization. He served as a board trustee of the Graduate Business School of De la Salle University for three years. Mr. Qua graduated from De La Salle University with a Bachelor of Science degree in Mechanical Engineering.

Alfredo De Borja, 77, Filipino, has been an independent director of Ionics, Inc. since 2004. He has also been an independent director of its subsidiaries, Ionics EMS, Inc. and Iomni Precision, Inc. since 2007 and 2013, respectively. He is also a director of Makiling Farms, Inc., E. Murio, Inc., Investment Capital Corp. of the Phil.

("ICCP"), ICCP Venture Partners, ICCP Holdings, Inc., Pueblo de Oro Development Corp., Regatta Properties, Inc., Science Park of the Philippines, Inc. (SPPI), Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He has also served as director of several companies, including First Metro Investment Corp., Alsons, Inc., Alsons Power, Alsons Cement, Iligan Cement, Lima Land, Manila Memorial Park, Philcom, Shopwise, and Republic Glass Corp. He was the President of Gervel, Inc. from 1973 to 1986; Director and Chairman of the Executive Committee of First Metro Investment Co. from 1978 to 1983; Director and Vice President of Iligan Cement Corp. from 1973 to 1977; Professorial Lecturer of the University of the Philippines Graduate School of Business from 1971 to 1974; Executive Assistant to the Vice President of PLDT from 1970 to 1973; and Executive Assistant to the Vice President of Investment Managers, Inc. from 1966 to 1968. He holds a Master of Business Administration degree from Harvard University and a Bachelor of Science in Economics from the Ateneo de Manila University.

Virginia Judy Q. Dy, 82, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. She has been connected with Aqua Holdings, Inc. as director for the last eight years. She was also the Finance Director of DVPRO Solutions, Inc. Her previous corporate affiliations include Philippine Commercial and International Bank as Branch Manager, Insular Bank of Asia & America as Branch Manager, Ladtek Corporation/Interphase Development System as Accounting Manager and the International Corporate Bank as Branch Manager. Ms. Dy received her Bachelor of Science in Commerce degree from the Assumption Convent and is a Certified Public Accountant, having passed the government board exams in 1963.

Guillermo D. Luchangco, 82, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. He is the Chairman and Chief Executive Officer of the ICCP Group, whose members include among others: Science Park of the Philippines, Inc., a developer of industrial parks; Pueblo de Oro Development Corporation, a developer of residential and township projects; and Manila Exposition Complex, Inc., the owner of the World Trade Center Metro Manila, Chairman of Investment & Capital Corporation of the Philippines and ICCP Ventures, which is in venture capital. Before founding ICCP in 1988, he served as Vice Chairman and President of Republic Glass Corporation, a publicly-listed company. Between 1969 and 1980, Mr. Luchangco worked with the SGV Group. He rose to the position of Managing Director and Regional Coordinator for management services. Mr. Luchangco previously served on the Boards of Directors of the following publicly-listed companies in the Philippine Stock Exchange: Trans-Asia Oil & Development Corporation, Phinma Corporation and Roxas & Co., Inc. He holds a Master of Business Administration degree from the Harvard Business School and a Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, Philippines.

Meliton C. Qua, 79, Filipino, held key positions in several companies which included the Philippine Bank of Communications as Senior Vice President, Citibank N.A., as Vice President, Bancnet as Director, and Aqua Holdings, Inc. as Director. Mr. Qua has been a director of Ionics, Inc. since 1985. He is also a director of Ionics EMS, Inc., Ionics Properties, Inc. and Iomni Precision, Inc. He received his Bachelor of Science degree in Business Administration from De La Salle University, Philippines.

Raymond Ma. C. Qua, 72, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1985 and holds the position of Senior Vice President, Treasurer and Compliance Officer. He is also a director of Ionics Inc.'s subsidiaries, namely Ionics EMS, Inc., Iomni Precision, Inc., Ionics Properties, Inc., Ionics Products

Solutions, Inc. and Synertronix, Inc. He is the President and Chief Operations Officer of Ionics Properties, Inc. Previously, he was the Senior Vice President and General Manager of Synertronix, Inc. and the Vice President for Administration of Ionics, Inc. Mr. Qua is presently affiliated with various organizations and 14 associations serving as head, ranking officer or member. Mr. Qua received his Bachelor of Science degree in Commerce from De La Salle University, Philippines.

Monica Siguion-Reyna Villonco, 68, Filipino, is the incumbent President of Whitespace, Inc. She is also a member of the Board of Governors of the Philippine Red Cross and a member of the Board of Directors of Ionics, Inc. Ms. Villonco earned her Bachelor of Fine Arts degree from the College of the Holy Spirit.

Medel T. Nera, 66, Filipino, is a Certified Public Accountant. He has been an Independent Director of the Corporation since November 11, 2020. Mr. Nera is presently a Director of House of Investments, Inc., iPeople Inc., Seafront Resources Corporation and EEI Corporation. He is also an Independent Director of the National Reinsurance Corporation of the Philippines, Inc., Erikagen, Inc., Actimed, Inc., Pharm Gen Ventures Corp., Novelis Solutions, Inc., and Holcim Philippines, Inc. His past experiences include: President and CEO of House of Investments, Inc.; President of Honda Cars Kalookan, Inc., Director and President of RCBC Realty Corp.; Director and Chairman of the Risk Oversight Committee of Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and Senior Partner at Sycip Gorres Velayo & Co. where he had 35 years of experience in professional services. Mr. Nera served as Assurance Leader for the Financial Services Assurance practice of Ernst and Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. Mr. Nera obtained his Master in Business Administration degree from Stern School of Business, New York University, New York, USA and Bachelor of Science in Commerce degree from Far Eastern University. He also attended the International Management Program of the Manchester Business School, United Kingdom, and the Pacific Rim Bankers' Program of the University of Washington, Seattle, Washington, USA.

Lilia de Lima, 81, Filipino, is an Independent Director of Ionics, Inc. and Ionics EMS, Inc. She is currently an independent director of PHINMA Corporation, FWD Life Philippines, Dusit Thani Philippines, RFM-Science Park of the Philippines, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., and Pueblo de Oro Development Corporation. She is also a member of the Board of Directors of Rizal Commercial Banking Corporation, and a Trustee at the Fatima Center for Human Development. She presently serves as an Advisory Board Member of AC Industrials and the Executive-in-Residence of Asian Institute of Management. From 1981 to 2016, Ms. de Lima worked in government, holding high positions in various government instrumentalities such as the Department of Trade and Industry, National Amnesty Commission, Cagayan Economic Zone Authority, Zamboanga Economic Zone Authority, PHIVIDEA Industrial Authority, and the Philippine Economic Zone Authority. Because of her stint as Director General of the Philippine Economic Zone Authority and having served the same for 21 years, she was awarded the Ramon Magsaysay Laureate in 2017. She was also a recipient of various awards such as the Presidential Medal of Merit, awarded to her by former Presidents Benigno Aquino III and Gloria Macapagal Arroyo, The Order of the Rising Sun, Gold and Silver Star, which is the highest award given to a non-head of state by the Government of Japan for bringing hundreds of Japanese investors to the Philippines, People of the Year Award given by Peoples Asia Magazine, and Excellence in Public Service Award, which was awarded to Ms. de Lima five times by BIZNEWS ASIA. She attained her Bachelor of Laws from the Manuel L. Quezon University in 1965,

and her Doctor of Laws LLD (Honoris Causa) from the same university in 2014. She passed the Philippine Bar Exams in 1966.

OFFICERS

Judy C. Qua, 71, Filipino, is Ionics Inc.'s Vice-President for Corporate Affairs and Ionics EMS, Inc.'s Vice-President for Human Resources, Administration and Training. Concurrently she is the President and Chief Operating Officer of Iomni Precision Inc. She previously served as the Executive Assistant to the Chairman and CEO on special assignments. She also headed the Business Development of Ionics EMS, Inc. and was the Executive Director for Finance of IONOTE Ltd., the joint venture facility of Ionics EMS, Inc. and NOTE AB of Sweden in China. Prior to joining Ionics, her career covered a spectrum of teaching, training development, advertising and marketing practice, and data management. Ms. Qua is a transformational psychologist, a professional lecturer, a certified faculty for the American Management Association and the Swedish-based CELEMI management simulation learning systems, and an author of four (4) books on changing perspectives and positive thinking. She is the lecturer-facilitator of The Second Wind Mind Works neurodynamics course. She holds a Master of Arts degree in Social and Industrial Psychology from Ateneo de Manila University and a Master of Business Administration degree from Kellogg-HKUST Business School of Northwestern University.

Ariel La Madrid, 63, Filipino, is the Company's Vice President for Inside Sales. Prior to joining Ionics EMS, Inc., he was engaged by the International Procurement Office of IBM from 1986 to 1996 as its Supplier Engineer. He joined Ionics EMS, Inc. in 1996 as Assistant Vice President for Quality and currently holds one of the key positions in the Company. He graduated with an Electronics Communication Engineering degree from St. Louis University, Baguio.

Earl Lawrence Qua, 43, Filipino, is the Company's Vice President for Business Development. He is the CEO of Quantum Insights and Analytics, an AI company. In 2010 he started his role as Vice President for Original Design Manufacturing for Ionics, Inc., EMS and ODM for Internet of Things platforms and solutions for global consumer electronics and industrial technologies. He is also the President of the Electronic Industries Association of the Philippines, Inc. since 2017. He worked at Marvell Technologies Inc. in Santa Clara, CA where he led the Semiconductor Product Development in Marvell's Power Management Group and Wireless Communications Group. He graduated from Occidental College, CA, USA with a BA in Economics and earned his MBA Degree at Babson College, MA, USA. He completed the Owner/President Management Program at the Harvard Business School.

Ronan Andrade, 51, Filipino, is the Vice President for Finance / Chief Risk Officer. He graduated from San Beda College in 1991 and passed the Certified Public Accountant Board Examination in the same year. He worked with Sycip Gorres & Velayo Auditing Firm-Audit Division from 1992 to 1998, starting as an audit staff member until he became audit supervisor. He joined Ionics in 1999 as Senior Manager for Finance and became Assistant Vice President and Acting Finance Head of the Company, prior to his transfer to Internal Audit as Vice President. In 2007, Mr. Andrade was appointed as Vice-President for Finance of the Company.

Manuel R. Roxas, 72, Filipino, has been the Company's Corporate Secretary for the past twenty six (26) years. His professional experience covers general corporate law

practice as counsel to various companies engaged in banking, investments, pharmaceuticals, shipping, and manufacturing. Atty. Roxas received his Bachelor of Science degree in Economics from the University of Pennsylvania in 1970 and Bachelor of Laws degree from the University of the Philippines in 1975. His other professional affiliations include: Roxas de los Reyes Laurel Rosario & Gonzales as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc. as Trustee, Mother Rosa Memorial Foundation, Inc. as Corporate Secretary, and the Integrated Bar of the Philippines as member.

Krishna F. Villanueva, 29, Filipino, is the Company's Assistant Corporate Secretary. Atty. Villanueva is an associate lawyer at Roxas de los Reyes Laurel Rosario & Gonzales Law Offices. Her professional experience covers general corporate law practice and litigation. She received her Bachelor of Science degree in Business Administration from the University of the Philippines Diliman and her Juris Doctor degree from the University of the Philippines College of Law. While in law school, Atty. Villanueva served as legal intern at the UP Office of Legal Aid and the Office of the Government Corporate Counsel. She is a member of the Integrated Bar of the Philippines and the UP Women Lawyers Circle.

Cesar G. Caubalejo, 55, Filipino, is the Vice-President for Internal Audit, Chief Audit Executive and Assistant Compliance Officer of the Company. He graduated from the University of the Philippines at Tacloban City, Leyte in 1988 with a degree in Bachelor in Business Administration major in Accounting. He is a Certified Public Accountant, an Internal Audit Specialist and Certified Fraud Examiner. He worked and started his career with SyCip, Gorres, Velayo & Co. (SGV) in 1988 until his resignation from the firm as a Senior Director under the Business Risk Services in December 2008. During his stint with SGV, he was assigned to work in other countries such as US, France, Vietnam, Malaysia and Kingdom of Saudi Arabia. In his short stint, in 2004 with KPMG Audit and Accounting Practice, he became its Country Manager in Lao PDR. He also worked for a year (1997) as a group controller in one of the diversified companies in the Philippines. He is a member of the Institute of Internal Auditors Philippines. He joined Ionics EMS, Inc. on January 5, 2009.

Jay A. Chavez, 49, Filipino, is the Senior Vice President for Operations & Chief Operating Officer of Ionics EMS, Inc. He holds an Electrical Engineering degree from Mapua Institute of Technology. He joined Ionics EMS, Inc. in 1995 as a Quality Control and Quality Assurance (QC/QA) engineer. Since then, he went up the organizational ladder and became QC/QA Manager, Manufacturing Senior Manager/Deputy Plant Manager, Assistant Vice President for Manufacturing/Deputy for Operations, Assistant Vice President for Materials Management and finally, Assistant Vice President for Supply Chain Management.

Emma Y. Gerodias, 52, Filipino, is the Vice President for Manufacturing of Ionics EMS, Inc. She holds an Electronics and Communications Engineering degree from Mapua Institute of Technology. She joined Ionics in 1992 as a Production Supervisor. Since then, she went up the organizational ladder and became Production Manager, Operations Manager, Business Unit Head, Direct for Innovations, until finally Vice President for Manufacturing.

Valerio A. Carandang, Jr., 52, Filipino, is the Vice President for Field Sales and Customer Service. He is a licensed Electrical Engineer, a graduate of the Technological Institute of the Philippines. He started his career in Ionics in 1992 as Quality Control Engineer until 1994. He worked with PECCO (now Nidec Copal Philippines Corp.) until his resignation from the company as Quality Control

Supervisor. In 1995, he rejoined Ionics as its Quality Control and Quality Assurance Head. He later became Engineering Manager, Manufacturing Manager, Assistant Vice President for Quality and Engineering, and Assistant Vice President for Design and Development Group.

Jonathan T. Bibal, 50, Filipino, is the Assistant Vice President for Operations. He holds an Electronics and Communications Degree from the University of Santo Tomas. He joined Ionics in 1994 as a Quality Control and Quality Assurance (QC/QA) engineer. Since then, he went up the organizational ladder and became Assistant QC/QA Manager, Supply Chain Manager, Business Unit Head covering Project Management, Supply Chain and Manufacturing Operations, and Senior Customer Sales and Service Manager.

Additional Information on the members of the Board of Directors

1. Messrs. Lawrence C. Qua, Meliton C. Qua, Raymond C. Qua and Ms. Virginia Judy Q. Dy are all related within the second degree of consanguinity. Ms. Judy Qua is the wife of Mr. Lawrence C. Qua.
2. No director has transacted with the Company in his/her personal capacity.
3. None of the directors has informed the Company that he/she intends to oppose any action to be taken by the Company at the meeting.
4. All the members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar with the topic “Third-Party Risk Management and Reimagined Workforce” conducted by SGV & Co. on 14 December 2021.

(d) Significant Employees

While all of the employees are valued, none are expected to contribute more significantly than the others to the business of the Company.

(e) Certain Relationships and Related Transactions

The Company has no significant related party transactions with its shareholder, directors, officers, and affiliated companies except as follows:

1. Lease Arrangements

The Company leases two factories, Plants V and VI, from its Ultimate Parent Company, Ionics, Inc. The lease agreement began on January 1, 2021 and July 1, 2020 for Plant 5 and 6 and continued up until December 31 and June 30, 2021, respectively. On July 2021, the renewal of lease agreement for Plant 5 was executed for one (1) year until June 30, 2022.

The Company also entered into a lease agreement with IOMNI Precision, Inc., for the lease of an office space with an area of 1,310 square meters from January 16, 2021 to January 15, 2022.

The Company also leased another factory, Plant 2, from Ionics Properies Inc. with an area of 3,104 square meters from May 01, 2020 to April 30, 2021. Starting May 01, 2021 to April 30, 2022 the area will increased to 6,634 square meters, subject to the extension or renewal upon mutual agreement of the parties.

2. Legal Services

The Company has a retainer agreement with *Roxas de los Reyes Laurel Rosario & Gonzales Law Offices* where the Corporate Secretary, Manuel R. Roxas and the Assistant Corporate Secretary, Krisha F. Villanueva, are partner and associate lawyer, respectively.

3. Financial Advisors

Investment and Capital Corporation of the Philippines (“ICCP”) is retained by the Company as its Financial Advisor. Guillermo D. Luchangco, who has been a director of the Company since 1991, is Chairman and Chief Executive Officer of ICCP.

(f) *Family Relations*

Messrs. Lawrence C. Qua, Meliton C. Qua, Raymond C. Qua and Ms. Virginia Judy Q. Dy, all of whom are directors of the Company, are all related within the second degree of consanguinity.

Mrs. Judy C. Qua, the Company’s Vice President for Human Resources, Administration and Training is the spouse of the President/Chairman/Chief Executive Officer, Mr. Lawrence C. Qua. Mr. Lawrence C. Qua is the father of Mr. Earl Lawrence Qua, the Vice President for Business Development of the Company.

(g) *Involvement in Legal Proceedings*

For a period covering the past five (5) years, none of the directors or executive officers of the Company has been:

1. Involved in any bankruptcy petition filed by or against any business of which a director was a general partner or executive officer either at the time of the bankruptcy or within two years to that time.
2. Convicted by final judgment in a criminal proceeding, domestic or foreign, or was subject to a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses.
3. Subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking services.
4. Found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 6. Compensation of Directors and Executive Officers

(a) Summary Compensation Table

The following table summarizes the compensation of the five highest paid executive officers of Ionics EMS, Inc. and the aggregate compensation of all officers and directors as a group for the last two completed calendar years, and the estimated aggregate compensation of the said officers and directors for the present calendar year.

	Year	Salary	Others *
Executive Officer and Four (4) most highly compensated executive officers	2022 (estimate)	\$542,774	\$75,000
	2021	493,431	75,000
	2020	524,042	75,000
All officers and directors as a group unnamed	2022 (estimate)	816,197	337,500
	2021	741,997	337,500
	2020	788,028	337,500

*Others – includes per diem of directors

The following are the five (5) most highly compensated executive officers of Ionics EMS, Inc. (i.e. on a consolidated basis):

1. Mr. Lawrence C. Qua. is the Chairman of the Board of Directors, the Chief Executive Officer and the President of the Company.
2. Mr. Raymond Ma. C. Qua is the Senior Vice President and Treasurer.
3. Mr. Earl Lawrence S. Qua is the Vice President for Business Development.
4. Mr. Jay Chavez is the Senior Vice President for Operations and Chief Operating Officer.
5. Mr. Ronan Andrade is the Vice President for Finance and Chief Risk Officer.

(b) Standard Arrangements

Directors who are not officers of the Corporation are entitled to a per diem of Nine Thousand Three Hundred Seventy Five Dollars (US\$9,375.00) per meeting attended.

The Chairman of the Board who is also the Chief Executive Officer of both Ionics, Inc. and its subsidiary, Ionics EMS, receives compensation on a monthly basis. All other executive officers receive monthly compensation.

(c) Employment contract or compensatory plan or arrangement

As of 31 March 2022, no executive officer of the Company is under employment contract.

Item 7. Independent Public Accountants

The auditing firm of Sycip Gorres Velayo & Co. ("SGV") is the external auditor of the Company. Representatives of SGV are expected to be present at the meeting and will have the opportunity to respond to appropriate questions and to make a statement if they desire. The auditing partner in charge of the accounts of the Company for the fiscal year ended 31 December 2021, Ms. Dhonabee B. Seneres, was appointed in 2016.

Under the Revised Rule 68 of the Securities Regulation Code, the external auditor shall comply with the provisions on the long association of personnel including partner rotation with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines adopted by Board of Accountants and the Professional Regulation Commission and such other standards as may be adopted by the Securities and Exchange Commission.

There are no changes and no disagreements with, the registrant's accountants on any accounting and financial disclosure during the two most recent fiscal years or any subsequent interim period.

Information on Independent Accountant and other Related Matters

External Audit Fees and Services

a.) Audit and Audit-Related Fees

1. Audit fees for 2021 and 2020 amounted to \$93,918 and \$68,500, respectively. The fees are generally based on the complexity of the issues involved, the work to be performed, the special skills required to complete the work, the experience level of the team members and most importantly the ability to provide the auditors' report expressing an opinion on the financial statements of the Company.
2. There are no assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the financial statements of the Company.

b.) Tax Fees - None

c.) All Other Fees

Any additional services that the Company may request will be the subject of a separate written arrangement.

d.) The Audit Committee's approval policies and procedures for the above services

The reports of the External Auditor and financial reports prepared by Management are presented to the Audit Committee for consideration. Financial statements duly recommended by the Audit Committee for

approval are still subject to the confirmation of the Board of Directors prior to submission to the respective government regulatory agencies.

The members of the Audit Committee are:

Medel T. Nera	-	Chairman
Meliton C. Qua	-	Member
Alfredo R. de Borja	-	Member

Item 8. Action with Respect to Reports

(a) Approval of the Minutes of the Previous Shareholders' Meeting

The minutes of the last Annual Shareholders' Meeting held on 21 May 2021 will be submitted for approval of the shareholders. Copies thereof will be made available at www.ionics-ems.com/agm2022 on or before 27 May 2022 for any shareholder desiring to review the same.

The following were significant matters discussed at the 21 May 2021 Shareholders' Meeting:

- (i) Management Report for Fiscal Year 2020;
- (ii) Ratification of Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation for the Fiscal Year 2020;
- (iii) Election of Directors; and
- (iv) Appointment of External Auditor.

During the previous annual meeting, the stockholders were given the opportunity to send their queries and clarifications on the items in the Agenda from the start of the registration period until 19 May 2021. However, the Company did not receive any questions related to the matters to be discussed in the meeting during the period allotted. In this regard, no information can be disclosed pertaining to questions asked and answers given.

The tabulation of votes was conducted by the Office of the Corporate Secretary. The tabulation was done manually by referring to the voting instructions of the stockholders and proxies and adding them together. The validation of proxies was conducted in the presence of the Assistant Corporate Secretary. The significant matters enumerated above were approved by the stockholders following the voting procedures explained in Item 10 of this Information Statement. The same voting procedures will be followed in this year's Annual Stockholders' Meeting.

The list of directors, officers and stockholders who attended the previous stockholders' meeting is attached to this Information Statement as Annex "B." A summary of the matters discussed, resolutions reached and voting results is recorded in the Minutes of the 2021 Annual Stockholders' Meeting which is posted at www.ionics-ems.com/agm2022.

(b) Management Report and Financial Statements

Management shall report on the significant business transactions undertaken and the financial targets and achievements for the fiscal year 2021. The Management Report and the audited financial statements for the period ending 31 December 2021 of the Company are reflected in the Company's Annual Report to Shareholders.

Item 9. Actions Proposed

- (a) *Ratification of Acts, Resolutions and Investments of the Board of Directors, Executive Committee and Officers of the Company from the date of the last Annual Shareholders' Meeting*

Copies of the minutes of the meetings of the Board of Directors held from the date of the last Annual Shareholders' Meeting on 21 May 2021 until the present meeting will be made available for inspection to any shareholder desiring to review the same. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, at the 19/F BDO Plaza, 8737 Paseo de Roxas, Makati City, Metro Manila.

- (b) *Election of Directors*

A board of nine (9) directors will be elected at the meeting. The term of office of each director is one (1) year and will continue until the next Annual Meeting of Shareholders or until his or her successor has been elected and qualified.

- (c) *Appointment of External Auditor*

The incumbent external auditor of the Company is SGV & Co. Representatives of SGV & Co. are expected to be present at the Annual Shareholders' Meeting and will have the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions. SGV & Co. is being recommended for reappointment.

Item 10. Voting Procedures

- (a) An affirmative vote by the shareholder representing at least a majority of shareholders present at the meeting shall be sufficient for the approval of the following: (1) Approval of the minutes of the previous Shareholders' Meeting; (2) Management Report and Financial Statements; (3) Ratification of all Acts, Resolutions and Investments of the Board of Directors, Executive Committee and Officers of the Company from the date of the last Annual Shareholders' Meeting; and (4) Appointment of External Auditor.

The nine (9) nominees to the Board of Directors who garner the highest number of votes shall be deemed elected. The shareholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

- (b) The manner of voting and counting of votes will be as follows:
- i. Every shareholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business

hours on 27 May 2022. Any shareholder who cannot attend the meeting may designate his/her authorized representative by submitting a signed proxy form via email to IonEMS.agm@ionics-ems.com no later than the close of business hours on 15 June 2022. Only votes submitted on or before 15 June 2022 shall be honoured for purposes of voting.

The requirements and procedure for voting through remote communication are provided below.

- ii. The manner of election and counting of the votes shall be under the supervision of the Corporate Secretary.

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2022 Annual Shareholders' Meeting

1. Shareholders of record as of 27 May 2022 who wish to attend the meeting and vote in absentia should register through the Company's registration portal at www.ionics-ems.com/agm2022 on or before Wednesday, 15 June 2022 ("Registration Period").
2. Shareholders of record are required to provide the following for validation and verification:
 - a. Individual Shareholders
 - Scanned copy of the front and back portions of the shareholder's valid government-issued photo ID;*
 - Valid and active corporate or personal e-mail address; and
 - Valid and active contact number (landline or mobile number).
 - b. Corporate Shareholders
 - Scanned copy of a Secretary's Certificate attesting to the authority of the representative to attend the meeting and vote for and on behalf of the Corporation;
 - Scanned copy of the front and back portions of the valid government-issued photo ID of the corporate shareholder's representative.
 - Valid and active corporate or personal e-mail address of the corporate shareholder's representative; and
 - Valid and active contact number (landline or mobile number) of the corporate shareholder's representative.
 - c. For Shareholders with Joint Accounts
 - In addition to the above requirements for individual shareholders, a scanned copy of an authorization letter signed by all joint shareholders on who among them is authorized to cast the vote for the account.
 - d. For Shareholders represented by Proxy
 - Scanned copy of the front and back portions of the shareholder's valid government-issued photo ID.

*Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi- Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID

- Scanned copy of the Proxy Form or an authorization letter signed by the shareholder, authorizing the Proxy to attend the meeting and cast the vote for the account.
 - Valid and active corporate or personal e-mail address of the Proxy; and
 - Valid and active contact number (landline or mobile number) of the Proxy.
- e. For Shareholders under Broker Accounts
- In addition to the above requirements for individual and corporate shareholders, shareholders under broker accounts shall submit a scanned copy of the broker’s certification signed by the authorized signatory/ies on the beneficial shareholder’s name, account number and number of shares.
 - In case of a corporate shareholder, submit also a scanned copy of the Secretary’s Certificate attesting to the authority of the representative to vote for and on behalf of the corporate beneficial shareholder.
3. Upon completion of the validation and verification procedure, each registered shareholder will receive an email confirmation which includes the link which the shareholder may use to access the virtual meeting room for the 2022 Annual Shareholders’ Meeting and the voting form.
 4. The voting form shall contain the agenda items reflected on the Notice of the Annual Shareholders’ Meeting. Shareholders may vote as follows:
 - a. For items other than the election of directors, registered shareholders have the option to vote “For”, “Against”, or “Abstain”;
 - b. For election of Directors, the system of cumulative voting shall be followed. Each registered shareholder has a number of votes equal to the number of shares he/she owns, times the number of directors to be elected. Under this voting system, the registered shareholder has the option to (i) cast all his/her votes in favor of one (1) nominee, or (ii) distribute those votes among as many nominees as he/she may deem fit;
 - c. Once the registered shareholder has completed voting, he/she can submit his/her votes by sending the voting form to IonEMS.agm@ionics-ems.com. Upon submission, the registered shareholder may no longer change his/her votes.
 5. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 15 June 2022.

B. Other Information

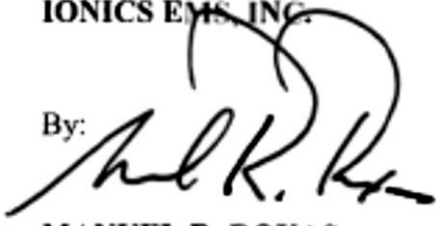
1. Only those shareholders who have completed the registration and verification procedure within the Registration period shall be considered in determining the existence of a quorum. All documents (i.e. government-issued ID, authorization letter, Proxy Form, Secretary’s Certificate) to be submitted must be in a digital format with a file size no larger than 3 megabytes each;
2. The conduct of the 2022 Annual Shareholders’ Meeting will be streamed live. In order to be admitted by the host to the virtual meeting room, please join using your full name, turn-on your camera and mute your microphone.

3. Votes and queries cannot be submitted during the livestream. Registered shareholders may send their queries or comments to IonEMS.agm@ionics-ems.com on or before 15 June 2022.
4. The proceedings will be recorded in video and audio format.

The Company undertakes to provide without charge to each shareholder, upon written request by the shareholder, a copy of the Company's Annual Report (SEC Form 17-A), Audited Financial Statements and Quarterly Report (SEC Form 17-Q) for the First Quarter of 2022, which may also be viewed at the Company's official website. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, at the 19/F BDO Plaza, 8737 Paseo de Roxas, Makati City, Metro Manila.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 18, 2022.

IONICS EMS, INC.
By: 
MANUEL R. ROXAS
Corporate Secretary

ANNEX A

AGENDA

DETAILS AND RATIONALE

1. Call to Order

The Chairman will formally open the 2022 Annual Shareholders' Meeting of Ionics EMS, Inc. (the "Company").

2. Proof of Notice of Meeting

The Corporate Secretary will certify that the Notice was published in the business section of two (2) newspapers of general circulation for two (2) consecutive days in compliance with the requirements of the SEC.

3. Certification of Quorum

The Corporate Secretary will certify as to the existence of a quorum for a valid transaction of business at the Annual Shareholders' Meeting. The shareholders of record, present in person or by proxy, representing a majority of the outstanding capital stock shall constitute a quorum for the transaction of business.

4. Approval of the Minutes of the Previous Meeting

The minutes of the 2021 Annual Shareholders' Meeting is posted on the Company's website. A resolution approving the minutes will be presented to the shareholders for approval.

5. Management Report for the Fiscal Year 2021

The President will present to the shareholders the highlights of the Company in 2021.

6. Ratification of All Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation from the date of the last Annual Shareholders' Meeting to the present

The acts, proceedings and resolutions of the Board of Directors and Officers of the Company will be presented to the stockholders for approval and ratification.

7. Election of Directors

The Corporate Secretary will present to the shareholders the nominees for election to the Board of Directors for the year 2022.

8. Appointment of External Auditors

The appointment of SGV & Co. as the Company's external auditor for the year 2022 will be presented to the shareholders for confirmation and ratification.

9. Adjournment

Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

ANNEX B

List of Directors, Stockholders and Other Individuals who Attended the 2021 Annual Stockholders Meeting Held on 21 May 2021

Board of Directors

Lawrence C. Qua
Raymond Ma. C. Qua
Meliton C. Qua
Virginia Judy Q. Dy
Guillermo D. Luchangco
Monica Siguion Reyna Villonco
Alfredo R. de Borja
Lilia B. de Lima
Medel T. Nera

Stockholders*

Ionics, Inc. (by proxy)

Officers

Judy S. Qua
Ronan R. Andrade
Cesar G. Caubalejo
Earl Qua
Jay Chavez
Val Carandang
Manuel R. Roxas
Krisha F. Villanueva
Rosalina Vicente

Management

Rhose Ann Ballares
Glenn Amazona
Ethel Lao

External Auditor

Dhonabee Seneres

* All members of the Board of Directors are stockholders.

**IONICS EMS, INC.
MANAGEMENT REPORT**

ITEM 1. BUSINESS

Ionics EMS, Inc. (the “Company”)

Ionics EMS, Inc. was incorporated in the Philippines on September 21, 1999 to engage in the electronic manufacturing services (“EMS”) business. It is a subsidiary of Ionics, Inc., the Parent Company, a company incorporated in the Philippines and listed in the Philippine Stock Exchange.

On February 25, 2000, the Company offered its shares of stock to the public and became publicly listed in the Singapore Exchange Securities Trading Limited (“Singapore Exchange”). Low daily turnover and low daily market capitalization prompted the Company to reconsider its continued listing in the Singapore Exchange. Consequently, on March 2, 2010, the Company and its Parent Company jointly announced the proposed voluntary delisting of the Company from the Singapore Exchange. In compliance with the delisting proposal, the Parent Company made a tender offer to purchase common shares issued to the minority stockholders. Subsequently, the Parent Company acquired an additional 104,801,455 shares or 6.72% ownership of the Company. After the required tender offer, the Company had more than two hundred (200) shareholders each holding at least one hundred (100) shares. Thus, the Company is considered a public company as defined under the Securities Regulation Code of the Philippines (“SRC”).

The Parent Company is financially committed to support the Company’s operations.

Ionics-EMS (USA), Inc. (“EMS-USA”)

EMS-USA, a subsidiary of the Company, was incorporated in the United States of America, to engage primarily in design and new product introduction. EMS-USA was organized upon approval of the Board of Directors (“BOD”) on 12 August 2010. The Parent Company invested US\$0.01 million for the initial subscription to the equity shares of EMS-USA.

The Company anticipates that concentration of business in major customers will continue in the foreseeable future.

Line of Business

The Company is a total one-stop shop Electronics Manufacturing Services (“EMS”) provider. Together with its predecessor, Ionics, Inc., the Company has been the EMS solutions provider to some of the world’s biggest Original Equipment Manufacturers (“OEM”) for over 31 years.

There are two general categories of electronics manufacturers or assemblers in the region: the Original Equipment Manufacturer (“OEM”) and the Contract Electronics Manufacturer (“CEM”). OEMs are companies who are leaders in PC, Computer Peripherals, Telecommunications, Consumer Electronics and Automotive Equipment. On the other hand, CEMs are firms involved in the production of electronic items similar to those produced by OEMs. These firms are independent third party manufacturers or assemblers, which do not have any corporate affiliations with their respective customers. CEMs therefore undertake subcontracting work only, and generally provide labor and manufacturing overhead as their basic inputs in the assembly of electronic products.

The Company is classified as a CEM. Most of its end products, therefore, are components and sub-assembly, which are eventually used as input for the finished products of its customers. The Company accommodates most types of electronic manufacturing and assembly projects. Customers

provide the specifications and blue print or prototype of a component or product that they want to be manufactured or assembled and Ionics, Inc. delivers the finished item.

The Company provides “On Consignment” or “Turnkey” manufacturing arrangements to its clients. Under an “On Consignment” arrangement, Ionics, Inc. furnishes labor and manufacturing overhead input, while the product design and raw or input materials are provided by the customer. Under the “Turnkey” arrangement, Ionics, Inc. provides all production input for its clients. The product design, however, is still provided and owned by the client.

In 2002, one of the subsidiaries of Ionics, Inc. successfully offered design services to its customer and added an Original Design Manufacturer (“ODM”) component to its business line.

ITEM 2. DIRECTORS AND OFFICERS

Please refer to Item 5 of the Information Statement.

ITEM 3. MARKET FOR THE COMPANY’S SHARES

MARKET INFORMATION

The Company’s shares are not publicly traded. The Company has voluntarily delisted from the Singapore Stock Exchange on 23 June 2010.

HOLDERS

The Company has approximately 7,207 stockholders as of 31 March 2022, and the total outstanding stocks as of the same date is 1,560,000,000. The top twenty (20) stockholders as of 31 March 2022 are as follows:

Name of Stockholder	Number of Shares	Percentage to Total
1. Ionics, Inc.	1,508,801,439	96.71804096%
2. Uob Kay Hian Pte. Ltd.	996,040	0.063848718%
3. HSBC (Singapore) Noms Pte. Ltd.	660,000	0.042307692%
4. Joshua Foo Soo Teck	650,000	0.041666667%
5. Furong Zhu	625,000	0.040064103%
6. Loh Kok Weng	500,000	0.032051282%
7. Wong Cheong Shek	460,000	0.029487179%
8. Kor Yeong Chin	410,000	0.026282051%
9. Clarence Pong Khai Yun	387,000	0.024807692%
10. Guy Josef Eduard Sterkens	367,000	0.023525641%
11. Tan Kok Keong	365,000	0.023397436%
12. Tan Siew Sim	361,000	0.023141026%
13. Chong Ah Kau	299,000	0.019166667%
14. Tan Heng Weng	296,000	0.018974359%
15. Tjong Lie Ha	290,000	0.018589744%
16. Neo Chwee Goh	280,000	0.017948718%
17. Tan Sil Lin	268,000	0.017179487%
18. Loh Hean Ho	261,000	0.016730769%

19. OCBC Securities Pte. Ltd.	256,000	0.016410256%
20. Goh Seow Kng	253,000	0.016217949%
TOTAL	1,516,785,479	97.2298384%

The Company has not entered into any acquisition, business combination or other reorganization that would affect the amount and percentage of the present holding of the Company's equity owned beneficially by: (i) more than five percent (5%) beneficial owner of Company's common equity; (ii) each director and nominee; and (iii) all directors and officers as a group, and the Company's present commitments to such persons with respect to the issuance of shares.

DIVIDENDS

Dividend payment depends upon the earnings, cash flow and financial condition of the Company. All dividends are subject to the approval of the Company's Board of Directors and in the case of stock dividend, by the Stockholders. In addition, stock or property dividends are subject to the approval of the Securities and Exchange Commission.

The Company has not distributed dividends for the past two (2) years.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

For the past three (3) years, the Company has not sold any unregistered or exempt securities, nor were there any recent issuances of securities constituting an exempt transaction.

ITEM 4. MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT PLAN FOR THE YEAR 2022

2022 is a mix of challenges and opportunities. The Group is focused on building upon the recovery efforts done last year. The main challenge for this year remains to be the global chip shortage. The supply situation is expected to continue throughout the year with some improvements expected in latter part of the year. The Group is working very closely both with component suppliers and customers to mitigate the effects of the shortage thru redesign, sourcing of alternative parts, whole horizon ordering and many other actions.

On the opportunities side, The Group has a healthy pipeline of new customers and robust demand. IEMS continues to attract new customers and there are several new customers in the various stages of qualification and ramp up throughout this year. The Group has established focused teams for new product introduction in order to ensure the successful start of these new customers. For existing customers, there has been a steady stream of new products and/or models also being qualified and ramping up volume production. The Group continues to improve its systems in order to be able to cater to the increasing number of customers and products.

Given the challenge of material availability but at the same time increasing overall demand, The Group's short term operational strategy is to maximize the utilization of existing capacity. This is done by continuously reducing change over times, improving machine availability thru advanced planning and increasing flexibility thru multi-line set-ups.

IEMS plans to enhance its manufacturing capability thru the use of artificial intelligence and machine learning (AI/ML). For 2022, The Group's data science section will roll out AI/ML projects aimed at

improving quality and productivity. The use of AI/ML will be an integral part of IEMS' manufacturing solutions offering in the years to come.

Below are the Consolidated Key Financial Ratios for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Revenue Growth (Decline)	14.06%	(10.29%)
Gross Profit Margins	8.09%	6.03%
Net Income (Loss) Margins	1.45%	(1.08%)
Return on Equity	4.49%	(3.16%)
Current Ratio	1.02:1	1.00:1
Leverage Ratio	0.69:1	0.66:1
Acid Test Ratio	0.39:1	0.49:1
Debt to Equity Ratio	2.61:1	2.75:1
Asset to Equity Ratio	3.61:1	3.75:1
Interest Coverage Ratio	2.81:1	0.34:1

1. Revenue Growth (Decline)

The Revenue Growth (Decline) is computed from current revenue less revenue of the prior year divided by revenue of the prior year. The result is expressed in percentage.

2. Gross Profit Margins

The Gross Profit Margins reflects the management's policies related to pricing and production efficiency. This is computed by dividing gross profit by net sales. The result is expressed in percentage.

3. Net Income (Loss) Margins

The Net Income (Loss) Margins is the ratio of the Company's net income for a given period. This is computed by dividing net income by net sales. The result is expressed in percentage.

4. Return on Equity

Return on Equity ratio is the ratio of the Company's net income to equity. This measures the management's ability to generate returns on their investments. This is computed by dividing net income by total equity

5. Current Ratio

The Current Ratio is the ratio of the Company's current assets to its current obligations. This is computed by dividing current assets by current liabilities.

6. Leverage Ratio

The Leverage Ratio shows the balance that the Company's management has struck between forces of risk versus cost. This is computed by dividing net debt by the sum of total equity and net debt.

7. Acid Test Ratio

Acid Test Ratio is the ratio of the Company's current assets to its current obligations. This is computed by dividing the sum of cash, marketable securities and receivables by current liabilities.

8. Debt to Equity Ratio

The Debt to Equity Ratio indicates the relative proportion of equity and debt used to finance the Company's assets. This is computed by dividing total liabilities by total equity.

9. Asset to Equity Ratio

The Asset to Equity Ratio shows the relationship of the total assets of the Company to the portion owned by shareholders. This indicates the company's leverage (debt) used to finance the Company. This is computed by dividing total assets by total equity.

10. Interest Coverage Ratio

Interest Coverage Ratio is the ratio of the Company's ability to meet its interest payment. This is computed by dividing the sum of income before income taxes and finance costs by finance costs.

As of the filing date, the Management of the Company is not aware of:

- a.) any significant expenditures for products research and development;
- b.) any expected significant change in number of employees;
- c.) any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity;
- d.) any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- e.) all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;
- f.) any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
- g.) any known 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;
- h.) any significant elements of income or loss that did not arise from the issuer's continuing operations; and
- i.) any seasonal aspects that had a material effect on the financial condition or results of operations.

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in pages 6 to 9 of this report.

FINANCIAL PERFORMANCE

CONSOLIDATED RESULTS OF OPERATIONS

FULL YEAR 2021

CONSOLIDATED RESULTS OF OPERATIONS

The Group's revenue increased by 14% from US\$50.373 million in 2020 to US\$57.455 million in 2021, due to increasing customer demands. As a result of the increase in sales, gross profit increased by 53% or US\$1.606 million from US\$3.040 million in 2020 to US\$4.646 million in 2021.

Operating expenses increased by US\$0.362 million from US\$2.662 million in 2020 to US\$3.024 million in 2021 primarily due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US\$0.044 million in 2021 from US\$0.552 million in 2020 due to increase in bank loans for working capital requirements. Net foreign exchange gain was at US\$0.082 million in 2021 due to the impact of depreciation on Peso against US dollars, from a net foreign exchange losses of US\$0.264 million in 2020.

With the foregoing, the Group reported net income of US\$0.831 million in 2021, from a net loss of US\$0.546 million in 2020.

The summarized revenues and net income of the Group for the year ended December 31, 2021 are presented as follows:

(In US Dollars)

COMPANY	<u>REVENUE</u>	<u>NET INCOME(LOSS)</u>
EMS	57,340,898	823,454
EMS-USA	114,542	(45,243)
Eliminating	–	53,115
Consolidated	57,455,440	831,326

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2021, the assets of the Group amounted to US\$66.819 million which is US\$2.048 million higher than the US\$64.771 million as of December 31, 2020. The increase in the Group's total assets was mainly due to the increase in receivables, inventories, advances to suppliers, prepayments and other current assets, financial asset at fair value through other comprehensive income and deferred tax assets.

Current ratio increased to 1.02 for the year ended December 31, 2021 from 1.00 for the period ended December 31, 2020. The Group's liability-to-equity (leverage) ratio increased to 0.69 for the year ended December 31, 2021 from 0.66 for the period ended December 31, 2020.

Below is the summary of Statement of Financial Position accounts with more than 5% increase (decrease):

	December31, 2021	December31, 2020
	%	%
ASSETS		
Cash and cash equivalents	(71)	N/A
Receivables	31	N/A
Contract assets	(23)	N/A
Inventories	54	15
Advances to suppliers	37	258
Prepayment and other current assets	14	N/A
Financial asset at fair value through other comprehensive income (FVOCI)	45	N/A
Property and equipment	(10)	21
Right-of-use assets	(13)	(25)
Refundable deposits	N/A	N/A
Deferred tax assets – net	7	50
LIABILITIES		
Accounts payable and accrued expenses	11	27
Contract liabilities	(31)	N/A
Lease liabilities	(30)	N/A
Bank loans and long-term debt	22	38
Income tax payable	58	(42)
Net pension liability	(18)	28

FULL YEAR 2020

The Group's sales decreased by 10% from US\$56.148 million in 2019 to US\$50.373 million in 2020 due to 50% capacity limitation imposed by the Government during the first half of the year to comply with Covid-19 (ECQ/MECQ) protocols. This has resulted in underutilization of the existing and newly installed capacity. Further, the Group has incurred Covid-related costs in complying with the minimum health standard and Covid-19 protocols. The foregoing has resulted to a lower gross profit of US\$3.04 million 2020 from US\$6.127 million in 2019.

Operating expenses slightly increased from US\$2.602 million in 2019 to US\$2.662 million 2020 due to increase in salaries and benefits. However, finance cost increased due to increase in borrowings for machine acquisition and working capital requirement for new turnkey customers. Net foreign exchange losses were higher at US\$0.264 million from US\$0.090 million due to the impact of appreciation on Peso against US dollar.

With the foregoing, the net loss after tax decreased by 120.50% from a net income of US\$2.663 million in 2019 to a net loss of US\$0.546 million in 2020.

The summarized revenues and net income of the Group for the year ended December 31, 2020 are presented as follows:

COMPANY	(In US Dollars)	
	<u>REVENUE</u>	<u>NET INCOME(LOSS)</u>
EMS	50,307,131	(579,511)
EMS-USA	65,584	(60,985)
Eliminating	–	94,018
Consolidated	50,372,715	(546,478)

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2020, the assets of the Group amounted to US\$64.771 million which is US\$5.461 million higher than the US\$59.310 million as of December 31, 2019. The increase in the Group's total assets was due to the increase in inventories, prepayments and other current assets, investment, available-for sale, plant, property and equipment, deferred tax assets.

Current ratio decreased to 1.00 for the year ended December 31, 2020 from 1.08 for the period ended December 31, 2019. The Group's liability-to-equity (leverage) ratio increased to 0.66 for the year ended December 31, 2020 from 0.61 for the period ended December 31, 2019.

Below is the summary of Statement of Financial Position accounts with more than 5% increase (decrease):

	December31, 2020 %	December31, 2019 %
ASSETS		
Cash and cash equivalents	N/A	15
Contract assets	N/A	197
Inventories	15	(11)
Prepayment and other current assets	189	14
Financial asset at fair value through other comprehensive income (FVOCI)	N/A	12
Property and equipment	21	10
Right-of-use assets	(25)	100
Refundable deposits	N/A	42
Deferred tax assets – net	50	100
LIABILITIES		
Accounts payable and accrued expenses	27	26
Contract liabilities	N/A	36
Lease liabilities	N/A	100
Bank loans and long-term debt	38	8
Income tax payable	(42)	N/A
Net pension liability	28	27

2019

The summarized sales and net income (loss) of the Group for the year ended December 31, 2019 are presented as follows:

COMPANY	REVENUE	NET INCOME(LOSS)
EMS	55,620,856	2,682,367
EMS-USA	527,055	(32,051)
Eliminating	–	12,105
Consolidated	56,147,911	2,662,420

The Group's posted an 8.03% revenue growth in 2019 at US\$56.148 million vis-à-vis US\$51.973 million in 2018. As a result, the gross profit increased to US\$6.127 million from US\$5.768 million in 2018.

Operating expenses were lower at US\$2.602 million from US\$2.938 million of the previous year due to nil impairment of receivable in 2019. However, finance cost and net foreign exchange losses increased to US\$0.550 million from US\$0.159 million due to increase in borrowings for machine acquisition and impact of peso appreciation on peso denominated pension liability.

Summing up the foregoing, the net income after tax increased by 12.13% to US\$2.663 million in 2019 from the US\$2.375 million of 2018.

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2019, the assets of the Group amounted to US\$59.310 million which is US\$10.894 million higher than the US\$48.416 million as of December 31, 2018. The increase in the Group's total assets was due to the increase in cash and cash equivalents, contract asset, prepayments and other current assets, investment, available-for sale, right of use assets, plant, property and equipment, deferred tax assets and refundable deposits.

Current ratio decreased to 108% for the year ended December 31, 2019 from 113% for the period ended December 31, 2018. The Group's liability-to-equity (leverage) ratio increased to 0.61:1 for the year ended December 31, 2019 from 0.58:1 for the period ended December 31, 2018.

Below is the summary of Statements of Financial Position accounts with 5% or more increase (decrease):

	December 31, 2019	December 31, 2018
	%	%
ASSETS		
Cash and cash equivalents	15	132
Receivables	N/A	(28)
Contract assets	197	100
Inventories	(11)	15
Prepayment and other current assets	14	(17)
Deferred tax asset	100	N/A
Property and equipment	10	(19)
Right-of-use assets	100	N/A
Refundable deposits	42	N/A

Investment, available-for-sale	12	(5)
LIABILITIES		
Accounts payable and accrued expenses	26	(5)
Contract liabilities	36	(7)
Bank loans and finance lease liability	91	(23)
Income tax payable	N/A	(50)
Net pension liability	27	(19)
Deferred tax liability	3873	100

2021

Cash decreased due to net cash flows used in operations to finance the increase in raw materials. Receivables increased due to receivables for materials bought back by customer towards the end of Q3 2021. Contract assets decreased due to lower level of work-in-process and finished goods accounted under PFRS 15. Inventories increased due to push-out of production activity resulting from longer material lead time of critical components due to global material shortage impacting the industry. The increase in advances to suppliers was attributable to the advance payment made for material ordering. The increase in prepayments and other current assets is due to the annual renewal of insurance of machine and equipment and other prepayments. Financial asset at FVOCI increased due to the recognized gain on fair value changes in the club share. Property and equipment decreased due to depreciation for the period. Right-of-use assets (ROU) decreased due to amortization for the period. Deferred tax assets - net increased mainly due to unamortized PAS service cost recognition. The increase in accounts payable and accrued expenses is attributable to the increase in inventory level. Contract liabilities decreased due to return of customers' advance payment and application against receivables. Lease liabilities decreased due to payment of amortization for the period. Net pension liability decreased due to number of eligible members who reached the normal retirement age. Income tax increased due to provision of income tax during the period.

2020

Inventory increased due to build-up of inventory for new turnkey customers. The increase in prepayments and other current assets was due to the increase in advance payments to suppliers for material ordering for new turnkey customers. Financial asset at FVOCI increased due to the recognized gain on fair value changes in the club share. Property and equipment increased due to acquisitions made during the year and the reclassification of certain machineries and equipment from right-of-use assets upon full payment of lease liabilities. Right-of-use assets (ROU) decreased due to reclassification to PPE of certain machineries and equipment in which lease liabilities are already paid in full. Deferred tax assets - net increased due to adoption of PFRS 16, *Leases*. The increase in accounts payable and accrued expenses was attributable to the purchase of raw materials to be used in the production and expenses resulting from delayed billing of service providers. Lease liabilities decreased due to payment of machinery and equipment. Bank loans and long-term debt increased due to renewal of its working capital loans during the period. The decrease in income tax payable was due to net loss for the period. Net pension liability increased due to actuarial valuation report.

2019

Cash increased due to cash flows generated from operations net of acquisition of machinery and payment of finance lease and bank loans. Contract assets under PFRS 15 increased as a result of the over-time recognition primarily coming from the relatively higher volume of either in-progress or completed units but not yet delivered and billed as of the reporting period. Inventory decreased due to buyback of materials and raw materials converted into finished goods. The increase in prepayments and other current assets was due to the increase in advance payments to suppliers for material ordering and renewal of IT maintenance agreement amortized over the contracted period. Deferred tax asset increased due to adoption of PFRS 16, *Leases*. Property and equipment increased due to acquisitions made during the year. Right-of-use assets (ROU) increased mainly due to the adoption of PFRS 16, recognized from lease contracts in 2019. Refundable deposits increased mainly due to additional security deposits and advance rental paid to the new Plant. Financial asset at FVOCI increased due to recognized gain on fair value changes in the club share. The increase in accounts payable and accrued expenses was attributable to the purchase of raw materials. Banks notes and lease liabilities increased due to adoption PFRS 16 in 2019. The increase in contract liabilities was due to additional advance payments made by customers. Net pension liability increased due to additional accrual for the year. Deferred tax liability increased due to adoption of PFRS 16, *Leases*.

ITEM 5. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Please refer to Item 7 of the Information Statement. There have been no unresolved disagreements with the independent accountant.

ITEM 6. CORPORATE GOVERNANCE

(a) Evaluation, Appraisal and Performance Report System

The Compliance Officer is in charge of evaluating the level of compliance of the Board of Directors and top-level management of the Corporation. Leading practices on good corporate governance serve as criteria to properly appraise the performance of the members of the Board of Directors and evaluate the Company's compliance with the Code of Corporate Governance for Public Companies and Registered Issuers.

(b) Compliance Report

Measures, such as periodic review and evaluation of internal guidelines and practices, are undertaken by the Company to fully comply with the adopted leading practices on good corporate governance. The directors and key officers of the Company also participate in corporate governance seminars.

The Company will submit its Annual Corporate Governance Report pursuant to

Memorandum Circular No. 13 series of 2021 in June 2022.

(c) *Deviations*

There were no material deviations from the Company's Amended Manual of Corporate Governance which would necessitate the imposition of sanctions.

(d) *Plan to improve*

The Company continues to improve its Corporate Governance when appropriate and warranted, in its best judgment. On 02 July 2020, the Board of the Directors approved the amendments to the Manual of Corporate Governance of the Company. The Amended Manual was submitted to the SEC on 09 July 2020.

As part of continuing education in corporate governance, the directors and key management officials attended the Corporate Governance Seminar with the topic "Third-Party Risk Management and Reimagined Workforce" conducted by SGV & Co. on 14 December 2021.

ITEM 7. UNDERTAKING TO PROVIDE ANNUAL REPORT

Ionics EMS, Inc. undertakes to provide without charge to each stockholder, upon written request by the shareholder, a copy of the Company's Annual Report (SEC Form 17-A), Audited Financial Statements and Quarterly Report (SEC Form 17-Q) for the First Quarter of 2022, which may also be viewed at the Company's official website. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, 19th Floor BDO Plaza, 8737 Paseo de Roxas, Makati City.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Ionics EMS, Inc. and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor, appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

[Signature]
LAWRENCE C. QUA
President & Chief Executive Officer

[Signature]
RAYMOND C. QUA
Senior Vice President-Treasurer & Compliance Officer

[Signature]
RONAN R. ANDRADE
Chief Finance Officer

Signed this 9th day of March, 2022

APR 07 2022 MAKATI CITY

SUBSCRIBED AND SWORN to before me this ___ day of ___ affiants exhibiting to me their Passport as follows:

Table with 4 columns: NAMES, PASSPORT NO., DATE OF ISSUE, PLACE OF ISSUE. Rows include Ronan R. Andrade, Lawrence C. Qua, and Raymond C. Qua.

Doc. No. 306
Page No. 63
Book No. VI
Series of: 2022

[Signature]
ATTY. KAREN L. DIALINO
Notary Public until 31 December 2023
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 8853326, Makati City, 03 January 2022
IBP No. 170525, Makati, 16 December 2021
Roll No. 62561, Appointment No. M-039
MCLE Compliance No. VII-0000030, 10 June 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Ionics EMS, Inc. and Subsidiary
Circuit Street, Light Industry and Science Park of the Philippines-I
Bo. Diezmo, Cabuyao City, Laguna, Philippines

Opinion

We have audited the consolidated financial statements of Ionics EMS, Inc. and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

Tax Identification No. 201-959-816

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 97133-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-098-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854369, January 3, 2022, Makati City

March 9, 2022



IONICS EMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 5, 6, 7 and 8)	US\$2,574	US\$8,925
Receivables (Notes 4, 5, 6 and 9)	14,255	10,876
Contract assets (Notes 4, 5 and 10)	2,830	3,689
Inventories (Notes 4 and 11)	21,251	13,778
Advances to suppliers (Note 4)	3,413	2,500
Prepayments and other current assets (Note 4)	307	270
Total Current Assets	44,630	40,038
Noncurrent Assets		
Financial asset at fair value through other comprehensive income (FVOCI) (Notes 5 and 6)	19	13
Property and equipment (Notes 4 and 12)	17,288	19,178
Right-of-use assets (Notes 4, 21 and 22)	4,375	5,044
Refundable deposits (Notes 5, 6 and 21)	494	486
Deferred tax assets - net (Notes 4 and 23)	13	12
Total Noncurrent Assets	22,189	24,733
	US\$66,819	US\$64,771
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 5, 6, 7, 13 and 21)	US\$14,562	US\$13,124
Advances from related parties (Notes 5, 6, 7 and 21)	14,564	14,864
Contract liabilities (Note 10)	1,111	1,601
Current portion of bank loans and long-term debt (Notes 5, 6, 7 and 14)	11,865	8,845
Current portion of lease liabilities (Notes 3, 5, 6, 7, 21 and 22)	1,416	1,568
Income tax payable	71	45
Total Current Liabilities	43,589	40,047
Noncurrent Liabilities		
Bank loans and long-term debt - net of current portion (Notes 5, 6, 7 and 14)	65	929
Lease liabilities - net of current portion (Notes 3, 5, 6, 7, 21 and 22)	1,894	3,154
Net pension liability (Notes 4 and 24)	2,752	3,368
Total Noncurrent Liabilities	4,711	7,451
Total Liabilities	US\$48,300	US\$47,498

(Forward)



	December 31	
	2021	2020
Equity (Note 7)		
Capital stock (Note 15)		
Common stock	US\$7,695	US\$7,695
Preferred stock	4,845	4,845
Additional paid-in capital	2,114	2,114
Other reserves (Note 24)	(836)	(1,246)
Unrealized loss on financial asset at FVOCI	5	-
Retained earnings (Note 15)	4,696	3,865
Total Equity	18,519	17,273
	US\$66,819	US\$64,771

See accompanying Notes to Consolidated Financial Statements.



IONICS EMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings (loss) per Share)

	Years Ended December 31		
	2021	2020	2019
REVENUE (Note 25)			
Revenue from contracts with customers	US\$57,455	US\$50,373	US\$56,134
Rental income (Note 22)	–	–	14
	57,455	50,373	56,148
COSTS OF SALES AND RENTAL SERVICES			
Cost of sales (Notes 3, 16 and 22)	52,809	47,333	50,013
Cost of rental services (Notes 17 and 22)	–	–	8
	52,809	47,333	50,021
GROSS PROFIT	4,646	3,040	6,127
OPERATING EXPENSES (Notes 18 and 22)	3,024	2,662	2,602
INCOME BEFORE OTHER INCOME (EXPENSES)	1,622	378	3,525
OTHER INCOME (EXPENSES)			
Finance costs (Notes 14, 19 and 22)	(596)	(552)	(449)
Others - net (Note 20)	52	(191)	(101)
	(545)	(743)	(550)
INCOME (LOSS) BEFORE INCOME TAX	1,078	(365)	2,975
PROVISION FOR INCOME TAX (Note 23)	247	181	312
NET INCOME (LOSS)	831	(546)	2,663
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan (Note 24)	410	(257)	(365)
Unrealized gain on financial asset at FVOCI	5	1	1
	415	(256)	(364)
TOTAL COMPREHENSIVE INCOME (LOSS)	US\$1,246	(US\$802)	US\$2,299
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 26)	US\$0.0004	(US\$0.0004)	US\$0.0016

See accompanying Notes to Consolidated Financial Statements.



IONICS EMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

For the year ended December 31, 2021							
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 24)	Unrealized Gain (Loss) on Financial Asset at FVOCI	Retained Earnings (Note 15)	Total
Balances at beginning of year	US\$7,695	US\$4,845	US\$2,114	(US\$1,246)	(US\$–)	US\$3,865	US\$17,273
Net income	–	–	–	–	–	831	831
Unrealized gain on financial asset at FVOCI	–	–	–	–	5	–	5
Remeasurement gain on retirement plan (Note 24)	–	–	–	410	–	–	410
Total comprehensive income	–	–	–	410	5	831	1,246
Balances at end of year	US\$7,695	US\$4,845	US\$2,114	(US\$836)	US\$5	US\$4,696	US\$18,519

For the year ended December 31, 2020							
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 24)	Unrealized Gain (Loss) on Financial Asset at FVOCI	Retained Earnings (Note 15)	Total
Balances at beginning of year	US\$7,695	US\$4,845	US\$2,114	(US\$989)	(US\$1)	US\$4,411	US\$18,075
Net loss	–	–	–	–	–	(546)	(546)
Unrealized gain on financial asset at FVOCI	–	–	–	–	1	–	1
Remeasurement loss on retirement plan (Note 24)	–	–	–	(257)	–	–	(257)
Total comprehensive income (loss)	–	–	–	(257)	1	(546)	(802)
Balances at end of year	US\$7,695	US\$4,845	US\$2,114	(US\$1,246)	US\$–	US\$3,865	US\$17,273

For the year ended December 31, 2019							
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 24)	Unrealized Gain (Loss) on Financial Asset at FVOCI	Retained Earnings (Note 15)	Total
Balances at beginning of year, as previously presented	US\$7,695	US\$4,845	US\$2,114	(US\$624)	(US\$2)	US\$1,812	US\$15,840
Impact of adoption of PFRS 16	–	–	–	–	–	(64)	(64)
Balances at beginning of year, as restated	7,695	4,845	2,114	(624)	(2)	1,748	15,776
Net income	–	–	–	–	–	2,663	2,663
Unrealized gain on financial asset at FVOCI	–	–	–	–	1	–	1
Remeasurement loss on retirement plan (Note 24)	–	–	–	(365)	–	–	(365)
Total comprehensive income (loss)	–	–	–	(365)	1	2,663	2,299
Balances at end of year	US\$7,695	US\$4,845	US\$2,114	(US\$989)	(US\$1)	US\$4,411	US\$18,075

See accompanying Notes to Consolidated Financial Statements.



IONICS EMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	US\$1,078	(US\$365)	US\$2,975
Adjustments for:			
Depreciation and amortization (Notes 12, 16, 17, 18 and 22)	4,436	3,974	4,551
Finance costs (Notes 14, 19 and 22)	596	552	449
Movement in net pension liability (Note 24)	(206)	470	200
Interest income (Notes 8 and 20)	(4)	(3)	(25)
Operating income before changes in working capital	5,900	4,628	8,150
Changes in working capital:			
Decrease (increase) in:			
Receivables	(3,379)	(5)	(359)
Contract assets	859	(50)	(2,413)
Inventories	(7,473)	(1,754)	1,430
Advances to suppliers	(913)	(1,802)	8
Prepayments and other current assets	(37)	(7)	(128)
Increase (decrease) in:			
Accounts payable and accrued expenses	1,459	2,770	2,131
Contract liabilities	(490)	(59)	441
Net cash provided from (used in) operations	(4,074)	3,721	9,260
Income taxes paid	(222)	(218)	(324)
Interest received (Notes 8, 9 and 20)	4	15	13
Net cash provided by (used in) operating activities	(4,292)	3,518	8,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Notes 12 and 14)	(1,548)	(3,978)	(5,029)
Increase in refundable deposits	(8)	(18)	(140)
Proceeds from sale of property and equipment	19	-	-
Net cash used in investing activities	(US\$1,537)	(US\$3,996)	(US\$5,169)

(Forward)



	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of (Note 5):			
Commercial loans	US\$25,000	US\$16,000	US\$8,000
Bank loans	12	58	80
Payments of (Note 5):			
Commercial loans	(22,000)	(12,000)	(8,000)
Principal portion of lease liabilities	(1,760)	(1,898)	(1,797)
Long-term debt	(777)	(755)	(433)
Bank loans	(79)	(65)	(54)
Interest on bank loans, long-term debt and lease liabilities (Notes 14, 19 and 22)	(618)	(542)	(426)
Advances from related parties	(300)	(100)	-
Net cash provided by (used in) financing activities	(522)	698	(2,630)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(6,351)	220	1,150
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	8,925	8,705	7,555
CASH AND CASH EQUIVALENT AT END OF YEAR (Note 8)	US\$2,574	US\$8,925	US\$8,705

See accompanying Notes to Consolidated Financial Statements.



IONICS EMS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Par Value per Share and Earnings per Share)

1. Corporate Information

Ionics EMS, Inc. (the Parent Company) was incorporated on September 21, 1999 in the Philippines to engage in the electronic manufacturing services (EMS) business. It is a subsidiary of Ionics, Inc. (the Ultimate Parent Company), a domestic corporation incorporated in the Philippines and listed in the Philippine Stock Exchange.

The Parent Company is engaged in the manufacture of printed circuit board (PCB) assembly, box build assembly (finished product assembly), disk drive magnetic head assembly, systems and subsystems assembly, as well as design and testing services.

In 2010, Ionics EMS (USA), a wholly-owned subsidiary, was incorporated in the United States of America, primarily to engage in designing and introducing new product.

The Parent Company's principal place of business and registered address is at Circuit Street, Light Industry & Science Park of the Philippines-I, Bo. Diezmo, Cabuyao City, Laguna.

The consolidated financial statements of the Group were authorized for issue by the Board of Directors (BOD) on March 9, 2022.

2. Registrations with the Philippine Economic Zone Authority (PEZA)

The Parent Company's registrations with PEZA are as follow:

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
1. Manufacture of Attenti Tracking Device	March 10, 2020	Inclusion	Gross income tax incentive starting March 10, 2020
2. ReGrow Helmet Low Level Light Therapy Device	February 22, 2019	Inclusion	Gross income tax incentive starting Feb. 22, 2019
3. Assembly of Smart Pill Cap	October 08, 2019	New project	Gross Income Tax starting October 2019
4. Assembly of Car Charger	November 07, 2019	New Project	Gross Income Tax starting November 2019
5. Assembly of Server Adapter	November 19, 2019	New Project	Gross Income Tax starting November 2019
6. Buddee Smart Plug fabrication	March 21, 2018	Inclusion	Gross income tax incentive starting March 21, 2018
7. Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Inclusion	Gross income tax incentive starting August 22, 2018
8. Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Inclusion	Gross income tax incentive starting July 24, 2017
9. Manufacture of LCD and touch panel for mobile phone*	February 24, 2017	New Project	Four-year ITH starting February 2017
10. Server repair and Upgrade	January 30, 2017	New Project	Gross income tax incentive starting January 2017
11. Manufacture of T-Mark 340 AC	December 29, 2016	New Project	Gross income tax incentive starting September 2016

(Forward)



Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
12. Manufacture of Afimilk Tags	July 28, 2016	New Project	Gross Income tax incentive starting July 2016
13. Manufacture of Nano Nozzle Reader	July 28, 2016	New Project	Gross Income tax incentive starting July 2016
14. Manufacture of PCBA for Printer	February 15, 2016	New Project	Gross income tax incentive starting February 2016
15. Manufacture of Quantum	February 15, 2016	New Project	Gross income tax incentive starting February 2016
16. WI butler*	March 21, 2016	New project	Four-year ITH starting March 2016
17. Electronic Door Lock System*	March 21, 2016	New project	Four-year ITH starting March 2016
18. LCD Projector w/ Power Supply*	July 06, 2015	New project	Four-year ITH starting July 2015
19. Manufacture of tracking device	October 07, 2014	New Project	Gross Income tax incentive starting Oct 2014
20. Portable/mobile two-way radio communication equipment	July 23, 2013	New project	Gross Income tax incentive starting July 2013
21. XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Four-year ITH starting June 2012
22. Mobile Display Device*	June 22, 2012	New project	Four-year ITH starting December 2009
23. Dual Port Gigabit Ethernet Bypass Adapter*	May 31, 2011	New project	Three-year ITH starting June 2011
24. Pole Cabinets*	March 31, 2011	New project	Four-year ITH starting June 2011
25. Video Conference System*	March 1, 2011	New project	Three-year ITH starting March 2011
26. Optical Network Terminal*	February 15, 2010	New project	Four-year ITH starting March 2010
27. Manufacturing of Plug Computer*	October 28, 2009	New project	Four-year ITH starting December 2009
28. T2 Wi-Fi Tag*	March 16, 2009	New project	Four-year ITH starting October 2008
29. Electronic Communicator and Controller Module (ECCM)*	May 13, 2009	New project	Four-year ITH starting March 2009
30. PV-Max Master*	March 13, 2008	New project	Four-year ITH starting May 2008
31. Re-manufacture of Mobile Phones*	November 28, 2008	New project	Four-year ITH starting December 2008
32. Design and Development*	January 06, 2005	Registration Agreement	Four-year ITH starting July 2003
33. RF Tuners and Amplifiers*	May 23, 2005	New project	Four-year ITH starting June 2005
34. ROHS Flex Cable Assembly*	October 13, 2005	New project	Four-year ITH starting October 2005
35. Optics Telecommunication*	November 28, 2005	New project	Four-year ITH starting January 2006
36. Power Controller of Beard Trimmer with Saft NiCD and Sanyo NiMH Rechargeable Battery*	December 09, 2004	New project	Four-year ITH starting December 2004
37. Electronic Car Dashboard Assembly*	June 12, 2003	New project	Four-year ITH starting June 2003
38. Power Over LAN Assembly*	September 30, 2003	New project	Three-year ITH starting October 2003
39. Hi-Focus Asymmetrical Digital Subscriber Line (ADSL) Broadband Access System*	September 21, 2000	New Project	Four-year ITH starting October 2000

*ITH incentives for these product lines have already expired as of December 31, 2021.



The above registrations also entitle the Parent Company to other incentives which include, among others, the duty-free importation of raw materials and capital equipment.

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. Under the sunset provision of CREATE, registered business enterprises with incentives granted prior to the effectivity of CREATE are given a 10-year transitory period. Existing registered activities granted only an ITH will be permitted to continue the remaining ITH period. On the other hand, existing registered activities granted either an ITH and 5% gross income tax (GIT), or are currently receiving the 5% GIT, will be able to enjoy a 10-year 5% GIT. After the expiration of such 10-year 5% GIT transition period, existing registered export enterprises may reapply if there are new or expansion projects and enjoy the special corporate income tax (SCIT) for 10 years, subject to certain conditions and performance reviews, and without further extension.

3. Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial asset at FVOCI which have been measured at fair value. The Parent Company’s functional currency and the Group’s presentation currency is the United States (US) Dollar (\$). All amounts are rounded to the nearest thousand US\$ (US\$000), except for earnings per share and par value information or unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021 and 2020, and each of the three years in the period ended December 31, 2021.

A subsidiary is an entity which the Group, directly or indirectly controls. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investees. Specifically, the Group controls the investee if, and only if, the Group has:

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

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

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



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

All intra-group balances, transactions, income and expenses including unrealized profits are eliminated in full upon consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over subsidiary, it derecognized the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

The financial statements of the subsidiary are prepared in the same reporting year as the Parent Company, using consistent accounting policies.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except for the adoption of the following new standards which became effective beginning January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and impact of each new standard and amendment are described below:

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

The amendments provide certain relief to lessees from applying PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the prescribed criteria.

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

These amendments have no impact on the consolidated financial statements as there are no rent concession granted to the Group as a lessee.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments provide certain temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR) and the required disclosures.

This amendment did not have significant impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.



Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group will consider the effects on the consolidated financial statements as these become effective and applicable.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.



A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

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

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

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

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

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

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

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

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

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



Recognition and Measurement of Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date is the date that the Group commits to purchase or sell an asset.

Financial assets

a. Initial recognition

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or financial assets at fair value through profit or loss (FVTPL).

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

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

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

As of December 31, 2021 and 2020, the Group's financial assets comprise of financial assets at amortized cost and financial asset designated at FVOCI with no recycling of cumulative gains or losses upon derecognition (equity instruments).

b. Subsequent measurement - Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

As of December 31, 2021 and 2020, the Group classified cash, receivables (excluding advances to managers and employees), and refundable deposits as financial assets at amortized cost.



- c. Subsequent measurement - Financial asset designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instrument).

Upon initial recognition, the Group can elect to classify irrevocably its proprietary club share as equity instrument designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on this financial asset are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instrument designated at fair value through OCI is not subject to impairment assessment.

As of December 31, 2021 and 2020, the Group elected to classify irrevocably its proprietary club share under this category.

Financial liabilities

- a. Initial recognition

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

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

As of December 31, 2021 and 2020, the Group's financial liabilities comprise of financial liabilities at amortized cost and other financial liabilities.

- b. Subsequent measurement - Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized under the "Others - net" account in the consolidated statement of comprehensive income when the liabilities are derecognized or impaired, and through the "Finance costs" account when the gains and losses are amortized. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method.

This accounting policy applies to the Group's accounts payable and accrued expenses, advances from related parties, bank loans, lease liabilities, and long-term debt, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as net pension liability, income tax payable, and other statutory liabilities).

Impairment of Financial Assets and Contract Assets

The Group recognizes an allowance for Estimated Credit Losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



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

The Group uses a provision matrix which is based on historical observed default rate or losses and adjusted by forward-looking estimate. Primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on inflation and changes in Gross Domestic Product (GDP) rates were added to the expected losses calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default, historical data of three (3) years for the origination, and default date. The Group considers trade receivables in default when contractual payments are 150 days past due. However, in certain cases, the Group may also consider a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements made by the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognized impairment loss is increased or reduced by adjusting the allowance account and crediting 'Recovery of impairment losses' or debiting 'Provision for impairment losses' in the consolidated statement of comprehensive income.

The probability of default is applied to the estimate of the loss arising in default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive. For purposes of calculating loss given default, accounts are segmented based on geographical location of customers.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The customer receives a follow up communication from management and does not continue the payments and management performs account analysis to determine action steps to recover from defaulted customer (i.e., charging of interest, implementing buyback provision, etc.).

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty.

These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant/s
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently throughout the Group's expected credit loss calculation.



For the Group's cash and refundable deposits measured at amortized cost, the general approach for measuring expected credit losses was applied.

For refundable deposits, ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for expected credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Group uses the ratings published by a reputable rating agency.

Derecognition of Financial Instruments

Financial assets

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

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

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.



Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs of purchased raw materials, spare parts and supplies are stated at invoice value determined using the first-in, first-out (FIFO) method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and marketing costs.

In determining the NRV, the Group considers factors such as the aging and future demand of the inventory, contractual arrangements with customers and the Group's ability to redistribute inventory to other products or return inventory to suppliers. In the event that NRV is lower than cost, the decline shall be recognized as part of cost of sales in the consolidated statement of comprehensive income.

Prepayments and Other Assets

Prepaid expenses are amounts paid in advance for goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within its normal operating cycle or within 12 months from end of reporting period. These are measured at amortized cost less any impairment loss.

Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. If assets are expected to be realized within 12 months from end of reporting period, these are classified as current. Otherwise, these are classified as noncurrent.

Advances to Suppliers

Advances to suppliers represents advance payments made to suppliers for the purchase of direct goods and services that are yet to be delivered and are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets has cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Current and noncurrent classification is determined based on the determined usage/realization of the asset to which it is intended for (e.g., inventory and property and equipment).

Property and Equipment

Property and equipment, except construction-in-progress, are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent replacement costs of parts of the property and equipment are capitalized when the recognition criteria are met.

Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Depreciation is computed using the straight-line method over the estimated useful life (EUL) of the asset as follows:

	Years
Machinery and equipment	5-10
Tools and other equipment	5
Airconditioning equipment	5
Furniture, fixtures and equipment	5
Transportation equipment	5
Building improvements	5



The cost of the leasehold improvements is amortized over the lease term or EUL of the improvements of seven (7) years, whichever is lower.

The EUL and the depreciation and amortization methods are reviewed at each financial year-end to ensure that the period and the methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units (CGUs) are written down to their recoverable amounts (see Accounting Policy on Impairment of Nonfinancial Asset).

Construction-in-progress is stated at cost and shall be depreciated using the straight-line method when the development is completed, or the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized and the cost and the related accumulated depreciation, and any impairment in value, are removed from the accounts.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the nonfinancial assets (e.g., property and equipment, right-of-use assets, advances to suppliers and prepayments and other current assets) may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the Group's consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.



That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Foreign Exchange Transactions and Translation

Transactions in foreign currencies are recorded using the exchange rate at the date of transactions. Foreign exchange gains or losses arising from foreign currency transactions and revaluation adjustments of foreign currency assets and liabilities are credited to or charged against current operations. Monetary assets and liabilities denominated in foreign currencies are translated using the foreign exchange rate prevailing at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged to retained earnings (deficit).

Other Comprehensive Income

OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRSs.

Retained Earnings

Retained earnings represents the accumulated earnings (losses) of the Group and any adjustment arising from application of new accounting standards, policies or correction of errors applied retrospectively, less any dividend. The accumulated earnings of the subsidiary included in the consolidated retained earnings are available for dividend declaration when these are likewise declared as dividends by the subsidiary as approved by their respective BOD.

Earnings (Loss) Per Share (EPS)

Basic earnings (loss) per share is computed by dividing net income (loss) applicable to common stock (consolidated net income/loss less dividends on preferred stock) by the weighted average number of common shares issued and outstanding during the year, after giving retrospective adjustment to any stock dividend declared or stock split made during the year.

Diluted EPS is calculated by dividing the consolidated net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.



Revenue and Cost Recognition

a) Revenue from contracts with customers

The Group is in the business of providing electronic manufacturing and other related services to various customers. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. Revenue is measured at the fair value of the consideration received or receivable, excluding any output VAT, discounts and returns, if applicable.

Manufacturing of goods

The Group provides manufacturing services in accordance with the customer's specifications. The Group promises to provide a combined performance obligation comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging.

Contracts with customers are generally classified as turnkey or consignment. In a turnkey contract, the Group procures the materials and provides the assembly services to the customer. In a consignment contract, the Group only provides assembly services to the customer.

For turnkey contracts, revenue is recognized over time since the products created have no alternative use to the Group and the Group has right to payment for performance completed to date, including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised.

For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.

The Group determined that the input method is the appropriate method in measuring progress for revenue recognized as over time because there is a direct relationship between the Group's effort (i.e., actual cost incurred) and the transfer of service or goods to the customer. For both turnkey and consignment contracts, payment of the transaction price is due 30 to 90 days upon billing.

Cost of sales is recognized consistent with the revenue recognition method applied. This includes all expenses associated with the manufacturing of goods and indirect costs related to the contract performance such as materials and supplies used, direct labor and overhead costs related to production.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., customer options that provide material rights to customers, warranties). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to customer, if any.

Transportation and shipping costs associated with the transfer of the product to the point of sale is recognized as a selling cost under "Cost of Sales" in the statement of comprehensive income.



Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

The Group's contracts with its customers are short-term in nature. Using the practical expedient under PFRS 15, the Group does not adjust the promised amount of consideration of the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one (1) year or less.

b) Contract balances

Contract assets

Contract asset represents the entity's right to payment for services already transferred to a customer if that right to payment is conditional on something other than the passage of time. Contract assets are reclassified as a receivable when the entity's right to payment is unconditional.

Contract liabilities

A contract liability is the amount of consideration paid by the customers or if the entity has a right to consideration that is unconditional, before the good or service is transferred to the customer. This represents the obligation to transfer goods or services to a customer for which consideration has been received.

Costs to obtain a contract

The Group pays sales commission to its marketing agents for each contract that they obtain. The Group has elected to apply the allowed practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under operating expenses) because the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

Other Income Recognition

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms of ongoing leases.

Interest income

Interest income is recognized as interest accrues taking into account the effective yield on the asset. Interest income is included in the "Others - net" account in the consolidated statement of comprehensive income.

Other Costs and Expenses

Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Costs and expenses are generally recognized when incurred and measured at the fair value of the consideration paid or payable.



The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of rental services

Cost of rental services includes all direct expenses associated with operating leases. This includes depreciation, occupancy costs and utilities and other expenses related to these services.

Operating expenses

Operating expenses constitute costs which are directly related to selling, advertising and delivery of goods to customers, and costs of administering the business.

Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rent is recognized as revenue in the period it is earned.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term lease. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets (if depreciable).

Depreciation is computed using the straight-line method over the EUL of the asset as follows:

	Years
Machinery and equipment	5-10
Building	5

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are subject to impairment. Refer to the accounting policies on impairment of nonfinancial assets.



b) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Short-term leases

The Group applies the short-term lease recognition exemption to its leases that have lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Employee Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account “Remeasurement gain (loss) on retirement plan” are not reclassified to another equity account in subsequent periods.

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

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Borrowing Costs

Borrowing costs are capitalized if these are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities for the asset’s intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. These include interest charges and other related financing charges incurred in connection with the borrowing of funds. Other borrowing costs are expensed as incurred.



Income Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax

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

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

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred income tax relating to items recognized in OCI or directly in equity is recognized in the consolidated statement of comprehensive income and consolidated statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

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

Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) and is subject to risks and rewards that are different from other segments. The BOD is the chief operating decision maker. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD.



Events After the Reporting Period

Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the reporting date (adjusting events) is reflected in the consolidated financial statements. Any post year-end event that is not adjusting event is disclosed in the notes to consolidated financial statements when material.

4. Significant Accounting Judgments Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, at the reporting date. The judgments, estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Revenue from contracts with customers

- Identifying contracts with customers
Generally, a valid and approved Manufacturing Service Agreement (MSA), tooling and sourcing agreements, customer forecast, and/or customer purchase order will be in place before the Group provides services or manufacture goods for the customers. The Group is not obligated to transfer any goods or provide services until the customer submits a Purchase Order under the MSA, respectively. The Purchase Order creates the enforceable rights and obligations and is therefore evaluated together with the MSA for revenue recognition in accordance with PFRS 15.
- Determining the timing of revenue recognition
The Group assessed that revenue from manufacturing of goods shall be recognized over time. For turnkey contracts wherein the products created have no alternative use to the Group and the Group has right to payment for performance completed to date, including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised, revenue is recognized over time. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.
- Determining the measure of progress for revenue recognized over time
The Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.



Determination of functional currency

The Group has revenue and costs and expenses denominated in various currencies, mainly in US Dollar and Philippine Peso. The entities within the Group determines the functional currency based on economic substance of underlying circumstances relevant to each entity within the Group. The Parent Company and USA determined that the functional currency is the US dollar since its revenues and expenses are substantially denominated in US Dollar.

Operating lease classification - Group as a lessor

The Group has entered into commercial property leases on its property. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

The following indicators, individually or in combination, would normally lead to a lease being classified as a finance lease:

- the lease does transfer ownership of the asset to the lessees by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and,
- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

For all lease agreements, the Group determined that no indicators exist to consider the lease commitments as a finance lease. The Group retains all the significant risks and rewards of ownership of these properties and therefore, all leases are accounted for as operating leases (see Note 22).

Determination of lease term of contracts with renewal and termination options - Group as a lessee

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

For the lease of buildings, the Group included the renewal period as part of the lease term as these are reasonably certain to be exercised as assessed by the management. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. However, for the other lease contracts identified to be scoped under PFRS 16, the Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not applicable.

Refer to Note 22 for information on potential future lease payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.



Impairment of nonfinancial assets

The Group assesses impairment of nonfinancial assets (e.g., property and equipment, right-of-use assets, prepayments and other current assets and advances to suppliers) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important and which could trigger an impairment review include the following:

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

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present and their respective carrying amount as of December 31 are as follows:

	2021	2020
Advances to suppliers	US\$3,413	US\$2,500
Prepayments and other current assets	307	270
Property and equipment (Note 12)	17,288	19,178
Right-of-use assets (Note 22)	4,375	5,044

As of December 31, 2021 and 2020, management believes that no impairment indicator exists for the Group's nonfinancial assets.

Estimates and Assumptions

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

Provision for impairment losses for receivables and contract assets

The Group uses a provision matrix to calculate ECLs for receivables and contract assets in compliance with the requirements of PFRS 9. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and changes in GDP rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In addition to provision matrix as collective impairment assessment, the Group also performs specific assessment regularly against individually significant receivables which can be specifically identified as requiring a specific assessment, have a greater risk of default than when originally granted through review of receivable's age and status. Judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.



An increase in the allowance account for impairment would increase recorded operating expenses and decrease current assets and otherwise for reversals.

As of December 31, 2021, and 2020, allowance for impairment losses on receivables amounted to US\$0.02 million and US\$0.67 million, respectively, and nil for contract assets as of both years (see Notes 9 and 10).

Provision for inventory obsolescence

The Group reviews its inventory levels to assess impairment at least on a quarterly basis. The semiconductor industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand. Impairment losses are provided on excess and obsolete inventory based on regular reviews of inventories on hand, and the latest forecasts of product demand and product requirements from customers. If actual market conditions or customer's product demands are less favorable than those forecasted, additional impairment loss is recognized. An increase in allowance for inventory obsolescence would increase recorded cost of sales and decrease current assets.

No provision for inventory obsolescence was recognized in 2021, 2020 and 2019. The carrying values of the inventories of the Group amounted to US\$21.25 million and US\$13.78 million as of December 31, 2021 and 2020, respectively (see Note 11).

Estimating useful lives of depreciable property and equipment and right-of-use assets

The Group computes depreciation of property and equipment and right-of-use assets with finite useful life on a straight-line basis over the assets' EUL. The EUL and depreciation method are reviewed annually to ensure that these are consistent with the expected pattern of economic benefits from the assets. This requires the Group to make an estimate of the expected asset utilization from business plans and strategies, future technical developments and market behavior to determine the expected pattern of economic benefits from the assets. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

The depreciation expense on property and equipment with finite useful lives are recognized in the consolidated statement of comprehensive income, in the expense category, consistent with the function of the property and equipment.

Refer to Notes 12 and 22 for further details on property and equipment and right-of-use assets, respectively.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as of December 31, 2021 and 2020 amounted to US\$3.31 million and US\$4.72 million, respectively (see Note 22).



Estimation of net pension liability

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in discount rate and future salary increase.

All assumptions are reviewed at each reporting date. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The net pension liability as at December 31, 2021 and 2020 amounted to US\$2.75 million and US\$3.37 million, respectively (see Note 24).

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group did not recognize certain deferred tax assets on temporary differences since management believes that it may not be reasonably probable that sufficient taxable profit tax will be available against which the deductible temporary differences can be utilized.

As of December 31, 2021, and 2020, the Group recognized deferred tax assets amounted to US\$0.13 million and US\$0.14, respectively (see Note 23).

5. Financial Risk Management Objectives and Policies

Risk management structure

All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Group. For this purpose, the BOD convenes in quarterly meetings and in addition, is available to meet in the interim should the need arises.

The Group has adopted internal guidelines setting forth matters that require BOD approval. Under the guidelines, all new investments, any increase in investment in business and subsidiary and any divestments require BOD approval.

The normal course of the Group's business exposes it to a variety of financial risks such as credit risk, liquidity risk and market risks, which include foreign currency risk exposures.

The Group has various financial assets such as cash, receivables (excluding advances to managers and employees), contract assets, financial asset at FVOCI and refundable deposits. The Group's principal financial liabilities consist of accounts payable and accrued expenses, advances from related parties, bank loans and long-term debt and lease liabilities. The main purpose of these financial liabilities is to raise funds for the Group's operations.



The Group's policies on managing the risks arising from the Group's financial instruments follow:

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes the risk of non-payment by banks and customers, failed settlement of transactions and default on contracts.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's credit risk management involves entering into arrangements only with counterparties with acceptable credit standing and that are duly approved by the BOD.

Trade receivables, other receivables from customers and contract assets

The Group's trade receivables, other receivables from customers and contract assets are monitored on a regular basis. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables, other receivables from customers and contract assets are written-off when deemed unrecoverable and are not subject to enforcement activity. The maximum credit exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Other financial assets

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty limits are reviewed and approved by the BOD and are updated when necessary.

Cash is placed in various banks. Material amounts are held by banks which belong to top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments. The Group does not hold any collateral from its counterparties thus, the carrying amounts of cash, receivables, contract assets and refundable deposits approximate the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Concentration of credit risk

The Group has concentration of credit risk due to sales to significant customers. Largest customer accounted for approximately 16.39%, 16.71% and 22.48% of total revenue from contracts with customers in 2021, 2020 and 2019, respectively. The Group's top five (5) customers accounted for approximately 59.35%, 60.47% and 68.68% of its total revenue from contracts with customers in 2021, 2020 and 2019, respectively. The Group's financial instruments are broadly diversified along industry, product and geographic lines, and transactions are entered into with a range of counterparties, thereby, mitigating any significant concentration of credit risk.

In 2021, the financial assets and contract assets of the Group are more concentrated to the telecom, consumer electronics and computer peripherals which accounted for 81.92%, while in 2020, more concentrated to the banks and financial intermediaries, telecom and consumer electronics which accounted for 79.24% of the total credit risk exposure.



An industry sector analysis of the Group's maximum exposure to credit risk is as follows:

	2021	2020
Telecommunications (telecom)	US\$6,779	US\$6,223
Consumer electronics	5,740	3,800
Computer peripherals	3,952	3,404
Banks and financial intermediaries*	2,567	8,918
Others**	1,067	1,559
Total	US\$20,105	US\$23,904

*Excludes cash on hand amounting to US\$0.01 million as of December 31, 2021 and 2020.

**Excludes nonfinancial assets amounting to US\$0.04 million and US\$0.06 million as of December 31, 2021 and 2020, respectively.

The following tables summarize the credit quality of the Group's financial assets and contract assets (gross of allowance of impairment losses) as at December 31:

	2021				
	Minimal Risk	Average Risk	High Risk	Credit Impaired	Total
Cash*	US\$2,567	US\$-	US\$-	US\$-	US\$2,567
Receivables					
Trade receivables	7,908	-	-	17	7,925
Other receivables from customers	6,018	-	-	1	6,019
Advances to managers and employees**	74	-	-	-	74
SSS claims receivables	111	-	-	-	111
Others	103	-	-	-	103
Contract assets	2,830	-	-	-	2,830
Refundable deposits	494	-	-	-	494
	US\$20,105	US\$-	US\$-	US\$18	US\$20,123

* Excludes cash on hand amounting to US\$0.01 million

**Excludes nonfinancial assets amounting to US\$0.04 million

	2020				
	Minimal Risk	Average Risk	High Risk	Credit Impaired	Total
Cash*	US\$8,918	US\$-	US\$-	US\$-	US\$8,918
Receivables					
Trade receivables	9,891	-	-	476	10,367
Other receivables from customers	675	-	-	189	864
Advances to managers and employees**	41	-	-	-	41
SSS claims receivables	72	-	-	-	72
Others	132	-	-	-	132
Contract assets	3,689	-	-	-	3,689
Refundable deposits	486	-	-	-	486
	US\$23,904	US\$-	US\$-	US\$665	US\$24,569

* Excludes cash on hand amounting to US\$0.01 million

**Excludes nonfinancial assets amounting to US\$0.07 million

The Group classifies credit quality risk as follows:

Minimal risk - accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instances of defaults or discrepancies in payment; also includes transactions with related parties.



Average risk - active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues, but where the likelihood of collection is still moderate to high as the counterparties are generally responsive to credit actions initiated by the Group.

High risk - accounts with a low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

The Group maintains cash in banks with various financial institutions that management believes to be of high credit quality. The Group's investment policy is to extend credit exposures with financial institutions from which it has outstanding loans and loan facilities.

Refundable deposits mainly represent meter deposits with a third party which is collectible upon the termination of the contract in the unforeseeable future.

The following tables below summarize the staging considerations (other than trade receivables, other receivables from customers and contract assets subject to provision matrix) of the Group's financial assets as at December 31:

	2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit- impaired)	
Cash in banks	US\$2,567	US\$-	US\$-	US\$2,567
Receivables				
Advances to managers and employees*	74	-	-	74
SSS claims receivables	111	-	-	111
Others	103	-	-	103
Refundable deposits	494	-	-	494
Total	US\$3,349	US\$-	US\$-	US\$3,349

*Excludes nonfinancial assets amounting to US\$0.04 million

	2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit- impaired)	
Cash in banks	US\$8,918	US\$-	US\$-	US\$8,918
Receivables				
Advances to managers and employees*	41	-	-	41
SSS claims receivables	72	-	-	72
Others	132	-	-	132
Refundable deposits	486	-	-	486
Total	US\$9,649	US\$-	US\$-	US\$9,649

*Excludes nonfinancial assets amounting to US\$0.07 million



Set out below is the information about the credit risk exposure on trade receivables, other receivables from customers and contract assets using a provision matrix as at:

December 31, 2021:

	Trade receivables								
	Contract Assets	Current	Days past due						Total
			<30 days	30-60 days	61-90 days	91-120 days	121-150 days	>150 days	
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	US\$2,830	US\$6,262	US\$773	US\$631	US\$140	US\$15	US\$51	US\$36	US\$7,908
	-	-	-	-	-	-	-	17	17
Other receivables from customers									
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default		4,296	1,630	42	40	-	10	-	6,018
		-	-	-	-	-	-	1	1
Total expected credit loss	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$18	US\$18

December 31, 2020:

	Trade receivables								
	Contract Assets	Current	Days past due						Total
			<30 days	30-60 days	61-90 days	91-120 days	121-150 days	>150 days	
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	US\$3,689	US\$7,018	US\$2,311	US\$497	US\$10	US\$1	US\$17	US\$37	US\$9,891
	-	-	-	-	-	-	-	476	476
Other receivables from customers									
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default		474	141	58	-	-	1	1	675
		-	-	-	-	-	-	189	189
Total expected credit loss	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$665	US\$665

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases. Short-term funding is obtained to finance cash requirements for operations and capital expenditures. Amount of credit lines are obtained from designated banks duly approved by the BOD. Surplus funds are placed with reputable banks to which the Group has outstanding loans, loan facilities and/or banking transactions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and highly liquid marketable securities and adequate committed lines of funding from major financial institutions to meet the liquidity requirements in the short and longer term.



The tables below show the maturity profile of the Group's financial assets and liabilities, based on its internal methodology that the Group uses to manage liquidity based on contractual undiscounted cash flows:

December 31, 2021							
	On demand	Less than 1 month	1 to 2 Months	2 to 6 months	6 to 12 months	1 to 5 Years	Total
Financial assets							
Cash	US\$2,574	US\$–	US\$–	US\$–	US\$–	US\$–	US\$2,574
Receivables							
Trade receivables	1,646	6,262	–	–	–	–	7,908
Other receivables from customers	1,722	4,296	–	–	–	–	6,018
Advances to managers and employees ¹	–	74	–	–	–	–	74
SSS claims receivables	–	111	–	–	–	–	111
Others	103	–	–	–	–	–	103
Refundable deposits	–	–	–	–	–	494	494
	6,045	10,743	–	–	–	494	17,282
Financial liabilities							
Accounts payable and accrued expenses ²	4,571	9,737	–	–	–	–	14,308
Advances from related parties	14,564	–	–	–	–	–	14,564
Bank loans and long-term debt ³	–	11,203	20	221	440	69	11,953
Lease liabilities ⁴	–	140	142	645	641	1,873	3,441
	19,135	21,080	162	866	1,081	1,942	44,266
Liquidity gap	(US\$13,090)	(US\$10,337)	(US\$162)	(US\$866)	(US\$1,081)	(US\$1,448)	(US\$26,984)

¹Excludes nonfinancial assets amounting to US\$0.04 million

²Excludes nonfinancial liabilities amounting to US\$0.25 million

³Includes future interests amounting to US\$0.02 million

⁴Includes future interests amounting to US\$0.13 million

December 31, 2020							
	On demand	Less than 1 month	1 to 2 Months	2 to 6 months	6 to 12 months	1 to 5 Years	Total
Financial assets							
Cash in banks	US\$8,925	US\$–	US\$–	US\$–	US\$–	US\$–	US\$8,925
Receivables							
Trade receivables	2,873	7,018	–	–	–	–	9,891
Other receivables from customers	201	474	–	–	–	–	675
Advances to managers and employees ¹	–	41	–	–	–	–	41
SSS claims receivables	–	72	–	–	–	–	72
Others	103	29	–	–	–	–	132
Refundable deposits	–	–	–	–	–	486	486
	12,102	7,634	–	–	–	486	20,222
Financial liabilities							
Accounts payable and accrued expenses ²	4,851	8,062	–	–	–	–	12,913
Advances from related parties	14,864	–	–	–	–	–	14,864
Bank loans and long-term debt ³	–	205	36	8,268	466	964	9,939
Lease liabilities ⁴	–	185	225	467	903	3,380	5,160
	19,715	8,452	261	8,735	1,369	4,344	42,876
Liquidity gap	(US\$7,613)	(US\$818)	(US\$261)	(US\$8,735)	(US\$1,369)	(US\$3,858)	(US\$22,654)

¹Excludes nonfinancial assets amounting to US\$0.07 million

²Excludes nonfinancial liabilities amounting to US\$0.21 million

³Includes future interests amounting to US\$0.17 million

⁴Includes future interests amounting to US\$0.44 million



In order to manage the liquidity gap, the Group has various sources of financing, either through support of related parties or availment of bank credit lines. The Group finances its cash requirements by obtaining advances from the Ultimate Parent Company and its affiliates.

The Group will apply for additional credit lines as the need arises.

Changes in liabilities arising from financing activities for the years ended:

December 31, 2021							
	Advances from related parties (Note 21)	Long- term Debt (Note 14)	Lease Liabilities (Note 22)	Bank Loans (Note 14)	Commercial Loans (Note 14)	Accrued Interest (Note 13)	Total
Balances at beginning of year	US\$14,864	US\$1,591	US\$4,722	US\$183	US\$8,000	US\$48	US\$29,408
Non-cash flows activities:							
Availments	-	-	348	-	-	-	348
Accretion of interest (Note 19)	-	-	224	-	-	372	596
Cash flows activities:							
Availments	-	-	-	12	25,000	-	25,012
Payments of principal	(300)	(777)	(1,760)	(79)	(22,000)	-	(24,916)
Payment of interest	-	-	(224)	-	-	(394)	(618)
Balances at end of year	US\$14,564	US\$814	US\$3,310	US\$116	US\$11,000	US\$26	US\$29,830

December 31, 2020							
	Advances from related parties (Note 21)	Long- term Debt (Note 14)	Lease Liabilities (Note 22)	Bank Loans (Note 14)	Commercial Loans (Note 14)	Accrued Interest (Note 13)	Total
Balances at beginning of year	US\$14,964	US\$2,346	US\$5,012	US\$190	US\$4,000	US\$38	US\$26,550
Non-cash flows activities:							
Lease concession (Notes 3 and 22)	-	-	(111)	-	-	-	(111)
Availments	-	-	1,719	-	-	-	1,719
Accretion of interest (Note 19)	-	-	272	-	-	280	552
Cash flows activities:							
Availments	-	-	-	58	16,000	-	16,058
Payments of principal	(100)	(755)	(1,898)	(65)	(12,000)	-	(14,818)
Payment of interest	-	-	(272)	-	-	(270)	(542)
Balances at end of year	US\$14,864	US\$1,591	US\$4,722	US\$183	US\$8,000	US\$48	US\$29,408

Market Risk

Market risk is the risk of loss to future earnings, to fair value of future cash flows of a financial instrument as a result of changes in its price, caused by changes in interest rates, foreign currency exchange rates and other market factors.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group is exposed to currency risk primarily through purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is the Philippine Peso (₱). It is the Group's policy not to trade in or enter into derivative contracts.

In addition, the Group believes that its profile of foreign currency exposure on its monetary assets and liabilities is within conservative limits in the type of business in which the Group is engaged.



The table below details the Group's exposure to currency risk arising from forecasted transactions or recognized monetary assets or liabilities denominated in a currency other than the functional currency of the Group at the reporting date.

	2021		2020	
	In US Dollar	In Philippine Peso	In US Dollar	In Philippine Peso
Cash	US\$365	₱18,609	US\$919	₱44,132
Receivables	422	21,497	517	24,845
Refundable deposits	-	-	297	14,263
	787	40,106	1,733	83,240
Less: Accounts payable and accrued expenses	5,843	298,007	1,955	93,871
Net pension liability	2,752	140,359	3,368	161,724
	8,595	438,366	5,323	255,595
Net exposure arising from recognized monetary assets and liabilities	(US\$7,808)	(₱398,260)	(US\$3,590)	(₱172,355)

The exchange rates used to restate the Group's foreign currency-denominated monetary assets and liabilities follow:

	Source	2021	2020
Philippine Peso	Bankers Association of the Philippines closing rate	US\$0.019608	US\$0.020823

Sensitivity analysis

The following table indicates the approximate change in the Group's consolidated income before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the reporting date:

	2021		2020	
Changes in foreign currency exchange rates				
Philippine Peso	5.84%	(5.84%)	5.44%	(5.44%)
Effect on income before tax				
Philippine Peso	US\$25	(US\$25)	US\$20	(US\$20)

The Group based the percentage of increase and decrease in foreign exchange rate on the percentage change of the foreign exchange rate as of the reporting date and year-end forecasted closing rate.

Other than the impact on the Group's consolidated income before income tax, there is no other significant effect on equity.

The sensitivity analysis has been determined assuming that the change in foreign currency exchange rates has occurred at the reporting date and has been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, interest rates in particular, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the table represent the effects on the Group's consolidated income before tax measured in US dollars at the exchange rate ruling at the reporting date.



6. Fair Value Measurement

The Group's financial instruments consist of cash, receivables (excluding advances to managers and employees), refundable deposits, financial asset at FVOCI, accounts payable and accrued expenses, bank loans and long-term debt, lease liabilities and advances from related parties.

The following table sets forth the fair value hierarchy of the Group's assets and liabilities:

December 31, 2021

	Carrying value	Total	Fair value measurement using	
			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset measured at fair value				
Financial asset at FVOCI	US\$19	US\$19	US\$19	US\$-
Asset for which fair value is disclosed				
Refundable deposits	494	494	-	494
Liabilities for which fair values are disclosed:				
Lease liabilities (Note 22)	US\$3,310	US\$3,580	US\$-	US\$3,580
Long-term debt (Note 14)	814	814	-	814
Bank loans (Note 14)	116	116	-	116

December 31, 2020

	Carrying value	Total	Fair value measurement using	
			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset measured at fair value				
Financial asset at FVOCI	US\$13	US\$13	US\$13	US\$-
Asset for which fair value is disclosed				
Refundable deposits	486	486	-	486
Liabilities for which fair values are disclosed:				
Lease liabilities (Note 22)	US\$4,722	US\$5,010	US\$-	US\$5,010
Long-term debt (Note 14)	1,591	1,672	-	1,672
Bank loans (Note 14)	183	183	-	183

The fair values of the financial instruments such as cash, receivables (excluding advances to managers and employees), accounts payable and accrued expenses, advances from related parties and commercial loans (included under "bank loans and long-term debt ") approximate their respective carrying values due to their short-term nature.

The fair value of financial asset at FVOCI is determined by using the market price of the proprietary club share and is included in Level 2 of the hierarchy.



The estimated fair values of long-term debt and lease liabilities represent the present value of the amount of estimated future cash flows expected to be paid derived using the applicable rates ranging from 0.09% to 3.91% in 2021 and 0.07% to 2.33% in 2020. This is included within Level 3 of the hierarchy.

The fair value of refundable deposits approximates its carrying value since it has no definite payment term while the fair value of bank loans approximates its carrying value because these bank loans are subject to annual interest re-pricing based on market rate.

In 2021 and 2020, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of the Level 3 category.

7. Capital Management

The Group's primary objective in managing capital is to provide returns for shareholders and benefits for other stakeholders by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group monitors capital using a leverage ratio, which is net debt divided by the sum of total capital and net debt. Net debt includes bank loans and long-term debt, lease liabilities, advances from related parties and accounts payable and accrued expenses, less cash. The Group's policy is for its leverage ratio not to exceed 75%.

The management continues to monitor and improve on areas of customers' terms to adhere with the policy of leverage ratio.

The leverage ratio as at December 31 follows:

	2021	2020
Current liabilities		
Accounts payable and accrued expenses*	US\$14,308	US\$12,913
Advances from related parties	14,564	14,864
Current portion of bank loans and long-term debt	11,865	8,845
Current portion of lease liabilities	1,416	1,568
	42,153	38,190
Noncurrent liabilities		
Bank loans and long-term debt - net of current portion	65	929
Lease liabilities - net of current portion	1,894	3,154
	1,959	4,083
Total debt	44,112	42,273
Less cash	2,574	8,925
Net debt	41,538	33,348
Equity	18,519	17,273
Total equity and net debt	US\$60,057	US\$50,621
Leverage ratio	69.16%	65.88%

*Excludes nonfinancial liabilities amounting to US\$0.25 million and US\$0.21 million as of December 31, 2021 and 2020, respectively.

The Group has no externally-imposed capital requirements as of December 31, 2021 and 2020.



8. Cash

This account consists of:

	2021	2020
Cash in banks	US\$2,567	US\$8,918
Cash on hand	7	7
	US\$2,574	US\$8,925

Cash includes cash on hand and in banks.

Cash in banks earn interest at the respective bank deposit rates ranging from 0.05% to 2.50% in 2021, 2020 and 2019. Interest income earned from cash in banks amounted to US\$0.004 million, US\$0.003 million and US\$0.03 million in 2021, 2020 and 2019, respectively (see Note 20).

9. Receivables

This account consists of:

	2021	2020
Trade receivables	US\$7,925	US\$10,367
Other receivables from customers	6,019	864
Advances to managers and employees	115	106
SSS claims receivables	111	72
Others (Note 21)	103	132
	14,273	11,541
Less allowance for impairment losses	18	665
	US\$14,255	US\$10,876

Trade receivables, other receivables from customers and others are noninterest-bearing and normally collected within 30-90 days credit term.

Below is the movement of the allowance for impairment losses as of December 31 based on individual impairment (nil for collective impairment):

	Lifetime-ECL credit-impaired			Total
	Trade receivables	Other receivables from customers	Others	
	2021			
Balances at beginning of year	US\$476	US\$189	US\$-	US\$665
Recovery of impairment losses (Note 20)	(8)	-	-	(8)
Financial assets derecognized	(451)	(188)	-	(639)
Balances at end of year	US\$17	US\$1	US\$-	US\$18



	2020			
	Trade receivables	Other receivables from customers	Others	Total
Balances at beginning of year	US\$631	US\$244	US\$3	US\$878
Recovery of impairment losses (Note 20)	(106)	–	–	(106)
Financial assets derecognized	(49)	(55)	(3)	(107)
Balances at end of year	US\$476	US\$189	US\$–	US\$665

In 2021 and 2020, the Group recovered receivables from customers amounting to US\$0.008 million and US\$0.11 million, respectively, net of transaction costs, recorded under “Others - net” in the consolidated statement of comprehensive income, in which total carrying amount of the outstanding receivables have been fully provided with allowance (nil in 2019, see Note 20).

As of December 31, 2021 and December 31, 2020, the management has written down outstanding receivables amounting to US\$0.64 million and US\$0.11 million, respectively. The management assessed that these receivables are no longer recoverable. (see Note 20).

10. Contract Balances

This account consists of:

	2021	2020
Contract assets	US\$2,830	US\$3,689
Contract liabilities	1,111	1,601

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are normally received from customers depending on the credit terms.

In 2021 and 2020, the Group assessed that there are no expected credit losses on contract assets.

Contract liabilities include advance payments received from customers for advance ordering of materials and customer advances for aging inventories as part of the buy-back arrangement.

The Group applied the practical expedient under PFRS 15 on the disclosure of information about the transaction price allocated to remaining performance obligations given that the customer contracts have original expected duration of one (1) year or less.

11. Inventories

This account consists of:

	2021	2020
At NRV:		
Raw materials	US\$20,301	US\$12,870
Spare parts and supplies	950	908
	US\$21,251	US\$13,778



The Group recognizes a write-down whenever the NRV of inventories is lower than its cost. The related costs of inventories at NRV amounted to US\$21.25 million and US\$13.78 million as of December 31, 2021 and 2020, respectively.

In 2020, the Group wrote down portion of its raw materials inventories amounting to US\$0.19 million, which was previously provided with full allowance, since the management assessed that the carrying amount of these inventories are no longer recoverable (nil 2021).

The raw materials and supplies used in the operations amounted to US\$31.56 million, US\$28.05 million and US\$31.88 million in 2021, 2020 and 2019, respectively (see Note 16).

12. Property and Equipment

The rollforward analysis of this account follows:

2021								
	Machinery and Equipment	Tools and Other Equipment	Leasehold Improvements	Airconditioning Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Building Improvements	Total
Cost								
Balances at beginning of year	US\$39,821	US\$8,699	US\$2,708	US\$1,714	US\$115	US\$63	US\$1,641	US\$54,761
Additions	663	598	77	205	–	5	–	1,548
Reclassifications (Note 22)	122	–	(161)	39	–	–	–	–
Disposals	(287)	(142)	–	(81)	–	–	–	(510)
Balances at end of year	40,319	9,155	2,624	1,877	115	68	1,641	55,799
Accumulated depreciation and amortization								
Balances at beginning of year	23,348	6,721	2,311	1,395	109	58	1,641	35,583
Depreciation and amortization (Notes 16, 17 and 18)	2,411	793	97	109	3	6	–	3,419
Reclassifications (Note 22)	7	–	(14)	7	–	–	–	–
Disposals	(269)	(141)	–	(81)	–	–	–	(491)
Balances at end of year	25,497	7,373	2,394	1,430	112	64	1,641	38,511
Net book values	US\$14,822	US\$1,782	US\$230	US\$447	US\$3	US\$4	US\$–	US\$17,288
2020								
	Machinery and Equipment	Tools and Other Equipment	Leasehold Improvements	Airconditioning Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Building Improvements	Total
Cost								
Balances at beginning of year	US\$34,434	US\$7,815	US\$2,331	US\$1,546	US\$113	US\$63	US\$1,641	US\$47,943
Additions	2,612	819	377	168	2	–	–	3,978
Reclassifications (Note 22)	3,852	65	–	–	–	–	–	3,917
Retirement	(1,077)	–	–	–	–	–	–	(1,077)
Balances at end of year	39,821	8,699	2,708	1,714	115	63	1,641	54,761
Accumulated depreciation and amortization								
Balances at beginning of year	20,910	5,873	2,145	1,324	107	48	1,641	32,048
Depreciation and amortization (Notes 16, 17 and 18)	1,987	810	166	71	2	10	–	3,046
Reclassifications (Note 22)	1,528	38	–	–	–	–	–	1,566
Retirement	(1,077)	–	–	–	–	–	–	(1,077)
Balances at end of year	23,348	6,721	2,311	1,395	109	58	1,641	35,583
Net book values	US\$16,473	US\$1,978	US\$397	US\$319	US\$6	US\$5	US\$–	US\$19,178

In 2020, the Group reviewed the EUL of certain machineries and equipment used in the production. Upon reassessment, the Group determined that the normal life span of the machineries and equipment is more than the current useful life being used, hence, increasing it from the original useful life of seven (7) years to 10 years. The Group accounted the change in useful life effective January 1, 2020 for those machineries and equipment with carrying values as of effectivity date. The effect of change in useful life in 2020 (decrease in depreciation expense amounting to US\$1.48 million) was prospectively recognized in the consolidated statement of comprehensive income (see Note 4).

In 2021 and 2020, the Group retired/disposed certain machineries and equipment, tools and other equipment, and airconditioning equipment that are no longer used in the production with cost amounting to US\$0.51 million and US\$1.08 million, respectively.



The unpaid acquisition of property and equipment amounted to US\$0.04 million as of December 31, 2021 (nil as of December 31, 2020, see Note 14).

The Group's cost of fully depreciated property and equipment still in use amounted to US\$21.96 million and US\$22.47 million as of December 31, 2021 and 2020, respectively.

Depreciation charges of the Group's property and equipment are broken down as follow:

	2021	2020	2019
Cost of sales (Note 16)	US\$3,355	US\$2,969	US\$3,097
Cost of rental (Note 17)	-	-	1
Operating expenses (Note 18)	64	77	79
	US\$3,419	US\$3,046	US\$3,177

13. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Trade payables		
Third parties	US\$10,855	US\$10,219
Related parties (Note 21)	121	88
Accrued expenses	2,343	2,220
Government taxes payable	219	187
Others	1,024	410
	US\$14,562	US\$13,124

Trade payables are amounts primarily due to suppliers which are non-interest bearing and are normally settled on 15 to 180-day term.

The foregoing accrued expenses and other financial liabilities are non-interest bearing and are normally settled within one (1) year. Details of the accrued expenses are as follows:

	2021	2020
Accrued utilities	US\$635	US\$807
Accrued sales commission	562	518
Accrued handling	365	208
Accrued salaries, wages and other benefits	309	208
Accrued professional fees	294	181
Accrued contracted labor	85	81
Accrued interest	26	48
Other accrued expenses	67	169
	US\$2,343	US\$2,220

Other accrued expenses mainly include other contracted labor and accrued interest.



14. Bank Loans and Long-term Debt

This account consists of:

	2021	2020
Long-term debt (Note 22)		
Current	US\$814	US\$777
Noncurrent	–	814
Commercial loans		
Current	11,000	8,000
Bank loans		
Current	51	68
Noncurrent	65	115
	US\$11,930	US\$9,774
Current	US\$11,865	US\$8,845
Noncurrent	65	929
	US\$11,930	US\$9,774

The Group entered into short-term and long-term loan arrangements with domestic financial institutions for its various working capital and capital expenditure requirements.

Long-term debt:

- On March 29, 2017, the Parent Company entered into another three (3)-year financing agreement with the same supplier amounting to US\$1.66 million. This is subject to 1.10% quarterly interest and matured on May 31, 2020.
- On August 29, 2017, the Parent Company entered into another three (3)-year financing agreement with a supplier amounting to US\$2.16 million. This is subject to 1.09% quarterly interest and matured on August 31, 2020.
- In November and December 2019, the Parent Company entered into another three (3)-year financing agreements with a supplier with contract prices amounting to US\$2.88 million and US\$0.08 million, respectively, accounted as property and equipment, which are subject to 1.14% quarterly interest and will mature in October and November 2022, respectively. The financing agreements are secured by a chattel mortgage over machineries and equipment of the Parent Company located at its premises (see Note 12). The Parent Company made payments in relation to these financing agreements amounting to US\$0.78 million and US\$0.76 million in 2021 and 2020, respectively. As of December 31, 2021 and 2020, the carrying values of the outstanding long-term debt relating to this agreement amounted to US\$0.81 million and US\$1.59 million, respectively.

The future undiscounted minimum lease payments pertaining to these leases are as follow:

	2021	2020	2019
Within one year	US\$837	US\$837	US\$837
After one year but not more than five years	–	837	1,674
	US\$837	US\$1,674	US\$2,511



Bank loans:

- In 2021 and 2020, the Parent Company entered into credit loan agreements with local banks for the bank loan fleet financing of certain employees with payment terms ranging from three (3) to five (5) years amounting to US\$0.01 million and US\$0.06 million, respectively. These loans are subject to monthly interest rates based on market rates of 0.63% to 0.83% in 2021 and 2020. The Parent Company made payments in relation to these loan agreements amounting to US\$0.08 million and US\$0.07 million in 2021 and 2020, respectively. As of December 31, 2021 and 2020, the outstanding balance of these bank loans amounted to US\$0.12 million and US\$0.18 million, respectively.

Commercial loans:

In 2019, the Parent Company renewed its credit facility with a third party bank for a four (4)-month short-term loan up to US\$4.50 million, interest rates of 4.50%, four (4)-month short-term loan up to US\$5.00 million and domestic bills purchase line up to ₱10.00 million. The loans are covered by unregistered real estate mortgage over an affiliate's properties in Laguna for US\$5.00 million as of December 31, 2020. In January 2020, EMS applied for a credit facility with another third-party bank for a one (1)-year short term loan up to US\$6.00 million, with an annual interest of 3.75%, domestic bills purchase line up to ₱10.00 million, foreign exchange settlement line up to US\$1.00 million and foreign exchange pre-settlement risk line up to US\$1.00 million each and corporate credit card line up to ₱5.00 million. EMS made drawdowns for four (4)-month short term loan amounting to US\$4.00 million each on June 30, 2020 and December 1, 2020 and US\$2.00 million on October 7, 2020. Out of the US\$10.00 million drawdowns in 2020, EMS already paid US\$4.00 million. The remaining outstanding balance amounting to US\$2.00 million and US\$4.00 million matured on February 4, 2021 and May 30, 2021, respectively.

In 2020, EMS Parent Company paid its outstanding balance as of December 31, 2019 totaling US\$4.00 million. On June 29, 2020, EMS made a drawdown for a four (4)-month short term loan amounting to US\$4.50 million of which full amount was paid on October 27, 2020. On October 31, 2020, this facility had expired and was renewed last December 3, 2020 with the same terms but with interest rate reduction from 4.50% to 3.50% per annum.

On December 28, 2020, the Parent Company made a drawdown amounting to US\$2.00 million and will mature on April 27, 2021.

In 2021, the Parent Company paid its outstanding loan as of December 31, 2020 amounting to US\$6.00 million. The Parent Company made a drawdown for a four (4)-month short term loan amounting to US\$3.00 million on March 15, 2021, US\$2.00 million on April 27, 2021 and matured on July 13, 2021 and August 25, 2021, respectively.

On October 26, 2021 and December 17, 2021, another four (4)-month short term loans with a third party bank amounting to US\$2.00 million and US\$3.00 million, respectively were made. Maturity date of these loans are February 23, 2022 and April 13, 2022, respectively .



- In August 2021, the Parent Company renewed the credit facility with another third-party bank for a four (4)-month short term loan up to US\$6.00 million, with interest rate of 3.40%, domestic bills purchase line up to ₱10.00 million, foreign exchange settlement line up to US\$1.00 million and foreign exchange pre-settlement risk line up to ₱9.71 million each and corporate credit card line up to ₱5.00 million, this facility shall expire on April 30, 2022. The Parent Company made drawdowns for a four (4)-month short term loan amounting to US\$4.00 million on May 18, 2021, US\$2.00 million on July 07, 2021 and US\$4.00 million on September 09, 2021. Out of the US\$10.00 million drawdowns in 2021, the Parent Company already paid US\$6.00 million. The remaining outstanding balance amounting to US\$4.00 million will mature on January 09, 2022.

There are no debt covenants related to these loans.

Interests and other financing costs arising from the above bank loans and long-term debt as included under “Finance costs” in the consolidated statements of comprehensive income amounted to US\$0.37 million, US\$0.28 million and US\$0.15 million in 2021, 2020 and 2019, respectively (see Note 19).

15. Capital Stock

The Parent Company has registered 1,000,000,000 common shares, with original issue price amounting to ₱1 per share with the SEC on September 21, 1999. The total issued and outstanding shares at that time were 265,000,000 shares.

On March 2, 2010, the Ultimate Parent Company and the Parent Company jointly announced the proposed voluntary delisting of the latter from the Singapore Exchange. The Ultimate Parent Company offered to purchase common shares issued to the minority stockholders in compliance with the delisting proposal. Subsequently, the Ultimate Parent Company acquired additional 104,801,455 shares or 6.72% ownership on the Group.

The details of the Group’s capital stock as of December 31, 2021 and 2020 are as follows (amounts in thousands, except for par value figures):

	Shares	Amount
Common stock - ₱0.25 par value		
Authorized - 2,072,176 shares		
Issued and outstanding:		
Balance at beginning and end of year	1,560,000	US\$7,695
Preferred stock - ₱0.25 par value		
Authorized - 927,824 shares		
Issued and outstanding:		
Balance at beginning and end of year	927,824	4,845

The Parent Company has authorized 2,072,176 common capital stock and 927,824 preferred stock at ₱0.25 par value, out of which 1,560,000 shares and 927,824 shares were issued and outstanding as of December 31, 2021 and 2020. As at December 31, 2021 and 2020, the number of holders of common shares of stock and preferred shares of stock were 7,206 and 1, respectively.

The preferred shares of the Parent Company are non-voting, with cumulative dividends at the rate of 3% per annum, and redeemable at the option of the Parent Company.



Dividend in arrears pertaining to preferred shares amounted to US\$1.78 million and US\$1.64 million as of December 31, 2021 and 2020, respectively.

Retained earnings

The Group's retained earnings amounted to US\$4.70 million and US\$3.87 million as of December 31, 2021 and 2020, respectively.

The Group's retained earnings are further restricted for the payment of dividends to the extent of the deferred tax assets recognized in profit or loss as of December 31, 2021. The Group's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to US\$4.81 million and US\$3.72 million, respectively.

The unappropriated retained earnings include accumulated losses of its subsidiary amounting to US\$1.25 million and US\$1.19 million in 2021 and 2020, respectively.

16. Cost of Sales

This account consists of:

	2021	2020	2019
Materials and supplies used (Note 11)	US\$31,562	US\$28,050	US\$31,875
Direct labor, salaries and benefits	12,229	11,169	10,072
Depreciation and amortization (Notes 12, 21 and 22)	4,366	3,890	4,467
Occupancy cost and utilities (Notes 21 and 22)	3,414	2,949	2,509
Others	1,238	1,275	1,090
	US\$52,809	US\$47,333	US\$50,013

Direct labor, salaries and benefits account include pension expense amounting to US\$0.39 million, US\$0.35 million and US\$0.29 million in 2021, 2020 and 2019, respectively (see Note 24).

17. Cost of Rental Services

This account consists of:

	2021	2020	2019
Occupancy cost and utilities	US\$-	US\$-	US\$7
Depreciation (Note 12)	-	-	1
	US\$-	US\$-	US\$8



18. Operating Expenses

This account consists of:

	2021	2020	2019
General and administrative expenses	US\$1,601	US\$1,444	US\$1,467
Selling expenses	1,423	1,218	1,135
	US\$3,024	US\$2,662	US\$2,602

General and administrative expenses consist of the following:

	2021	2020	2019
Salaries, wages, and benefits	US\$987	US\$901	US\$950
Professional fees	295	200	205
Occupancy cost and utilities (Note 22)	213	211	189
Depreciation and amortization (Notes 12, 21 and 22)	56	66	60
Other expenses - net (Note 9)	50	66	63
	US\$1,601	US\$1,444	US\$1,467

Selling expenses consist of the following:

	2021	2020	2019
Sales commission and agent's fee	US\$965	US\$735	US\$637
Salaries and benefits	349	335	341
Professional fees	26	60	30
Occupancy cost and utilities (Note 22)	60	44	74
Depreciation and amortization (Notes 12, 21 and 22)	14	18	23
Other expenses	9	26	30
	US\$1,423	US\$1,218	US\$1,135

Selling expenses include sales commissions paid to foreign agents, which is based on 10% of conversion cost and 1-3% of material cost.

Salaries and benefits include pension expense amounting to US\$0.01 million in 2021, 2020 and 2019 (see Note 24).

Other expenses include supplies, taxes and licenses, membership dues and insurance expense and among others.

19. Finance Costs

This account consists of:

	2021	2020	2019
Interests on:			
Commercial loans and bank loans (Note 14)	US\$318	US\$192	US\$62
Lease liabilities (Notes 3 and 22)	224	272	301
Long-term debt (Note 14)	54	88	86
	US\$596	US\$552	US\$449



20. Others - Net

This account consists of:

	2021	2020	2019
Interest income (Note 8)	US\$4	US\$3	US\$25
Recoveries from impairment loss (Note 9)	8	106	–
Foreign currency exchange gain (loss) - net	82	(264)	(90)
Bank charges	(70)	(50)	(52)
Miscellaneous	28	14	16
	US\$52	(US\$191)	(US\$101)

21. Related Party Transactions

In the normal course of business, the Group has transactions with related parties which include advances, purchases, rent and fees charged for information technology services. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of Ultimate Parent (referred to as entity under common control). Related parties may be individuals or corporate entities. The Group's approval process and limits when entering into material related party transactions are being managed in accordance with the Ultimate Parent Company's policy.

Disclosed below are the transactions and the related balances among related parties:

Category	2021		Terms	Conditions
	Amount/ Volume	Due from (Due to)		
Ultimate Parent				
a. Lease liabilities	US\$468	(US\$1,883)	30-day; Non-interest bearing	Unsecured
Right-of-use assets	502	1,591	30-day; Non-interest bearing On demand; Non-interest bearing	Unsecured; No impairment
b. Advances from related parties	–	(10,564)		Unsecured
c. Other receivables	1	–	Non-interest bearing	Unsecured; No impairment
Entities Under Common Control				
a. Rent expense	590	–	30-day; Non-interest bearing Non-interest bearing;	Unsecured
Refundable deposits	–	132	Application to unpaid rental and last 3 months rentals	Unsecured; No impairment
b. Advances from related parties	300	(4,000)	Non-interest bearing	Unsecured; Unsecured;
c. Other receivables	2	2	Non-interest bearing 30 day; end of month;	No impairment
d. Trade payable (Purchases)	710	(121)	Non-interest bearing	Unsecured



Category	2020			
	Amount/ Volume	Due from (Due to)	Terms	Conditions
Ultimate Parent				
a. Lease liabilities	US\$2,351	(US\$2,351)	30-day; Non-interest bearing	Unsecured
Right-of-use assets	502	2,093	30-day; Non-interest bearing On demand; Non-interest bearing	Unsecured; No impairment
b. Advances from related parties	–	(10,564)		Unsecured
c. Other receivables	–	2	Non-interest bearing	Unsecured; No impairment
Entities Under Common Control				
a. Rent expense	254	–	30-day; Non-interest bearing Non-interest bearing; Application to unpaid rental and last 3 months rentals	Unsecured
Refundable deposits	–	132		Unsecured; No impairment
b. Advances from related parties	100	(4,300)	Non-interest bearing	Unsecured
c. Other receivables	21	3	Non-interest bearing 30 day; end of month;	Unsecured; No impairment
d. Trade payable (Purchases)	558	(88)	Non-interest bearing	Unsecured

Significant transactions with related parties based on terms agreed upon follow:

a. Lease liabilities and right-of-use assets and rent expense

Ultimate Parent Company

The Group entered into lease agreements with the Ultimate Parent Company for the lease of factory buildings (Plants 5 and 6). The lease agreement began on January 1, 2021 and July 1, 2020 for Plant 5 and 6 and shall continue up until December 31 and June 30, 2021, respectively. As of July 2021, the renewal of lease agreement for Plant 5 has been executed for one (1) year until June 30, 2022.

Upon adoption of PFRS 16, the abovementioned leases accounted for as operating lease under PAS 17 were scoped in with a corresponding recognition of lease liabilities and right-of-use assets as of adoption date. In 2021 and 2020, the Group paid US\$0.47 million and US\$0.42 million of the related outstanding lease liabilities, respectively and recognized depreciation expense amounting to US\$0.50 million in relation to the right-of-use assets recognized (see Note 22).

Entities Under Common Control

Iomni Precision, Inc. (Iomni)

The Group entered into a sub-lease agreement with Iomni, entity under common control of the Ultimate Parent Company, for the lease of office space with a total floor area of 1,310 sq. m. The lease agreement began on September 1, 2013, subject to one (1) year extension. It was continued and renewed for another year from January 16, 2021 until January 15, 2022. The lease agreement was scoped under PFRS 16 but the Group has availed the practical expedient of applying the recognition exemption and continue to account this as an operating lease.

The lease agreement provides for the payment of advance rental and security deposit equivalent to three (3) months rental each. The advance rental shall be applied against the rentals due for the last three (3) months of the lease. The Group recognized rent expense pertaining to this lease under cost of sales and operating expenses amounting to US\$0.12 million in 2021 and US\$0.25 million in 2020 and 2019 (see Notes 16 and 18).



The future minimum lease payments pertaining to this lease agreement amounts to US\$0.01 million as at December 31, 2021 and 2020.

Ionics Properties, Inc. (IPI)

On September 27, 2019, the Group entered into a lease agreement with IPI, entity under common control of the Ultimate Parent Company, for the lease of a factory building (Plant 2). The lease agreement for one (1) year commenced on May 1, 2020. It was renewed for another year on May 1, 2021, subject to the extension or renewal upon mutual agreement of the parties. The lease agreement was scoped under PFRS 16, but the Group has availed the practical expedient of applying the recognition exemption and continue to account this as an operating lease.

The lease agreement provides for the payment of advance rental and security deposit equivalent to two (2) months rental each amounting to US\$0.08 million. The advance rental shall be applied against the rentals due for the last two (2) months of the lease. The Group recognized rent expense pertaining to this lease under cost of sales amounting to US\$0.47 million in 2021, US\$0.14 million in 2020 (nil in 2019, see Note 18).

b. Advances from related parties

The Ultimate Parent Company and Ionics Circuits, Ltd. (ICL), an entity under common control of the Ultimate Parent Company, are financially committed to support operations of the Group through cash advances. In 2021 and 2020, the Parent Company partially paid the advances amounting to US\$0.30 million and US\$0.10 million, respectively. The outstanding advances from related parties as of December 31, 2021 and 2020 amounted to US\$14.56 million and US\$14.86 million, respectively.

c. Other receivables

The Group initially paid payroll and other miscellaneous expenditures of its Ultimate Parent and other related parties. These expenses will be billed subsequently to related parties incurring the actual expenses.

The Group also charges expenses to Iomni pertaining to Information Technology (IT) maintenance which is fixed at US\$0.02 million annually (see Note 9).

d. Trade payable (Purchases)

On June 28, 2005, the Group entered into a purchase agreement with Iomni, wherein in the latter agrees to sell products to the Group on the terms and conditions set out in the agreement.

The prices quoted to or paid by the Group shall not exceed current prices charged by Iomni to its other customers for the same or similar products; otherwise the excess prices shall be refunded to the Group. In case of end-of-life (EOL) of the product, the Group shall inform Iomni two (2) months before the actual EOL date in order for Iomni to immediately adjust ordering of raw materials. The outstanding trade payables as of December 31, 2021 and 2020 amounted to US\$0.12 million and US\$0.09 million, respectively (see Note 13).

The key management personnel of the Group include executives and directors. The summary of compensation of the key management personnel included in “salaries, wages and benefits” account under cost of sales and operating expenses in the consolidated statements of comprehensive income follows (see Notes 16 and 18):

	2021	2020	2019
Executive officers' compensation	US\$493	US\$484	US\$403
Directors' remuneration	337	328	349
Short-term employee benefits	85	83	113
Post-employment benefits	50	51	46
	US\$965	US\$946	US\$911



22. Leases

Group as Lessee

- The Group entered and leases its plant facilities from related parties including with the Ultimate Parent Company as discussed in Note 21. At the end of the terms of the respective leases, all additions or improvements made and constructed by the Group, which when removed would deface the immovable portion to which they may be attached, shall become the property of the lessors and be surrendered with the premises as a part thereof.

In 2020, EMS entered into additional three (3)-year lease agreement to finance its acquisition of machineries and equipment amounting to US\$1.72 million. The carrying amounts of related right-of-use assets and lease liabilities on these leases amounted to US\$1.42 million and US\$0.67 million as of December 31, 2021, and US\$1.59 million and US\$1.31 million as of December 31, 2020.

In 2021, EMS entered into another five (5) year lease agreement for 1,332.84 sq.m. office factory warehouse from the same third party starting May 1, 2021 to April 30, 2026. The lease agreement provides 5% annual escalation cost beginning May 1, 2012. The carrying amount of right-of-use assets and lease liabilities amounted to US\$0.30 million as of December 31, 2021.

Set out below are the carrying amounts of right-of-use assets recognized as at December 31:

	2021		
	Building	Machinery, Tools and Equipment	Total
Cost			
Balances at beginning of year	US\$3,802	US\$2,781	US\$6,583
Additions	348	–	348
Balances at end of year	4,150	2,781	6,931
Accumulated Depreciation			
Balances at beginning of year	1,384	155	1,539
Depreciation (Notes 16, 18 and 21)	739	278	1,017
Balances at end of year	2,123	433	2,556
Net Book Values	US\$2,027	US\$2,348	US\$4,375
	2020		
	Building	Machinery, Tools and Equipment	Total
Cost			
Balances at beginning of year	US\$3,802	US\$4,979	US\$8,781
Additions	–	1,719	1,719
Reclassifications (Note 12)	–	(3,917)	(3,917)
Balances at end of year	3,802	2,781	6,583
Accumulated Depreciation			
Balances at beginning of year	692	1,374	2,066
Depreciation (Notes 16, 18 and 21)	692	347	1,039
Reclassifications (Note 12)	–	(1,566)	(1,566)
Balances at end of year	1,384	155	1,539
Net Book Values	US\$2,418	US\$2,626	US\$5,044

In 2021 and 2020, the depreciation charges of the Group related to right-of-use assets included in the consolidated statements of comprehensive income under cost of sales amounted to US\$1.02 million and US\$0.92 million, respectively, and under operating expenses amounted to US\$0.01 million and US\$0.01 million, respectively (see Notes 16 and 18).



The rollforward analysis of lease liabilities as at December 31 follows:

	2021	2020
Balance at beginning of year	US\$4,722	US\$5,012
Additions	348	1,719
Accretion of interests (Note 19)	224	272
Payment of principal (Note 5)	(1,760)	(1,898)
Payment of interests (Note 19)	(224)	(272)
Lease concession adjustment (Note 3)	-	(111)
Balance at end of year	US\$3,310	US\$4,722

The Group had a total cash outflows for leases of US\$1.98 million, US\$2.42 million and US\$2.21 million in 2021, 2020 and 2019, respectively.

In April 2020, the Group received lease concession in a form of lease discount for nine (9) months covering the period of April 2020 to December 2020. No lease concession received in 2021. Management assessed and determined that this lease concession is directly related to COVID-19 pandemic.

Accordingly, the Group opted to apply practical expedient and accounted lease concession directly through profit or loss. This resulted to reduction of depreciation expense for the year ended and lease liabilities as of December 31, 2020 amounting to US\$0.11 million (see Notes 16 and 18).

The current and noncurrent portion of lease liabilities presented in the consolidated statements of financial position as of December 31 follows:

	2021	2020
Current	US\$1,416	US\$1,568
Noncurrent	1,894	3,154
	US\$3,310	US\$4,722

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2021	2020
Depreciation of right-of-use assets (Notes 16, 17, 18 and 22)	US\$1,017	US\$1,039
Accretion of interest (Note 19)	224	272
Rent expense relating to short-term lease (Notes 16, 18 and 21)	590	254

Amortization expense of right-of-use assets recorded in the consolidated statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to US\$0.11 million.

The future undiscounted minimum lease payments pertaining to these leases are as follow:

	2021	2020
Within one year	US\$1,601	US\$1,633
After one year but not more than five years	1,548	2,870
	US\$3,149	US\$4,503



23. Income Taxes

Provision for income tax consists of:

	2021	2020	2019
Current	US\$248	US\$185	US\$320
Deferred	(1)	(4)	(8)
	US\$247	US\$181	US\$312

Provision for current income tax pertains to GIT and RCIT of the Parent Company in 2021, 2020 and 2019.

The reconciliation of the statutory income tax to the provision for income tax follows:

	2021	2020	2019
Statutory income tax	US\$268	(US\$120)	US\$893
Additions to (deductions from) income tax resulting from:			
Loss (income) from operations subject to lower preferential rate without NOLCO	(210)	128	(714)
Nondeductible expenses	181	128	143
Foreign exchange rate changes	23	75	39
Income from operations under ITH	-	-	(37)
Movement in unrecognized deferred tax assets	(13)	(30)	(9)
Advance rental application	-	-	(2)
Reversal of allowance	(2)	-	-
Nontaxable item	-	-	(1)
Provision for income tax	US\$247	US\$181	US\$312

The components of the Group's net deferred tax assets as of December 31 follows:

	2021	2020
Deferred tax assets on:		
Lease liabilities	US\$118	US\$137
Past service costs	7	5
	125	142
Deferred tax liabilities on:		
Right-of-use assets	103	122
Contract assets	9	8
	112	130
	US\$13	US\$12

The Group did not recognize certain deferred tax assets since management believes that it may not be probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized.



The components of the temporary differences where deferred tax assets were not recognized by the Group follow:

	2021	2020	2019
Net pension liability	US\$2,752	US\$3,368	US\$2,641
Allowance for inventory obsolescence			
- net of write-off (Note 11)	-	-	189
Unrealized foreign exchange loss	-	-	56
	US\$2,752	US\$3,368	US\$2,886

Under Republic Act (R.A.) No. 7916 on Special Zones and PEZA, a PEZA-registered enterprise is exempt from national and local taxes. In lieu of the said national and local taxes, 5% of the gross income earned by all businesses and enterprises within the ecozone shall be remitted to the local and national government (see Note 27).

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

In relation to those discussed in Note 1, the CREATE Act also introduced reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity’s office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and,
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

24. Net Pension Liability

The Group has a funded, noncontributory defined benefit pension plan covering all regular qualified employees. Benefits are based on the employee’s years of service and final plan salary. The trust fund, to cover the pension obligation, is administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the plan. The BOT is responsible for investment strategy of the plan.

Under the existing regulatory framework, R.A. 7641 requires a 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 Group’s retirement plan meets the minimum retirement benefit specified under R.A. 7641. The law does not require minimum funding of the plan.

The components of retirement costs included in “Salaries, wages and benefits” account recognized as part of the cost of sales and operating expenses in the consolidated statements of comprehensive income (see Notes 16 and 18). Details are as follows:

	2021	2020	2019
Current service cost	US\$303	US\$242	US\$168
Net interest cost	99	116	135
	US\$402	US\$358	US\$303



The amount of remeasurement losses (gains) on retirement plan recognized in the consolidated statements of comprehensive income are as follows:

	2021	2020	2019
Defined benefit obligation	(US\$433)	US\$259	US\$390
Plan assets	23	(2)	(25)
	(US\$410)	US\$257	US\$365

The amount included in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2021	2020
Present value of defined benefit obligation	US\$3,483	US\$3,919
Fair value of plan assets	(731)	(551)
	US\$2,752	US\$3,368

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

	2021	2020
Balance at beginning of year	US\$3,919	US\$3,125
Current service	303	242
Interest cost	124	131
Benefits paid	(208)	(28)
Effect of changes in foreign exchange rates	(222)	190
Remeasurement (gains) losses arising from:		
Experience adjustments	(59)	(110)
Changes in financial assumptions	(374)	308
Changes in demographic assumptions	–	61
Balance at end of year	US\$3,483	US\$3,919

Changes in the fair value of plan assets are as follow:

	2021	2020
Balance at beginning of year	US\$551	US\$484
Interest income	25	15
Return on assets excluding amount included in net interest cost	(23)	2
Contributions	426	50
Benefits paid	(208)	(28)
Effect of changes in foreign exchange rates	(40)	28
Balance at end of year	US\$731	US\$551

The rollforward of the net pension liability is as follows:

	2021	2020
Balance at beginning of year	US\$3,368	US\$2,641
Retirement expense	402	358
Contributions	(426)	(50)
Remeasurement losses	(410)	257
Effects of changes in foreign exchange rates	(182)	162
Balance at end of year	US\$2,752	US\$3,368



The Group's plan assets are comprised of cash in banks, investment in equity instruments, debt instrument - government and other bonds and other assets. The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation.

The fair values of plan assets by each class are as follow:

	2021	2020
Cash in banks	US\$416	US\$254
Investment in equity securities	8	9
Investment in Government Securities:		
Fixed rate treasury notes	113	159
Retail treasury bonds	192	105
Treasury bills	-	21
	305	285
Other receivable		
Interest receivable	2	3
	US\$731	US\$551

The composition of the fair value of the trust fund follows:

- Cash in banks - includes savings and time deposits with Bangko Sentral ng Pilipinas (BSP);
- Investments in stocks - includes investment in common shares traded in the Philippine Stock Exchange (PSE);
- Investment in government securities - includes investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs); and,
- Others - includes accrued interest on fixed income securities.

As at December 31, 2021 and 2020, the trust fund has no investments in the securities (debt or equity) of any related party.

The plan assets do not include any property occupied by or owned by any related party. The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2021	2020	2019
Retirement age	60 - 65	60 - 65	60 - 65
Average remaining working life	11 - 18	11 - 18	11 - 18
Discount rate			
Beginning of year	3.82%	4.90%	7%
End of year	5.07%	3.82%	4.90%
Salary increase rate			
Beginning of year	3.5% - 5%	3.5% - 5%	3.5% - 5%
End of year	3.5% - 5%	3.5% - 5%	3.5% - 5%

The following sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming that all other assumptions were held constant.



It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which change other than those assumed may be deemed to be more reasonable.

Assumptions	2021		2020	
	Changes	Increase (decrease) in present value of defined benefit obligation	Changes	Increase (decrease) in present value of defined benefit obligation
Discount rate	+1.0%	(US\$242)	+1.0%	(US\$296)
	-1.0%	282	-1.0%	348
Future salary increase rate	+1.0%	US\$297	+1.0%	US\$361
	-1.0%	(260)	-1.0%	(313)

The BOT of the Plan ensures that its plan assets are readily available to service the pension obligation due. This is done by ensuring that its assets are easily disposable and can easily be converted to cash. Furthermore, the Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Plan are at the Parent Company's discretion. However, in the event a benefit claim arises and the Plan is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Plan.

The table below shows the maturity profile of the undiscounted pension payments as of December 31:

	2021					
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Normal retirement	US\$848	US\$126	US\$43	US\$421	US\$713	US\$2,240
Other than normal retirement	188	757	1,285	1,691	1,570	2,588
	US\$1,036	US\$883	US\$1,328	US\$2,112	US\$2,283	US\$4,828

	2020					
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Normal retirement	US\$886	US\$105	US\$47	US\$376	US\$691	US\$2,141
Other than normal retirement	233	779	1,254	1,680	1,551	2,470
	US\$1,119	US\$884	US\$1,301	US\$2,056	US\$2,242	US\$4,611

The Group expects to contribute to the pension plan amounting to US\$0.68 million in 2022.

25. Segment Information

The primary segment reporting format of the Group is by business segments as the Group's risks and rates of return are affected predominantly by differences in the goods produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The computer peripherals segment provides design, build, ship, and logistics services to computer equipment companies. This includes service offerings to customers in the desktop personal computer (PC), peripheral, server, notebook PC, and storage device industries.



The telecom segment specializes in the manufacture and delivery of carrier-and-enterprise-class communications equipment, as well as wireless, optical networking, wire line transmission, and enterprise networking equipment.

The automotive segment includes service offerings on Product Part Approval Processes (PPAPs), Process Failure Mode & Effects Analysis (PFMEA) and Design Failure Mode & Effects Analysis (DFMEA). The Group is ISO/TS 16949 certified.

The consumer electronics segment also provides design, build, ship and logistics services for its customers in the digital media devices, digital television capture and audio products industries. The consumer electronics segment builds the capability to serve these customers with every element that is required to deliver real products to the marketplace.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in the geographical segments are based on the geographical location of its customers.

The revenues from major customer under the computer peripherals industry amounted to US\$9.42 million in 2021, US\$8.40 million in 2020 and US\$16.45 million in 2019. Total revenues from these customers exceeded approximately 10% of the Group's total revenue from contracts with customers.

The Group's segment information as of and for the years ended December 31, 2021, 2020 and 2019, which presents revenue and certain assets and liabilities attributed to each business segment are summarized in the following tables:

	December 31, 2021			
	Computer Peripherals	Telecom	Consumer Electronics and others	Total
Revenue from contracts with customers	US\$20,098	US\$20,675	US\$16,682	US\$57,455
Income (loss) from operations	344	1,077	201	1,622
Foreign exchange loss – net	80	(6)	8	82
Interest expense – net	(203)	(234)	(155)	(592)
Provision for income tax	(96)	(102)	(49)	(247)
Miscellaneous expenses	(9)	(14)	(12)	(35)
Net income (loss)	US\$116	US\$721	(US\$6)	US\$831
Total assets*	US\$16,422	US\$19,855	US\$20,388	US\$56,665
Total liabilities**	US\$540	US\$1,687	US\$668	US\$2,895
Capital expenditures	US\$748	US\$572	US\$228	US\$1,548
Depreciation and amortization	US\$3,139	US\$674	US\$624	US\$4,437
Allowance for impairment losses on receivables	US\$18	US\$–	US\$–	US\$18

*Excluding unallocated assets amounting to US\$10.15 million

**Excluding unallocated liabilities amounting to US\$45.40 million

	December 31, 2020			
	Computer Peripherals	Telecom	Consumer Electronics	Total
Revenue from contracts with customers	US\$16,186	US\$16,647	US\$17,540	US\$50,373
Income (loss) from operations	(382)	296	464	378
Foreign exchange loss – net	(141)	(62)	(61)	(264)
Interest expense – net	(188)	(182)	(179)	(549)
Provision for income tax	(42)	(48)	(91)	(181)
Miscellaneous expenses	(8)	92	(14)	70
Net income (loss)	(US\$761)	US\$96	US\$119	(US\$546)
Total assets*	US\$16,600	US\$16,699	US\$15,936	US\$49,235
Total liabilities**	US\$95	US\$1,855	US\$3,070	US\$5,020
Capital expenditures	US\$2,546	US\$379	US\$2,772	US\$5,697
Depreciation and amortization	US\$2,626	US\$567	US\$781	US\$3,974
Allowance for impairment losses on receivables	US\$18	US\$647	US\$–	US\$665

*Excluding unallocated assets amounting to US\$15.54 million

**Excluding unallocated liabilities amounting to US\$42.48 million



	December 31, 2019			
	Computer Peripherals	Telecom	Consumer Electronics	Total
Revenue from contracts with customers	US\$18,297	US\$17,556	US\$20,281	US\$56,134
Rental income	–	14	–	14
Income from operations	1,721	1,361	443	3,525
Foreign exchange loss – net	(70)	(5)	(15)	(90)
Interest expense – net	(156)	(114)	(154)	(424)
Provision for income tax	(114)	(133)	(65)	(312)
Miscellaneous expenses	(16)	(6)	(14)	(36)
Net income	US\$1,365	US\$1,103	US\$195	US\$2,663
Total assets*	US\$14,429	US\$13,258	US\$14,817	US\$42,504
Total liabilities**	US\$44	US\$1,510	US\$1,993	US\$3,547
Capital expenditures	US\$5,629	US\$968	US\$2,273	US\$8,870
Depreciation and amortization	US\$3,186	US\$546	US\$819	US\$4,551
Allowance for impairment losses on receivables	US\$18	US\$860	US\$–	US\$878

*Excluding unallocated assets amounting to US\$16.81 million

**Excluding unallocated liabilities amounting to US\$37.69 million

Sales represent revenues from external customers. During 2021, 2020 and 2019, there are no inter-segment sales.

The BOD analyzes cash flows at a consolidated level.

The Group's geographical segments refer only to the initial destination of the products. Most of the Group's products are intermediate products which are shipped to the customers' plants for incorporation or further assembly into the final finished products. All assets of the Group, except for assets attributed to the subsidiary, Ionics-EMS (USA), are located in the Philippines.

The following tables represent the Group's total revenue and assets as per Group's geographical segment:

Segment Revenue

	2021	2020	2019
Asia	US\$44,250	US\$32,977	US\$31,709
North America	10,331	14,505	17,245
Europe	2,874	2,891	7,194
	US\$57,455	US\$50,373	US\$56,148

Segment Assets

	2021	2020	2019
Asia	US\$66,725	US\$64,717	US\$59,279
North America	94	54	31
	US\$66,819	US\$64,771	US\$59,310

The segment revenue and segment assets of the subsidiary are located in North America.

Revenue from Contracts with Customers

Revenues from contracts with customers are further disaggregated by type, product type and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.



The Group's revenue from manufacturing goods recognized over time amounted to US\$57.46 million, US\$50.37 million and US\$56.13 million in 2021, 2020 and 2019, respectively.

The Group disaggregates its revenue from contracts with customers in the same manner as it reports its segment information as presented above.

26. Earnings (Loss) per Share

Earnings (loss) per share amounts were computed as follows (amounts in thousands, except earnings/loss per share):

	2021	2020	2019
Net income (loss)	US\$831	(US\$546)	US\$2,663
Dividend attributable to preference shares	(145)	(145)	(145)
Total income (loss) attributable to common shares	US\$686	(US\$691)	US\$2,518
Weighted average number of outstanding common shares	1,560,000	1,560,000	1,560,000
Basic/diluted earnings (loss) per share	US\$0.0004	(US\$0.0004)	US\$0.0016

In 2021, 2020 and 2019, there were no convertible preferred stocks that have dilutive effect on the basic earnings per share of the Group.

There have been no other transactions involving ordinary shares between the reporting date and the date of issuance of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Ionics EMS, Inc. and Subsidiary
Circuit Street, Light Industry and Science Park of the Philippines-I
Bo. Diezmo, Cabuyao City, Laguna, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ionics EMS, Inc. and subsidiary (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 9, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

Tax Identification No. 201-959-816

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 97133-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-098-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854369, January 3, 2022, Makati City

March 9, 2022



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Ionics EMS, Inc. and Subsidiary
Circuit Street, Light Industry and Science Park of the Philippines-I
Bo. Diezmo, Cabuyao City, Laguna, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ionics EMS, Inc. and subsidiary (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated March 9, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

Tax Identification No. 201-959-816

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 97133-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-098-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854369, January 3, 2022, Makati City

March 9, 2022



IONICS EMS, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
REVISED SECURITIES AND REGULATION CODE (SRC) RULE 68
DECEMBER 31, 2021

Below are the additional information and schedules required by the Revised SRC Rule 68 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic consolidated financial statements. All amounts are rounded to the nearest thousand (US\$000) except when otherwise indicated.

Schedule A. Financial Assets

Below is the schedule of financial asset at FVOCI of the Group as of December 31, 2021:

Name of issuing entity and association of each issue	% Ownership	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet
FVOCI			
<i>Unquoted:</i>			
The Palms Country Club	N/A	–	US\$19

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

The Group has no receivable from directors, officers, employees, and principal stockholders (other than related parties) other than those arising from purchase subject to usual terms, for ordinary travel and expense advances and for other such items arising in the ordinary course of business, from whom an aggregate indebtedness of more than ₱100,000 or one percent of total assets, whichever is less.

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivable with related parties, which are eliminated in the consolidated financial statements as of December 31, 2021:

Debtor	Volume of Transactions	Receivables	Terms
Ionics EMS (USA)	Intercompany advances	US\$–	US\$– Non-interest bearing; net of impairment

The rollforward of receivables with related parties is as follows:

Debtor	Beginning balance	Additions	Collections/ Impairment loss	Current	Noncurrent	Ending balance
Due from related parties						
Ionics EMS (USA)	US\$–	US\$–	US–	US\$–	US\$–	US\$–

Schedule D. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount authorized by indenture	Current	Noncurrent	Total
Lease liabilities	Not applicable	US\$1,416	US\$1,894	US\$3,310
Long-term debt	Not applicable	814	–	814
Bank loans	Not applicable	51	65	116
		US\$2,281	US\$1,959	\$4,240

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

As of December 31, 2021, the Group has no long-term loans from related companies.

Schedule F. Guarantees of Securities of Other Issuers

As of December 31, 2021, the Group has no guaranteed securities by other issuers.

Schedule G. Capital Stock

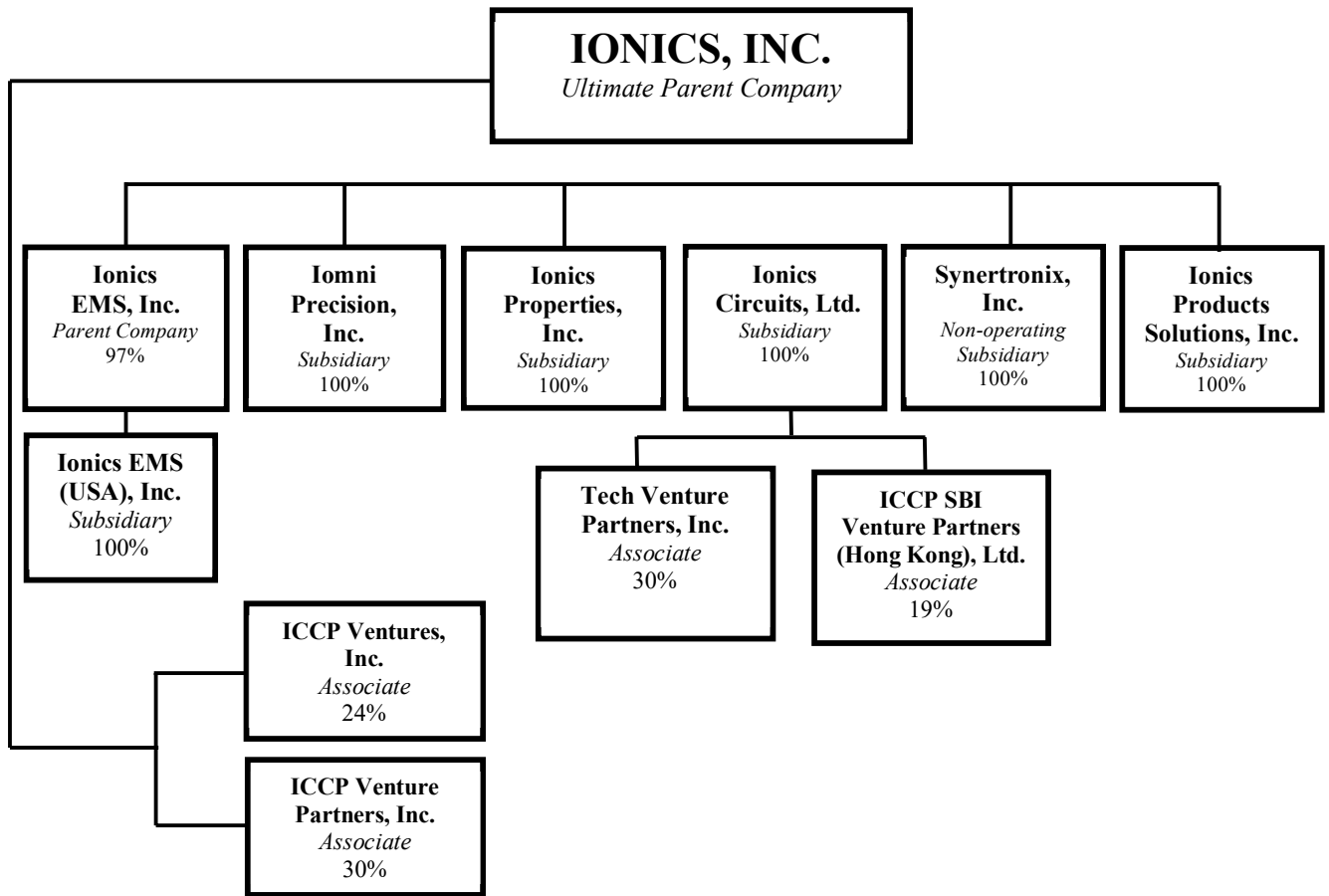
Title of issue	Number of shares authorized*	Number of shares issued and outstanding*	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by*		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	2,072,176	1,560,000	–	1,508,801	141	51,058
Preferred Stock	927,824	927,824	–	927,824	–	–
	3,000,000	2,487,824	–	2,436,625	141	51,058

*In thousands

IONICS, INC. AND SUBSIDIARIES

GROUP STRUCTURE

Below is a map showing the relationship between and among the Company, Ultimate Parent Company and subsidiaries as of December 31, 2021:



IONICS EMS, INC. AND SUBSIDIARY
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2021 and 2020:

Financial ratios		2021	2020
Liquidity Ratios			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.02:1	1.00:1
Acid Test Ratio	$\frac{\text{Cash and receivables}}{\text{Current liabilities}}$	0.39:1	0.49:1
Leverage ratio	$\frac{\text{Net debt}}{\text{Net debt and equity}}$	0.69:1	0.66:1
Debt-to-equity ratio	$\frac{\text{Total debt}}{\text{Total equity}}$	2.61:1	2.75:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.61:1	3.75:1
Profitability Ratio			
Interest rate coverage ratio	$\frac{\text{Income (loss) before income tax and finance costs}}{\text{Finance costs}}$	2.81:1	0.34:1
Revenue Growth (Decline)	$\frac{\text{*CY revenue} - \text{**PY revenue}}{\text{**PY revenue}}$	14.06%	(10.29%)
Gross Profit Margins	$\frac{\text{Gross profit}}{\text{Total Revenue}}$	8.09%	6.03%
Net Income (Loss) Margins	$\frac{\text{Net income (loss)}}{\text{Total Revenue}}$	1.45%	(1.08%)
Return on Equity	$\frac{\text{Net income (loss)}}{\text{Total equity}}$	4.49%	(3.16%)

**CY - current year*

***PY - prior year*

IONICS EMS, INC.

**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unappropriated retained earnings, beginning	US\$3,862
Less deferred tax assets that increased the amount of income tax expense	125
Unappropriated retained earnings, as adjusted, beginning	US\$3,987
Net gain actually incurred during the period:	
Net income during the period closed to retained earnings	823
TOTAL RETAINED EARNINGS, END	
 AVAILABLE FOR DIVIDEND DECLARATION	US\$4,810

IONICS EMS, INC. AND SUBSIDIARY
INDEX TO THE SUPPLEMENTARY SCHEDULES
December 31, 2021

- Annex I Schedules Required under SRC Rule 68-E
- A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
 - D. Long-term Debt
 - E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
 - F. Guarantees of Securities of Other Issuers
 - G. Capital Stock
- Annex II Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Annex III Group Structure



IONICS, INC.

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IONICS EMS, INC.

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