



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, 2025 and 2024, 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]
ALFREDO R. DE BORJA
Chairman of the Board

[Signature]
RAYMOND MARIA C. QUA
President & Chief Executive Officer

[Signature]
RONAN R. ANDRADE
Chief Finance Officer

Signed this 13th day of March, 2026

SUBSCRIBED AND SWORN to before me this 13 day of March 2026 affiants exhibiting to me their Passports as follows:

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

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[Signature]
ATTY. FERNANDO M. ALONZO
NOTARY PUBLIC
Not. Com. 29-2025-C until December 31, 2026
For Calamba City, Laguna
Lifetime IBP No. 018040 - Laguna Chapter
PTR No. CC 8905447 - 01/05/2026 at Calamba City
Atty's Roll No. 36298
MCLE Comp. No. VIII-0030663 - 04/11-2025

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Ionics EMS, Inc.
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, 2025 and 2024, 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, 2025, and notes to the consolidated financial statements, including material accounting policy information.

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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audit 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 (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of the financial statements of public interest entities in the Philippines. We have also 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, 2025, 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, 2025, 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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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
Maria Antoniette L. Aldea.



SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea

Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

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

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-192-2025, October 20, 2025, valid until October 19, 2028

PTR No. 10765003, January 2, 2026, Makati City

March 13, 2026



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

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash (Notes 5, 6, 7 and 8)	US\$6,003	US\$6,315
Receivables (Notes 5, 6 and 9)	23,126	17,851
Contract assets (Notes 5 and 10)	11,059	7,763
Inventories (Notes 4 and 11)	31,047	33,203
Advances to suppliers (Note 4)	2,261	2,177
Prepayments and other current assets (Note 4)	509	357
Total Current Assets	74,005	67,666
Noncurrent Assets		
Financial asset at fair value through other comprehensive income (FVOCI) (Notes 5 and 6)	51	35
Property and equipment (Notes 4 and 12)	14,849	17,422
Right-of-use assets (Notes 4, 20 and 21)	998	811
Refundable deposits (Notes 5, 6 and 20)	522	540
Total Noncurrent Assets	16,420	18,808
	US\$90,425	US\$86,474
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 5, 6, 7, 13 and 20)	US\$23,235	US\$16,614
Advances from related parties (Notes 5, 6, 7 and 20)	18,500	20,000
Contract liabilities (Note 10)	5,652	5,118
Current portion of bank loans and long-term debt (Notes 5, 6, 7 and 14)	8,415	14,531
Current portion of lease liabilities (Notes 4, 5, 7, 20 and 21)	451	485
Income tax payable	102	168
Total Current Liabilities	56,355	56,916
Noncurrent Liabilities		
Bank loans and long-term debt - net of current portion (Notes 5, 6, 7 and 14)	1,532	474
Lease liabilities - net of current portion (Notes 4, 5, 7, 20 and 21)	605	447
Net retirement liability (Notes 4 and 23)	3,809	3,402
Deferred tax liabilities - net (Notes 4 and 22)	62	27
Total Noncurrent Liabilities	6,008	4,350
Total Liabilities	62,363	61,266

(Forward)



	December 31	
	2025	2024
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 23)	(1,014)	(958)
Unrealized gain on financial asset at FVOCI	36	20
Retained earnings (Note 15)	14,386	11,492
Total Equity	28,062	25,208
	US\$90,425	US\$86,474

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2025	2024	2023
REVENUE (Note 24)			
Revenue from contracts with customers	US\$117,251	US\$103,683	US\$92,577
COSTS OF SALES (Notes 16 and 21)	108,102	95,742	83,576
GROSS PROFIT	9,149	7,941	9,001
OPERATING EXPENSES (Notes 17 and 21)	4,905	4,208	4,410
INCOME BEFORE OTHER INCOME	4,244	3,733	4,591
OTHER INCOME (EXPENSES)			
Finance costs (Notes 14, 18 and 21)	(807)	(1,327)	(1,492)
Others - net (Note 19)	29	310	(125)
	(778)	(1,017)	(1,617)
INCOME BEFORE INCOME TAX	3,466	2,716	2,974
PROVISION FOR INCOME TAX (Note 22)	572	551	492
NET INCOME	2,894	2,165	2,482
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that may not be reclassified to profit or loss:</i>			
Remeasurement loss on retirement plan Note 23)	(56)	(165)	(307)
Unrealized gain (loss) on financial asset at FVOCI	16	(1)	9
	(40)	(166)	(298)
TOTAL COMPREHENSIVE INCOME	US\$2,854	US\$1,999	US\$2,184
BASIC/DILUTED EARNINGS PER SHARE (Note 25)	US\$0.0018	US\$0.0013	US\$0.0015

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, 2025							
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 23)	Unrealized Gain 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\$958)	US\$20	US\$11,492	US\$25,208
Net income	-	-	-	-	-	2,894	2,894
Unrealized gain on financial asset at FVOCI	-	-	-	-	16	-	16
Remeasurement loss on retirement plan (Note 23)	-	-	-	(56)	-	-	(56)
Total comprehensive income	-	-	-	(56)	16	2,894	2,854
Balances at end of year	US\$7,695	US\$4,845	US\$2,114	(US\$1,014)	US\$36	US\$14,386	US\$28,062

For the year ended December 31, 2024							
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 23)	Unrealized Gain 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\$793)	US\$21	US\$9,327	US\$23,209
Net income	-	-	-	-	-	2,165	2,165
Unrealized loss on financial asset at FVOCI	-	-	-	-	(1)	-	(1)
Remeasurement loss on retirement plan (Note 23)	-	-	-	(165)	-	-	(165)
Total comprehensive income	-	-	-	(165)	(1)	2,165	1,999
Balances at end of year	US\$7,695	US\$4,845	US\$2,114	(US\$958)	US\$20	US\$11,492	US\$25,208

For the year ended December 31, 2023							
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 23)	Unrealized Gain 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\$486)	US\$12	US\$6,845	US\$21,025
Net income	-	-	-	-	-	2,482	2,482
Unrealized gain on financial asset at FVOCI	-	-	-	-	9	-	9
Remeasurement loss on retirement plan (Note 23)	-	-	-	(307)	-	-	(307)
Total comprehensive income	-	-	-	(307)	9	2,482	2,184
Balances at end of year	US\$7,695	US\$4,845	US\$2,114	(US\$793)	US\$21	US\$9,327	US\$23,209

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US\$3,466	US\$2,716	US\$2,974
Adjustments for:			
Depreciation and amortization (Notes 12, 16, 17 and 21)	4,794	5,468	5,128
Finance costs (Notes 14, 18 and 21)	807	1,327	1,492
Retirement expense, net of actual contributions and benefits paid (Note 23)	351	11	371
Interest income (Notes 8 and 19)	(11)	(3)	(2)
Operating income before changes in working capital	9,407	9,519	9,963
Changes in working capital:			
Decrease (increase) in:			
Receivables	(5,275)	241	(2,659)
Contract assets	(3,296)	(884)	(2,174)
Inventories	2,156	2,356	990
Advances to suppliers	(962)	(1,121)	1,146
Prepayments and other current assets	(145)	365	(104)
Increase (decrease) in:			
Accounts payable and accrued expenses	6,646	(2,306)	(5,521)
Contract liabilities	534	(1,231)	4,771
Net cash flows generated from operations	9,065	6,939	6,412
Income taxes paid	(603)	(466)	(545)
Interest received (Notes 8 and 19)	11	3	2
Net cash provided by operating activities	8,473	6,476	5,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property	7	-	-
Acquisitions of property and equipment (Notes 12 and 14)	(844)	(562)	(2,208)
Decrease (increase) in refundable deposits	18	37	(16)
Net cash used in investing activities	(819)	(525)	(2,224)

(Forward)



	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of (Note 5):			
Commercial loans	US\$24,500	US\$37,000	US\$43,000
Bank loans	-	32	117
Advances from related parties	-	-	7,000
Payments of (Note 5):			
Commercial loans	(28,000)	(37,000)	(48,000)
Principal portion of lease liabilities	(576)	(1,132)	(1,187)
Long-term debt	(1,496)	(1,377)	(1,429)
Bank loans	(62)	(51)	(47)
Interest on bank loans, long-term debt and lease liabilities (Notes 14, 18 and 21)	(832)	(1,352)	(1,439)
Advances from related parties	(1,500)	-	(2,314)
Net cash used in financing activities	(7,966)	(3,880)	(4,299)
NET INCREASE (DECREASE) IN CASH	(312)	2,071	(654)
CASH AT BEGINNING OF YEAR	6,315	4,244	4,898
CASH AT END OF YEAR (Note 8)	US\$6,003	US\$6,315	US\$4,244

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. (EMS or 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-1, Bo. Diezmo, Cabuyao City, Laguna.

The financial statements were authorized for issue by the Board of Directors (BOD) on March 13, 2026.

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. Printed Circuit Board Assembly inspection and test	June 02, 2025	Amendment	Gross income tax incentive starting June 02, 2025
2. Include design and manufacture of Gynescop System	October 16, 2023	Amendment	Gross income tax incentive starting October 16, 2023
3. SMT Box Build & Test	October 16, 2023	Amendment	Gross income tax incentive starting October 16, 2023
4. PCBA, Box build & test of IOT products used for monitoring industrial equipment	June 29, 2023	Amendment	Gross income tax incentive starting June 29, 2023
5. Manufacture of Tytoeare Medical Exam Kit			
6. Manufacture of Carrier Ethernet Demarcation Device	June 21, 2023	Amendment	Gross income tax incentive starting June 21, 2023
7. Human Tracking Device	May 31, 2022	Amendment	Gross income tax incentive starting May 31, 2022
8. Manufacture of Attenti Tracking Device	April 25, 2022	Amendment	Gross income tax incentive starting April 25, 2022
9. Set-up an additional production facility with an area of 6,634-sq.ms. lot	March 10, 2020	Amendment	Gross income tax incentive starting March 10, 2020
10. ReGrow Helmet Low Level Light Therapy Device	January 14, 2020 February 22, 2019	Additional Amendment	Gross income tax incentive starting January 14, 2020 Gross income tax incentive starting Feb. 22, 2019
11. Assembly of Smart Pill Cap	October 08, 2019	Amendment	Gross Income Tax starting October 08, 2019
12. Assembly of Server Adapter	November 07, 2019	Amendment	Gross Income Tax starting November 07, 2019
13. Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Amendment	Gross income tax incentive starting August 22, 2018

(Forward)



Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
14. Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Amendment	Gross income tax incentive starting July 24, 2017
15. Server repair and Upgrade	January 30, 2017	Amendment	Gross income tax incentive starting January 30, 2017
16. Manufacture of T-Marc 340 AC	December 29, 2016	Amendment	Gross income tax incentive starting December 29, 2016
17. Manufacture of Afimilk Tags	July 28, 2016	Expansion	Gross Income tax incentive starting July 28, 2016
18. WI butler*	July 06, 2015	New project	Gross income tax incentive starting July 06, 2015
19. Electronic Door Lock System*	July 15, 2015	New Project	Gross income tax incentive starting July 15, 2015
20. LCD Projector w/ Power Supply*	July 06, 2015	New Project	Gross income tax incentive starting July 06, 2015
21. RMA or importation of defective finished goods manufactured	June 03, 2014	Amendment	Gross Income tax incentive starting June 03, 2014
22. Manufacture of tracking device	October 07, 2014	Expansion Project	Gross Income tax incentive starting October 07, 2014
23. Portable mobile two-way radio communication equipment	July 23, 2013	Amendment	Gross Income tax incentive starting July 23, 2013
24. XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Gross Income tax incentive starting September 27, 2012
25. Dual Port Gigabit Ethernet Bypass Adapter*	July 18, 2011	Expansion Project	Gross Income tax incentive starting July 18, 2011
26. Pole Cabinets*	July 18, 2011	New project	Gross Income tax incentive starting July 18, 2011
27. Video Conference System*	April 05, 2011	Expansion	Gross Income tax incentive starting April 05, 2011
28. Optical Network Terminal*	March 16, 2010	New project	Gross Income tax incentive starting March 16, 2010
29. T2 Wi-Fi Tag*	April 29, 2009	New project	Gross Income tax incentive starting April 29, 2009
30. Electronic Communicator and Controller Module (ECCM)*	June 24, 2009	New project	Gross Income tax incentive starting June 24, 2009
31. PV-Max Master*	April 23, 2008	New project	Gross Income tax incentive starting April 23, 2008
32. Re-manufacture of Mobile Phones*	May 22, 2009	New project	Gross Income tax incentive starting May 22, 2009
33. Design and Development*	January 06, 2005	Original Project	Gross Income tax incentive starting January 06, 2005
34. RF Tuners and Amplifiers*	July 05, 2005	New project	Gross Income tax incentive starting July 05, 2005
35. Production of radio remote control for industrial application	November 30, 2005	New project	Gross Income tax incentive starting November 30, 2005
36. ROHS Flex Cable Assembly*	November 30, 2005	New project	Gross Income tax incentive starting November 30, 2005
37. Optics Telecommunication*	March 01, 2006	New project	Gross Income tax incentive starting March 01, 2006
38. Power Controller of Beard Trimmer with Saft NiCD and Sanyo NiMH Re-chargeable Battery*	September 06, 2005	New project	Gross Income tax incentive starting September 06, 2005
39. Electronic Car Dashboard Assembly*	August 19, 2003	New project	Gross Income tax incentive starting August 19, 2003
40. Power Over LAN Assembly*	March 31, 2004	New project	Gross Income tax incentive starting March 31, 2004
41. Hi-Focus Asymmetrical Digital Subscriber Line (ADSL) Broadband Access System*	November 15, 2000	New Project	Gross Income tax incentive starting November 15, 2000

*ITH incentives for these product lines have already expired as of December 31, 2025.

Gross income from product lines with expired registration are subjected to the 5% gross income tax from the date ITH incentive has expired. 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.



3. Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial asset at fair value through other comprehensive income (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 (PFRS) Accounting Standards.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary as of December 31, 2025 and 2024, and each of the three years in the period ended December 31, 2025.

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 are consistent with those of the previous financial year, except for the adoption of amendments effective in 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these amendments did not have an impact on the consolidated financial statements of the Group.

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's financial statements.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*



- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

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*

Material 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. 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 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, 2025 and 2024, 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, 2025 and 2024, the Group classified cash, receivables (excluding advances to 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, 2025 and 2024, 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, 2025 and 2024, 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 and long-term debt, lease liabilities, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as net retirement liability, income tax payable, and other statutory liabilities).

Impairment of Financial Assets and Contract Assets

The Group recognizes an allowance for expected 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 of 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 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.

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

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 shorter.

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 are 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).



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 and Additional paid-in capital

Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company 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.

Retained earnings

Retained earnings represent the accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or correction of errors applied retrospectively, less any dividend declared. 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 Per Share (EPS)

Basic earnings per share is computed by dividing net income applicable to common stock (consolidated net income 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 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 is 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 value-added tax (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., time elapsed to manufacture the finished goods) 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

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 amount paid or payable.

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

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 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
Building improvements	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.

Income Taxes

Current 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 tax

Deferred 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 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 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 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 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 PFRS Accounting Standards 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 manufactures 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. The Purchase Order creates 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., time elapsed to manufacture the finished goods). 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 Group determines the functional currency based on economic substance of underlying circumstances relevant to the Group. The Group determined that the functional currency is the US Dollar since its revenues and expenses are substantially denominated in US Dollar.

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 21 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 amounts as of December 31 are as follows:

	2025	2024
Advances to suppliers	US\$2,261	US\$2,177
Prepayments and other current assets	509	357
Property and equipment (Note 12)	14,849	17,422
Right-of-use assets (Note 21)	998	811

As of December 31, 2025 and 2024, 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:

Impairment of inventories

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.

The Group has no recognized provision for inventory obsolescence on its raw materials in 2025 and 2024. The carrying values of the inventories of the Group amounted to US\$31.05 million and US\$33.20 million as of December 31, 2025 and December 31, 2024, 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 21 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 amounted to US\$1.06 million and US\$0.93 million as of December 31, 2025 and 2024, respectively (see Note 21).

Estimation of net retirement 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 retirement liability amounted to US\$3.81 million and US\$3.40 million as of December 31, 2025 and 2024, respectively (see Note 23).

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, 2025, and 2024, the Group recognized deferred tax assets amounted to US\$0.07 million and US\$0.06 million, respectively (see Note 22).



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 arise.

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 risk, which include foreign currency risk exposures.

The Group has various financial assets such as cash, receivables (excluding advances to 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 historically 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 24.43%, 25.09% and 11.04% of total revenue from contracts with customers in 2025, 2024 and 2023, respectively. The Group's top five (5) customers accounted for approximately 57.44%, 60.36% and 50.73% of its total revenue from contracts with customers in 2025, 2024 and 2023, 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 2025, the financial assets and contract assets of the Group are more concentrated to the consumer electronics, telecom and banks and financial intermediaries which accounted for 86.49%, while in 2024, more concentrated to the consumer electronics, telecom and computer peripherals which accounted for 82.13% of the total credit risk exposure.

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

	2025	2024
Consumer electronics	US\$15,514	US\$10,173
Telecommunications (telecom)	13,575	10,129
Banks and financial intermediaries*	5,997	6,309
Computer peripherals	4,594	4,944
Medical	100	39
Others	788	809
Total	US\$40,568	US\$32,403

*Excludes cash on hand amounting to US\$0.01 million as of December 31, 2025 and 2024.

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

	2025				Total
	Minimal Risk	Average Risk	High Risk	Credit Impaired	
Cash*	US\$5,997	US\$-	US\$-	US\$-	US\$5,997
Receivables					
Trade receivables	19,986	-	-	17	20,003
Other receivables from customers	2,764	-	-	1	2,765
Advances to managers	67	-	-	-	67
SSS claims receivables	16	-	-	-	16
Others	157	-	-	-	157
Contract assets	11,059	-	-	-	11,059
Refundable deposits	522	-	-	-	522
	US\$40,568	US\$-	US\$-	US\$18	US\$40,586

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



	2024				Total
	Minimal Risk	Average Risk	High Risk	Credit Impaired	
Cash*	US\$6,309	US\$-	US\$-	US\$-	US\$6,309
Receivables					
Trade receivables	14,594	-	-	17	14,611
Other receivables from customers	2,972	-	-	1	2,973
Advances to managers	104	-	-	-	104
SSS claims receivables	18	-	-	-	18
Others	103	-	-	-	103
Contract assets	7,763	-	-	-	7,763
Refundable deposits	540	-	-	-	540
	US\$32,403	US\$-	US\$-	US\$18	US\$32,421

* Excludes cash on hand amounting to US\$0.01 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 include 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:

	2025			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	
Cash in banks	US\$5,997	US\$-	US\$-	US\$5,997
Receivables				
Advances to managers	67	-	-	67
SSS claims receivables	16	-	-	16
Others	157	-	-	157
Refundable deposits	522	-	-	522
Total	US\$6,759	US\$-	US\$-	US\$6,759

	2024			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	
Cash in banks	US\$6,309	US\$-	US\$-	US\$6,309
Receivables				
Advances to managers	104	-	-	104
SSS claims receivables	18	-	-	18
Others	103	-	-	103
Refundable deposits	540	-	-	540
Total	US\$7,074	US\$-	US\$-	US\$7,074



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, 2025:

	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\$11,059	US\$14,572	US\$4,872	US\$337	US\$65	US\$-	US\$-	US\$140	US\$19,986	-
	-	-	-	-	-	-	-	-	-	-
		Other receivables from customers								
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	0%	-
Estimated total gross carrying amount at default		1,929	380	143	312	-	-	-	2,764	-
		-	-	-	-	-	-	-	-	-
Total expected credit loss	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-

December 31, 2024:

	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\$7,763	US\$10,513	US\$2,763	US\$832	US\$347	US\$-	US\$-	US\$139	US\$14,594	-
	-	-	-	-	-	-	-	-	-	-
		Other receivables from customers								
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	0%	-
Estimated total gross carrying amount at default		2,720	241	10	1	-	-	-	2,972	-
		-	-	-	-	-	-	-	-	-
Total expected credit loss	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-	US\$-

In 2025 and 2024, the Group has no additional specifically impaired receivables. The Group also recovered impairment losses amounting to US\$0.62 million and written off amounting to US\$0.25 million in 2024.

As of December 31 2025 and 2024, expected credit loss from the impairment exercise using a provision matrix is zero.

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, 2025							
	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\$6,003	US\$–	US\$–	US\$–	US\$–	US\$–	US\$6,003
Receivables							
Trade receivables	5,414	14,572	–	–	–	–	19,986
Other receivables from customers	835	1,929	–	–	–	–	2,764
Advances to managers	–	67	–	–	–	–	67
SSS claims receivables	–	16	–	–	–	–	16
Others	103	54	–	–	–	–	157
Refundable deposits	–	–	–	–	–	522	522
	12,355	16,638	–	–	–	522	29,515
Financial liabilities							
Accounts payable and accrued expenses ¹	7,887	14,865	–	–	–	–	22,752
Advances from related parties	15,000	3,500	–	–	–	–	18,500
Bank loans and long-term debt ²	–	448	102	8,078	57	1,533	10,218
Lease liabilities ³	–	42	84	127	261	640	1,154
	22,887	18,855	186	8,205	318	2,173	52,624
Liquidity gap	(US\$10,532)	(US\$2,217)	(US\$186)	(US\$8,205)	(US\$318)	(US\$1,651)	(US\$23,109)

¹Excludes nonfinancial liabilities and accrued interest amounting to US\$0.45 million and US\$0.03 million, respectively.

²Includes accrued interest and future interests amounting to US\$0.27 million

³Includes future interests amounting to US\$0.10 million

December 31, 2024							
	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\$6,315	US\$–	US\$–	US\$–	US\$–	US\$–	US\$6,315
Receivables							
Trade receivables	4,081	10,513	–	–	–	–	14,594
Other receivables from Customers	252	2,720	–	–	–	–	2,972
Advances to managers	–	104	–	–	–	–	104
SSS claims receivables	–	18	–	–	–	–	18
Others	103	–	–	–	–	–	103
Refundable deposits	–	–	–	–	–	540	540
	10,751	13,355	–	–	–	540	24,646
Financial liabilities							
Accounts payable and accrued expenses ¹	4,693	11,487	–	–	–	–	16,180
Advances from related parties	15,000	5,000	–	–	–	–	20,000
Bank loans and long-term debt ²	–	452	7,162	6,481	824	490	15,409
Lease liabilities ³	–	100	140	122	171	478	1,011
	19,693	17,039	7,302	6,603	995	968	52,600
Liquidity gap	(US\$8,942)	(US\$3,684)	(US\$7,302)	(US\$6,603)	(US\$995)	(US\$428)	(US\$27,954)

¹Excludes nonfinancial liabilities and accrued interest amounting to US\$0.38 million US\$0.05 million, respectively

²Includes accrued interest and future interests amounting to US\$0.40 million

³Includes future interests amounting to US\$0.08 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 applied for several credit facilities, comprising an importers' loan line of up to US\$12.00 million, a term loan facility of up to US\$1.50 million, a domestic bills purchase line of up to ₱10.00 million, and a clean loan facility of US\$6.00 million. These borrowings are collateralized by an unregistered real estate mortgage over certain properties located in Laguna.



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, 2025						Total
	Advances from related parties (Note 20)	Long-term Debt (Note 14)	Lease Liabilities (Note 21)	Bank Loans (Note 14)	Commercial Loans (Note 14)	Accrued Interest (Note 13)	
Balances at beginning of year	US\$20,000	US\$1,890	US\$932	US\$115	US\$13,000	US\$54	US\$35,991
Non-cash flows activities:							
Additions	-	-	700	-	-	-	700
Accretion of interest	-	-	65	-	-	742	807
Cash flows activities:							
Availments	-	-	-	-	24,500	-	24,500
Payments of principal	(1,500)	(1,496)	(576)	(62)	(28,000)	-	(31,634)
Payment of interest	-	-	(65)	-	-	(767)	(832)
Balances at end of year	US\$18,500	US\$394	US\$1,056	US\$53	US\$9,500	US\$29	US\$29,532

	December 31, 2024						Total
	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)	
Balances at beginning of year	US\$20,000	US\$3,267	US\$2,197	US\$134	US\$13,000	US\$79	US\$38,677
Non-cash flows activities:							
Availments	-	-	(133)	-	-	-	(133)
Accretion of interest	-	-	113	-	-	1,214	1,327
Cash flows activities:							
Availments	-	-	-	32	37,000	-	37,032
Payments of principal	-	(1,377)	(1,132)	(51)	(37,000)	-	(39,560)
Payment of interest	-	-	(113)	-	-	(1,239)	(1,352)
Balances at end of year	US\$20,000	US\$1,890	US\$932	US\$115	US\$13,000	US\$54	US\$35,991

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.

	2025		2024	
	In US Dollar	In Philippine Peso	In US Dollar	In Philippine Peso
Cash	US\$329	₱19,368	US\$881	₱50,975
Receivables	491	28,887	285	16,496
Refundable deposits	355	20,854	316	18,307
	1,175	69,109	1,482	85,778
Less: Accounts payable and accrued expenses	3,238	190,384	2,296	132,789
Net retirement liability	3,809	223,951	3,402	196,777
	7,047	414,335	5,698	329,566
Net exposure arising from recognized monetary assets and liabilities	(US\$5,872)	(₱345,226)	(US\$4,216)	(₱243,788)



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

	Source	2025	2024
Philippine Peso	Bankers Association of the Philippines closing rate	US\$0.017010	US\$0.017288

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:

	2025		2024	
Changes in foreign currency exchange rates				
Philippine Peso	1.61%	(1.61%)	4.28%	(4.28%)
Effect on income before tax				
Philippine Peso	US\$94	(US\$94)	US\$180	(US\$180)

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 above table represent the effects on the Group's consolidated income before income 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 employees), refundable deposits, financial asset at FVOCI, accounts payable and accrued expenses, bank loans and long-term debt, and advances from related parties.

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

December 31, 2025

	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\$51	US\$51	US\$51	US\$—
Asset for which fair value is disclosed				
Refundable deposits	522	522	—	522
Liabilities for which fair values are disclosed:				
Long-term debt (Note 14)	394	402	—	402
Car loans (Note 14)	53	57	—	57



December 31, 2024

	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\$35	US\$35	US\$35	US\$–
Asset for which fair value is disclosed				
Refundable deposits	540	540	–	540
Liabilities for which fair values are disclosed:				
Long-term debt (Note 14)	1,890	1,943	–	1,943
Car loans (Note 14)	115	115	–	115

The fair values of the financial instruments such as cash, receivables (excluding advances to employees), accounts payable and accrued expenses, and advances from related parties 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 represent the present value of the amount of estimated future cash flows expected to be paid derived using the applicable rates ranging from 4.62% to 5.56% in 2025 and 5.62% to 6.18% in 2024. This is included within Level 3 of the hierarchy.

The fair value of refundable deposits approximates its carrying value because they are noninterest-bearing, refundable at nominal value, and not subject to significant credit or timing risk.

In 2025 and 2024, 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 of December 31 follows:

	2025	2024
Current liabilities		
Accounts payable and accrued expenses*	US\$22,781	US\$16,234
Advances from related parties	18,500	20,000

(Forward)



	2025	2024
Current portion of bank loans and long-term debt	US\$8,415	US\$14,531
Current portion of lease liabilities	451	485
	50,147	51,250
Noncurrent liabilities		
Bank loans and long-term debt - net of current portion	1,532	474
Lease liabilities - net of current portion	605	447
	2,137	921
Total debt	52,284	52,171
Less cash	6,003	6,315
Net debt	46,281	45,856
Equity	28,062	25,208
Total equity and net debt	US\$74,343	US\$71,064
Leverage ratio	62.25%	64.53%

**Excludes nonfinancial liabilities amounting to US\$0.45 million and US\$0.38 million as of December 31, 2025 and 2024, respectively.*

The Group has no externally-imposed capital requirements as of December 31, 2025 and 2024.

8. Cash

This account consists of:

	2025	2024
Cash in banks	US\$5,997	US\$6,309
Cash on hand	6	6
	US\$6,003	US\$6,315

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% per annum in 2025, 2024 and 2023. Interest income earned from cash in banks amounted to US\$0.003 million in 2025 and 2024, and US\$0.002 million in 2023 (see Note 19).

There is no restriction on the Group's cash as at December 31, 2025 and 2024.

9. Receivables

This account consists of:

	2025	2024
Trade receivables	US\$20,003	US\$14,611
Other receivables from customers	2,765	2,973
Advances to employees	136	60
Advances to managers	67	104

(Forward)



	2025	2024
SSS claims receivables	US\$16	US\$18
Others (Note 20)	157	103
	23,144	17,869
Less allowance for impairment losses	18	18
	US\$23,126	US\$17,851

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

Other receivables from customers pertains to revenue arising from other related services to manufacturing of goods based on contract with customers. This includes receivables from nonrecurring expenses incurred, such as tools and jigs, that are reimbursable from the customers.

The following outlines the movement in the allowance for impairment losses based on individual impairment in 2023, with no changes recorded for collective impairment. There are no movement and balance in 2024 and 2025.

	2023			
	Trade Receivables	Other receivables from customers	Others	Total
Balances at beginning of year	US\$86	US\$19	US\$-	US\$105
Recovery of impairment losses	(44)	(18)	-	(62)
Receivables written off	(25)	-	-	(25)
Balances at end of year	US\$17	US\$1	US\$-	US\$18

In 2023, the Group recovered receivables from customers amounting to US\$0.062 million, 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 2024 and 2025, see Note 19). In 2023, the Parent Company has written down outstanding receivables amounting to US\$0.025 million.

10. Contract Assets/Liabilities

This account consists of:

	2025	2024
Contract assets	US\$11,059	US\$7,763
Contract liabilities	5,652	5,118

Contract assets are initially recognized for revenue earned from manufacturing 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 2025 and 2024, 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:

	2025	2024
Raw materials	US\$30,005	US\$32,099
Spare parts and supplies	1,042	1,104
	US\$31,047	US\$33,203

The Group recognizes its inventories at lower of cost and net realizable value (NRV). No merchandise inventory is recorded at amount lower than its cost in 2025 and 2024. In 2025 and 2024, the Group has not provided any provision for inventory obsolescence on raw materials.

The raw materials and supplies used in the operations amounted to US\$79.60 million, US\$68.79 million and US\$57.38 million in 2025, 2024 and 2023, respectively (see Note 16).

12. Property and Equipment

The rollforward analysis of this account follows:

	2025								Total
	Machinery and Equipment	Tools and Other Equipment	Leasehold Improvements	Airconditioning Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Building Improvements	Construction in Progress	
Cost									
Balances at beginning of year	US\$49,913	US\$11,203	US\$2,613	US\$2,245	US\$121	US\$255	US\$1,641	US\$-	US\$67,991
Additions	183	504	63	36	2	56	-	878	1,722
Disposals	(136)	(70)	(1)	-	-	-	-	-	(207)
Transfer	-	(10)	-	-	-	10	-	-	-
Balances at end of year	49,960	11,627	2,675	2,281	123	321	1,641	878	69,506
Accumulated depreciation and amortization									
Balances at beginning of year	34,982	9,312	2,452	1,938	115	129	1,641	-	50,569
Depreciation and amortization (Notes 16 and 17)	3,178	761	159	140	2	41	-	-	4,281
Disposals	(132)	(67)	(1)	-	-	-	-	-	(200)
Transfer	7	(2)	-	-	-	2	-	-	7
Balances at end of year	38,035	10,004	2,610	2,078	117	172	1,641	-	54,657
Net book values	US\$11,925	US\$1,623	US\$65	US\$203	US\$6	US\$149	US\$-	US\$878	US\$14,849
	2024								
	Machinery and Equipment	Tools and Other Equipment	Leasehold Improvements	Airconditioning Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Building Improvements	Construction in Progress	Total
Cost									
Balances at beginning of year	US\$49,809	US\$10,864	US\$2,780	US\$2,165	US\$117	US\$232	US\$1,641	US\$-	US\$67,608
Additions	78	413	3	41	4	23	-	-	562
Disposals	(8)	(77)	(61)	(33)	-	-	-	-	(179)
Reclassification	34	3	(109)	72	-	-	-	-	-
Balances at end of year	49,913	11,203	2,613	2,245	121	255	1,641	-	67,991
Accumulated depreciation and amortization									
Balances at beginning of year	31,636	8,500	2,508	1,747	114	90	1,641	-	46,236
Depreciation and amortization (Notes 16 and 17)	3,333	888	65	186	1	39	-	-	4,512
Disposals	(8)	(77)	(61)	(33)	-	-	-	-	(179)
Reclassification	21	1	(60)	38	-	-	-	-	-
Balances at end of year	34,982	9,312	2,452	1,938	115	129	1,641	-	50,569
Net book values	US\$14,931	US\$1,891	US\$161	US\$307	US\$6	US\$126	US\$-	US\$-	US\$17,422

In 2025 and 2024, the Group retired/disposed certain machineries and equipment, tools and other equipment, leasehold improvement and air-conditioning equipment that are no longer used in the production with cost amounting to US\$0.21 million and US\$0.18 million, respectively.



In February 2023, the Group acquired property and equipment amounting to US\$4.70 million by entering into three (3)-year financing agreements with a supplier (see Note 14). The Group made payments in relation to these financing agreements amounting to US\$1.49 million in 2025, US\$1.38 million in 2024 and US\$1.43 million. As of December 31, 2025 and 2024, the carrying values of the outstanding long-term debt relating to this agreement amounted to US\$0.39 million and US\$1.89 million, respectively.

The Group's cost of fully depreciated property and equipment still in use amounted to US\$32.51 million and US\$26.92 million as of December 31, 2025 and 2024, respectively.

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

	2025	2024	2023
Cost of sales (Note 16)	US\$4,219	US\$4,448	US\$4,020
Operating expenses (Note 17)	62	64	59
	US\$4,281	US\$4,512	US\$4,079

13. Accounts Payable and Accrued Expenses

This account consists of:

	2025	2024
Trade payables		
Third parties	US\$19,546	US\$12,938
Related parties (Note 20)	1	80
Accrued expenses	3,234	3,216
Others	454	380
	US\$23,235	US\$16,614

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

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

	2025	2024
Accrued sales commission	US\$937	US\$1,360
Accrued handling	507	445
Accrued professional fees	501	455
Accrued salaries, wages and other benefits	420	277
Accrued contracted labor	402	100
Accrued utilities	340	367
Accrued interest	29	54
Accrued rent	-	17
Other accrued expenses	98	141
	US\$3,234	US\$3,216

Other accrued expenses mainly include other contracted labor.



14. Bank Loans and Long-term Debt

This account consists of:

	2025	2024
Bank loans		
<i>Commercial loans</i>		
Current	US\$8,000	US\$13,000
Noncurrent	1,500	–
<i>Car loans</i>		
Current	21	35
Noncurrent	32	80
Long-term debt		
Current	394	1,496
Noncurrent	–	394
	US\$9,947	US\$15,005
Current	US\$8,415	US\$14,531
Noncurrent	1,532	474
	US\$9,947	US\$15,005

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

Long-term Debt:

- In February 2023, the Parent Company entered into three (3)-year financing agreements with a supplier with contract prices amounting to US\$4.70 million, accounted as property and equipment, which are subject to 2.11% quarterly interest and will mature on January 31, 2026. The Parent Company made payments in relation to these financing agreements amounting to US\$1.50 million in 2025, US\$1.38 million in 2024, and US\$1.43 million in 2023. As of December 31, 2025 and 2024, the carrying values of the outstanding long-term debt relating to this agreement amounted to US\$0.39 million and US\$1.89 million, respectively.

The future undiscounted minimum payments pertaining to these long-term debts are as follow:

	2025	2024	2023
Within one year	US\$402	US\$1,609	US\$1,563
After one year but not more than five years	–	402	2,011
	US\$402	US\$2,011	US\$3,574

Car Loans:

- In 2024, 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\$0.030 million. These loans are subject to monthly interest rates ranging from 0.67% to 0.79% in 2025 and 2024. The Parent Company already paid US\$0.002 million and US\$0.004 million in 2025 and 2024, respectively. As of December 31, 2025 and 2024, the outstanding balance of these bank loans amounted to US\$0.02 million and US\$0.03 million, respectively.



- In 2023, 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\$0.22 million. These loans are subject to monthly interest rates ranging from 0.67% to 0.79% in 2025 and 2024. The Parent Company already paid US\$0.06 million in 2025 and US\$0.03 million in 2024. As of December 31, 2025 and 2024, the outstanding balance of these bank loans amounted to US\$0.03 million and US\$0.09 million, respectively.

Commercial Loans:

- On December 5, 2025, the Parent Company made a drawdown for a five (5)-year long term loan with interest rate of 5.77% (rates may vary quarterly) amounting to US\$1.50 million which will mature on December 5, 2030.
- The Parent Company made a drawdown for a four (4)-month short term loan with interest rates ranging from 5.71% to 6.32% amounting to US\$3.00 million on February 14, 2025, US\$2.00 million each on March 7, 2025, June 23, 2025, July 18, 2025, December 4, 2025 and December 16, 2025. Out of US\$13.00 million drawdowns, the Parent Company already paid US\$9.00 million. The remaining outstanding balance of US\$4.00 million will mature on April 1, 2026 and April 15, 2026.
- The Parent Company made a drawdown for a six (6)-month short term loan with interest rates ranging from 6.28% to 6.59% amounting to US\$2.00 million each on April 28, 2025, May 15, 2025, June 24, 2025, October 29, 2025 and November 21, 2025. Out of US\$10.00 million drawdowns, the Parent Company already paid US\$6.00 million. The remaining outstanding balance of US\$4.00 million will mature on April 27, 2026 and May 20, 2026.
- The Parent Company made a drawdown for a four (4)-month short term loan with interest rates ranging from 6.50% to 7.87% amounting to US\$2.00 million on January 31, 2024, US\$5.00 million on February 28, 2024, US\$4.00 million each on April 02, 2024, July 18, 2024 and November 19, 2024, US\$3.00 million each on June 25, 2024 and October 31, 2024. Out of the US\$25.00 million drawdowns, the Parent Company already settled US\$7.00 million and US\$18.00 million in 2025 and 2024, respectively.
- The Parent Company made a drawdown for a six (6)-month short term loan with interest rates ranging from 6.59% to 7.50% amounting to US\$2.00 million each on April 11, 2024, May 14, 2024, June 18, 2024, October 11, 2024, November 12, 2024 and December 16, 2024. Out of the US\$12.00 million drawdowns, the Parent Company already settled US\$6.00 million and US\$6.00 million in 2025 and 2024, respectively.

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\$0.74 million, US\$1.21 million and US\$1.30 million in 2025, 2024 and 2023, respectively (see Note 18).

15. Equity

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, 2025 and 2024 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, 2025 and 2024, respectively. As at December 31, 2025 and 2024, the number of holders of common shares of stock and preferred shares of stock were 7,209 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\$2.36 million and US\$2.22 million as of December 31, 2025 and 2024, respectively.

Retained earnings

The Parent Company'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, 2025. The Parent Company's retained earnings available for dividend declaration amounted to US\$14.47 million and US\$11.50 million as of December 31, 2025 and 2024, respectively.

The Group's retained earnings amounted to US\$14.39 million and US\$11.49 million as of December 31, 2025 and 2024, respectively. The unappropriated retained earnings include accumulated losses of its subsidiary amounting to US\$1.58 million and US\$1.50 million as of December 31, 2025 and 2024, respectively.



16. Cost of Sales

This account consists of:

	2025	2024	2023
Materials and supplies used (Note 11)	US\$79,597	US\$68,788	US\$57,379
Direct labor, salaries and benefits	16,443	14,700	14,862
Occupancy cost and utilities (Notes 20 and 21)	4,866	4,523	4,471
Depreciation and amortization (Notes 12 and 21)	4,725	5,404	5,054
Others	2,471	2,327	1,810
	US\$108,102	US\$95,742	US\$83,576

Direct labor, salaries and benefits account include retirement expense amounting to US\$0.46 million, US\$0.41 million and US\$0.37 million in 2025, 2024 and 2023, respectively (see Note 23).

17. Operating Expenses

This account consists of:

	2025	2024	2023
General and administrative expenses	US\$1,798	US\$1,652	US\$1,673
Selling expenses	3,107	2,556	2,737
	US\$4,905	US\$4,208	US\$4,410

General and administrative expenses consist of the following:

	2025	2024	2023
Salaries, wages, and benefits	US\$1,152	US\$1,031	US\$995
Occupancy cost and utilities (Note 21)	356	291	281
Professional fees	126	143	142
Depreciation and amortization (Notes 12, 20 and 21)	47	43	59
Impairment of receivables (Note 9)	—	—	2
Other expenses - net	117	144	194
	US\$1,798	US\$1,652	US\$1,673



Selling expenses consist of the following:

	2025	2024	2023
Sales commission and agent's fee	US\$2,494	US\$1,953	US\$2,169
Salaries and benefits	396	370	408
Professional fees	59	97	49
Occupancy cost and utilities (Note 21)	93	93	78
Depreciation and amortization (Notes 12, 20 and 21)	22	21	15
Other expenses	43	22	18
	US\$3,107	US\$2,556	US\$2,737

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 retirement expense amounting to US\$0.02 million in 2025, US\$0.01 million in 2024 and US\$0.01 million in 2023 (see Note 23).

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

18. Finance Costs

This account consists of:

	2025	2024	2023
Interests on:			
Commercial loans and car loans (Note 14)	US\$650	US\$992	US\$1,013
Long-term debt (Note 14)	92	222	284
Lease liabilities (Note 21)	65	113	195
	US\$807	US\$1,327	US\$1,492

19. Others - Net

This account consists of:

	2025	2024	2023
Foreign currency exchange gain (loss) – net	US\$12	US\$207	(US\$143)
Sale of scrap	85	178	–
Interest income (Note 8)	11	3	2
Bank charges	(79)	(80)	(49)
Recovery of impairment loss (Note 9)	–	–	62
Miscellaneous	–	2	3
	US\$29	US\$310	(US\$125)



20. 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	2025			
	Amount/ Volume	Due from (Due to)	Terms	Conditions
Ultimate Parent				
a. Rent expense	US\$595	US\$-	30-day; Noninterest-bearing	Unsecured
b. Advances from related parties	-	(11,400)	On demand; Noninterest-bearing	Unsecured
c. Other receivables	-	1	30 day; end of month; Noninterest-bearing	Unsecured; No impairment
Entities Under Common Control				
a. Rent expense	808	-	30-day; Noninterest-bearing	Unsecured
Refundable deposits	-	110	Noninterest-bearing; Application to	Unsecured;
b. Advances from related parties	-	(7,100)	unpaid rental and last 3 months rentals	No impairment
c. Other receivables	-	1	Noninterest-bearing	Unsecured;
d. Trade payable (purchases)	307	(1)	30 day; end of month; Noninterest-bearing	No impairment Unsecured
2024				
Category	Amount/ Volume	Due from (Due to)	Terms	Conditions
Ultimate Parent				
a. Lease liabilities	US\$654	(US\$117)	30-day; Noninterest-bearing	Unsecured
Right-of-use assets	502	84	30-day; Noninterest-bearing	Unsecured; No impairment
b. Advances from related parties	-	(11,400)	On demand; Noninterest-bearing	Unsecured
c. Other receivables	-	1	30 day; end of month; Noninterest-bearing	Unsecured; No impairment
Entities Under Common Control				
a. Rent expense	773	-	30-day; Noninterest-bearing	Unsecured
b. Refundable deposits	-	166	Noninterest-bearing; Application to	Unsecured;
c. Advances from related parties	-	(8,600)	unpaid rental and last 3 months rentals	No impairment
d. Other receivables	(4)	1	Noninterest-bearing	Unsecured
e. Trade payable (purchases)	755	(80)	30 day; end of month; Noninterest-bearing	No impairment 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, 2025 and July 1, 2024 for Plant 5 and 6 and shall continue up until December 31, 2025 and June 30, 2025, respectively. As of July 1, 2025, the renewal of lease agreement for Plant 5 has been executed for one (1) year until June 30, 2026.



Entities Under Common Control

Iomni Precision, Inc. (Iomni)

The Group entered into a sub-lease agreement with Iomni, an entity under common control of the Ultimate Parent Company, for the lease of office space with a total floor area of 1,500 sq. m. The lease agreement began on January 16, 2025 until January 15, 2026.

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 2025, 2024 and 2023 (see Notes 16 and 17).

The future minimum lease payments pertaining to this lease agreement amounts to US\$0.01 million and US\$0.12 million as at December 31, 2025 and 2024, respectively.

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, 2024. It was renewed for another year on May 1, 2025, subject to the extension or renewal upon mutual agreement of the parties.

The lease agreement provides for the payment of advance rental and security deposit equivalent to two (2) months rental each amounting to US\$0.19 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\$0.59 million in 2025, US\$0.57 million in 2024, and US\$0.56 million in 2023.

Another lease agreement with IPI, for the lease of a factory building (Plant 4). The lease agreement commenced on November 1, 2024, until October 31, 2025. It was renewed on November 1, 2025 until October 31, 2026, subject to the extension or renewal upon mutual agreement of the parties. The Group recognized rent expense pertaining to this lease under cost of sales amounting to US\$0.10 million in 2025 and US\$0.08 million in 2024.

The lease agreement provides for the payment of advance rental and security deposit equivalent to two (2) months rental each amounting to US\$0.02 million. The advance rental shall be applied against the rentals due for the last two (2) months of the lease.

b. Advances from related parties

The Ultimate Parent Company, Ionics Circuits, Ltd. (ICL) and Ionics Properties, Inc., an entity under common control of the Ultimate Parent Company, are financially committed to support operations of the Group through cash advances. In 2025, the Parent Company partially paid the advances amounting to US\$1.50 million. The outstanding advances from related parties as of December 31, 2025 and 2024 amounted to US\$18.50 and US\$20.00 million.

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.



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, 2025 and 2024 amounted to US\$0.001 million and US\$0.080 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 17):

	2025	2024	2023
Executive officers' compensation	US\$436	US\$442	US\$562
Directors' remuneration	337	337	337
Short-term employee benefits	88	93	98
Post-employment benefits	63	61	58
	US\$924	US\$933	US\$1,055

21. 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 20. 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 2025, EMS renewed another three (3) years lease agreement for office factory warehouse from another third-party starting September 1, 2025 to August 31, 2028. The carrying amount of right-of-use assets and lease liabilities amounted to US\$0.21 million and US\$0.23 million in 2025 and 2024, respectively.

The Group entered into another five (5) year lease agreement for 5,331.36 sq.m. office factory warehouse starting September 15, 2022 and will expire on September 14, 2027, and may be extended or renewed upon mutual agreement of the parties. The carrying amount of right-of-use assets and lease liabilities amounted to US\$0.22 million and US\$0.23 million in 2025 and 2024, respectively.



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

	2025	2024
Cost		
Balances at beginning of year	US\$5,718	US\$5,846
Additions	700	–
Termination of contract	–	(128)
Balances at end of year	6,418	5,718
Accumulated Depreciation		
Balances at beginning of year	4,907	3,951
Depreciation (Notes 16, 17 and 20)	513	956
Balances at end of year	5,420	4,907
Net Book Values	US\$998	US\$811

In 2025, 2024, and 2023, the depreciation charges of the Group related to right-of-use assets included under cost of sales amounted to US\$0.51 million, US\$0.96 million, and US\$1.03 million respectively, and under operating expenses amounted to US\$0.01 million (see Notes 16 and 17).

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

	2025	2024
Balance at beginning of year	US\$932	US\$2,197
Additions	700	–
Accretion of interests (Note 18)	65	113
Lease termination	–	(133)
Payment of principal (Note 5)	(576)	(1,132)
Payment of interests (Note 18)	(65)	(113)
Balance at end of year	US\$1,056	US\$932

The Group had a total cash outflows for leases of US\$0.64 million, US\$1.25 million and US\$1.38 million in 2025, 2024 and 2023, respectively.

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

	2025	2024
Current	US\$451	US\$485
Noncurrent	605	447
	US\$1,056	US\$932

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

	2025	2024
Depreciation of right-of-use assets (Notes 16 and 17)	US\$513	US\$956
Accretion of interest (Note 18)	65	113
Rent expense relating to short-term lease (Notes 16, 17 and 20)	1,403	773



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

	2025	2024
Within one year	US\$514	US\$537
After one year but not more than two years	460	279
After two years but not more than three years	180	204
	US\$1,154	US\$1,020

22. Income Taxes

Provision for income tax consists of:

	2025	2024	2023
Current	US\$537	US\$522	US\$491
Deferred	35	29	1
	US\$572	US\$551	US\$492

Provision for current income tax pertains to GIT and RCIT of the Parent Company in 2025, 2024 and 2023.

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

	2025	2024	2023
Statutory income tax	US\$886	US\$700	US\$766
Additions to (deductions from) income tax resulting from:			
Non-deductible expenses	349	318	312
Foreign exchange rate changes	81	64	53
Reversal of allowance	-	-	(5)
Movement in unrecognized deferred tax assets	(48)	(7)	(34)
Income from operations subject to lower preferential rate without NOLCO	(696)	(524)	(600)
Provision for income tax	US\$572	US\$551	US\$492

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

	2025	2024
Deferred tax assets on:		
Lease liabilities	US\$69	US\$50
Past service costs	1	14
	70	64
Deferred tax liabilities on:		
Right-of-use assets	55	43
Contract assets	77	48
	132	91
	(US\$62)	(US\$27)



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:

	2025	2024	2023
Net retirement liability	US\$3,809	US\$3,402	US\$3,226

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 2).

23. Net Retirement 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. The Group obtained actuarial valuation report from independent third-party professionally qualified consulting actuary as of December 31, 2025.

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 17). Details are as follows:

	2025	2024	2023
Current service cost	US\$274	US\$258	US\$219
Net interest cost	205	165	158
	US\$479	US\$423	US\$377

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

	2025	2024	2023
Defined benefit obligation	US\$74	US\$176	US\$309
Plan assets	(18)	(11)	(2)
	US\$56	US\$165	US\$307



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:

	2025	2024
Present value of defined benefit obligation	US\$4,060	US\$3,637
Fair value of plan assets	(251)	(235)
	US\$3,809	US\$3,402

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

	2025	2024
Balance at beginning of year	US\$3,637	US\$3,435
Current service cost	274	258
Interest cost	219	180
Remeasurement (gains) losses arising from:		
Experience adjustments	146	176
Changes in financial assumptions	(72)	-
Net acquired obligation due to employee transfer	6	-
Benefits paid	(81)	(262)
Effect of changes in foreign exchange rates	(69)	(150)
Balance at end of year	US\$4,060	US\$3,637

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

	2025	2024
Balance at beginning of year	US\$235	US\$209
Contributions	70	271
Return on assets excluding amount included in net interest cost	18	11
Interest income	14	15
Benefits paid	(81)	(262)
Effect of changes in foreign exchange rates	(5)	(9)
Balance at end of year	US\$251	US\$235

The rollforward of the net retirement liability is as follows:

	2025	2024
Balance at beginning of year	US\$3,402	US\$3,226
Retirement expense	479	423
Remeasurement losses	56	165
Net acquired obligation due to employee transfer	6	-
Contributions	(70)	(271)
Effects of changes in foreign exchange rates	(64)	(141)
Balance at end of year	US\$3,809	US\$3,402

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:

	2025	2024
Assets		
Cash in banks	US\$–	US\$271
Investment in time deposit	283	–
Investment in equity securities	5	6
Investment in government securities:		
Fixed rate treasury notes	139	142
Retail treasury bonds	139	141
Asset revaluation	3	–
Interest receivable	5	4
	574	564
Liabilities		
Accrued trust fee	1	1
Other payables	322	328
	323	329
Net plan asset	US\$251	US\$235

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

- Cash in banks and investment in time deposit - include savings and time deposit with Bangko Sentral ng Pilipinas (BSP);
- Investment in equity securities - 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, 2025 and 2024, the trust fund has no investment 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:

	2025	2024	2023
Retirement age	60 – 65	60 - 65	60 - 65
Average remaining working life	11 – 18	11 - 18	11 - 18
Discount rate	6.37%	6.11%	6.10%
Salary increase rate	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	2025		2024	
	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\$293)	+1.0%	(US\$266)
	-1.0%	337	-1.0%	306
Future salary increase rate	+1.0%	US\$360	+1.0%	US\$326
	-1.0%	(318)	-1.0%	(287)

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:

	2025					
	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\$472	US\$9	US\$428	US\$826	US\$1,217	US\$2,773
Other than normal retirement	255	1,247	2,139	2,267	2,117	3,460
	US\$727	US\$1,256	US\$2,567	US\$3,093	US\$3,334	US\$6,233

	2024					
	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\$466	US\$-	US\$270	US\$792	US\$1,032	US\$2,659
Other than normal retirement	246	1,046	1,875	2,045	1,987	3,365
	US\$712	US\$1,046	US\$2,145	US\$2,837	US\$3,019	US\$6,024

The Group expects to contribute to the pension plan amounting to US\$0.97 million in 2026.

24. 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 customers under the consumer electronics amounted to US\$30.69 million in 2025 and under telecommunications amounted to US\$34.82 million and US\$10.22 million in 2024 and 2023, respectively. 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, 2025, 2024 and 2023, which presents revenue and certain assets and liabilities attributed to each business segment are summarized in the following tables:

	December 31, 2025					Total
	Computer Peripherals	Telecom	Medical	Consumer Electronics	Others	
Revenue from contracts with customers	US\$20,128	US\$43,320	US\$153	US\$53,650	US\$-	US\$117,251
Income (loss) from operations	1,936	(1,322)	(55)	3,715	(30)	4,244
Foreign exchange gain (loss)	40	(4)	-	(24)	-	12
Provision for income tax	(236)	(91)	(4)	(241)	-	(572)
Interest-net	(109)	(352)	-	(336)	-	(797)
Miscellaneous expenses	(13)	(30)	-	(35)	85	7
Net income (loss)	US\$1,618	(US\$1,799)	(US\$59)	US\$3,079	US\$85	US\$2,894
Total assets	US\$13,994	US\$29,663	US\$554	US\$36,193	US\$10,021	US\$90,425
Total liabilities	US\$546	US\$5,576	US\$262	US\$6,699	US\$49,280	US\$62,363
Capital expenditures	US\$433	US\$190	US\$6	US\$215	US\$878	US\$1,722
Depreciation and amortization	US\$2,756	US\$1,253	US\$14	US\$771	US\$-	US\$4,794
Allowance for impairment losses on receivables	US\$18	US\$-	US\$-	US\$-	US\$-	US\$18

	December 31, 2024					Total
	Computer Peripherals	Telecom	Medical	Consumer Electronics	Others	
Revenue from contracts with customers	US\$22,956	US\$39,629	US\$103	US\$40,995	US\$-	US\$103,683
Income (loss) from operations	2,624	(571)	6	1,674	-	3,733
Foreign exchange gain - net	103	57	-	47	-	207
Provision for income tax	(283)	(74)	(3)	(191)	-	(551)
Interest-net	(283)	(488)	-	(553)	-	(1,324)
Miscellaneous expenses	(12)	(26)	-	(23)	161	100
Net income (loss)	US\$2,149	(US\$1,102)	US\$3	US\$954	US\$161	US\$2,165
Total assets	US\$16,702	US\$27,312	US\$132	US\$33,443	US\$8,885	US\$86,474
Total liabilities	US\$613	US\$5,654	US\$178	US\$2,567	US\$52,254	US\$61,266
Capital expenditures	US\$242	US\$195	US\$-	US\$125	US\$-	US\$562
Depreciation and amortization	US\$3,308	US\$1,325	US\$5	US\$830	US\$-	US\$5,468
Allowance for impairment losses on receivables	US\$18	US\$-	US\$-	US\$-	US\$-	US\$18



	December 31, 2023				
	Computer Peripherals	Telecom	Medical	Consumer Electronics	Total
Revenue from contracts with customers	US\$23,739	US\$20,184	US\$155	US\$48,499	US\$92,577
Income from operations	2,101	3	74	2,413	4,591
Foreign exchange loss-net	(43)	(44)	–	(56)	(143)
Provision for income tax	(193)	(113)	(2)	(184)	(492)
Interests – net	(363)	(339)	–	(788)	(1,490)
Miscellaneous expenses	(16)	(8)	–	40	16
Net income (loss)	US\$1,486	(US\$501)	US\$72	US\$1,425	US\$2,482
Total assets*	US\$19,760	US\$20,568	US\$227	US\$42,090	US\$82,645
Total liabilities**	US\$350	US\$6,203	US\$226	US\$4,033	US\$10,812
Capital expenditures	US\$5,803	US\$412	US\$2	US\$687	US\$6,904
Depreciation and amortization	US\$3,081	US\$1,246	US\$6	US\$795	US\$5,128
Allowance for impairment losses on receivables	US\$18	US\$–	US\$–	US\$–	US\$18

*Excluding unallocated assets amounting to US\$7,789.

**Excluding unallocated liabilities amounting to US\$56,413.

Sales represent revenues from external customers. During 2025, 2024 and 2023, 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

	2025	2024	2023
Asia	US\$111,260	US\$97,744	US\$80,839
North America	3,711	4,017	5,227
Europe	2,280	1,922	6,511
	US\$117,251	US\$103,683	US\$92,577

Segment Assets

	2025	2024	2023
Asia	US\$90,237	US\$86,288	US\$90,251
North America	188	186	183
	US\$90,425	US\$86,474	US\$90,434

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\$117.25 million, US\$103.68 million and US\$92.58 million in 2025, 2024 and 2023, respectively.

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

25. Earnings per Share

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

	2025	2024	2023
Net income	US\$2,894	US\$2,165	US\$2,482
Dividend attributable to preference shares	(145)	(145)	(145)
Total income attributable to common shares	US\$2,749	US\$2,020	US\$2,337
Weighted average number of outstanding common shares	1,560,000	1,560,000	1,560,000
Basic/diluted earnings per share	US\$0.0018	US\$0.0013	US\$0.0015

In 2025, 2024 and 2023, 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.





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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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated March 13, 2026. 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.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea

Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

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

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-192-2025, October 20, 2025, valid until October 19, 2028

PTR No. 10765003, January 2, 2026, Makati City

March 13, 2026





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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, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated March 13, 2026. 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 (PFRS) Accounting Standards 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 PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea
Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

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

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-192-2025, October 20, 2025, valid until October 19, 2028

PTR No. 10765003, January 2, 2026, Makati City

March 13, 2026





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**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated March 13, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has 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 financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea

Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

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

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-192-2025, October 20, 2025, valid until October 19, 2028

PTR No. 10765003, January 2, 2026, Makati City

March 13, 2026



IONICS EMS, INC. AND SUBSIDIARY
INDEX TO THE SUPPLEMENTARY SCHEDULES
December 31, 2025

- Annex I Schedules Required under SRC Rule 68-J
- 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
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IONICS EMS, INC. AND SUBSIDIARY

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SECURITIES AND REGULATION CODE (SRC) RULE 68 DECEMBER 31, 2025

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, 2025:

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\$51

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

As of December 31, 2025, the Group has eliminated US\$0.17 million receivables from a related party.

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
Long-term debt	None	US\$394	US\$–	US\$394
Commercial loans	None	8,000	1,500	9,500
Bank loans	None	21	32	53
		US\$8,415	US\$1,532	US\$9,947

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

As of December 31, 2025, the Group has no long-term loans from related companies.

Schedule F. Guarantees of Securities of Other Issuers

As of December 31, 2025, 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 EMS, INC. AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE -
RELATED INFORMATION
DECEMBER 31, 2025

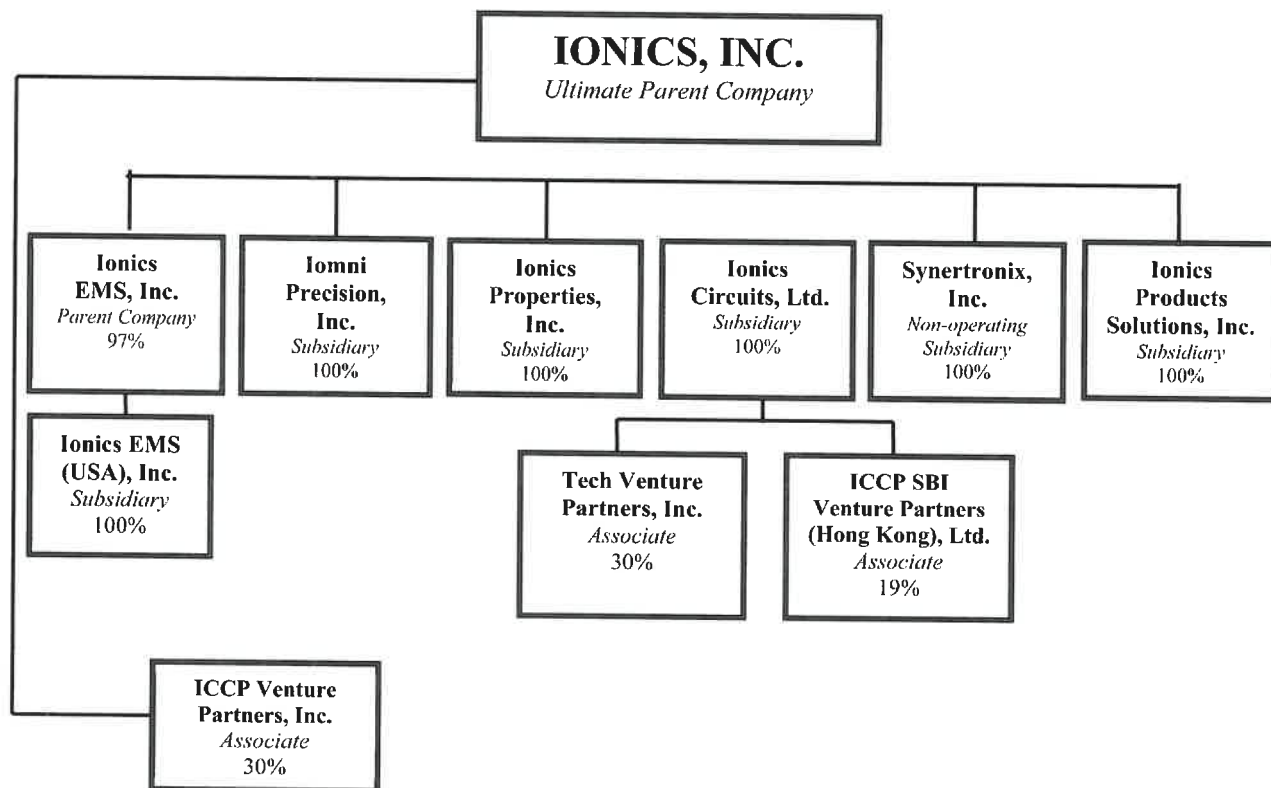
Below is the schedule of external auditor fees of the Group for the year ended December 31:

	2025	2024
Total Audit Fees	₱5,115,186	₱4,966,200

The Group did not incur any fees for non-audit services, including other assurance services, tax services, and all other non-audit engagements, for the years ended December 31, 2025 and 2024.

IONICS EMS, INC. AND SUBSIDIARY GROUP STRUCTURE

Below is a map showing the relationship between and among the Company, Ultimate Parent Company and subsidiaries as of December 31, 2025:



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, 2025, and 2024:

Financial ratios		2025	2024
Liquidity Ratios			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.31:1	1.19:1
Acid Test Ratio	$\frac{\text{Cash and receivables}}{\text{Current liabilities}}$	0.52:1	0.42:1
Leverage ratio	$\frac{\text{Net debt}}{\text{Net debt and equity}}$	0.62:1	0.65:1
Debt-to-equity ratio	$\frac{\text{Total debt}}{\text{Total equity}}$	2.22:1	2.43:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	3.22:1	3.43:1
Profitability Ratio			
Interest rate coverage ratio	$\frac{\text{Income before income tax and finance costs}}{\text{Finance costs}}$	5.29:1	3.05:1
Revenue Growth	$\frac{\text{*CY revenue} - \text{**PY revenue}}{\text{**PY revenue}}$	13.09%	12.00%
Gross Profit Margins	$\frac{\text{Gross profit}}{\text{Total Revenue}}$	7.80%	7.66%
Net Income Margins	$\frac{\text{Net income}}{\text{Total Revenue}}$	2.47%	2.09%
Return on Equity	$\frac{\text{Net income}}{\text{Total equity}}$	10.31%	8.59%

*CY - current year

**PY - prior year

IONICS EMS, INC.**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION****December 31, 2025**

Unappropriated Retained Earnings, beginning of reporting period	US\$11,501
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings	
Reversal of Retained Earnings Appropriation/s	—
Effect of restatements or prior-period adjustments	—
Others	—
	<hr/>
Less: Category B: Items that are directly credited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	—
Retained Earnings appropriated during the reporting period	—
Effect of restatements or prior-period adjustments	—
Others	—
	<hr/>
Unappropriated retained earnings, as adjusted	11,501
Add/Less: Net Income (loss) for the current year	2,972
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Equity in net income of associate/joint venture, net of dividends Declared	—
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Unrealized fair value gain of Investment Property	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	—
Sub-total	<hr/>
	<hr/>
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	—
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Realized fair value gain of Investment Property	—
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	—
Sub-total	<hr/>
	<hr/>

Add: Category C-3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	—
Reversal of previously recorded fair value adjustment (mark-to-market gains) Of financial instruments at fair value through profit or loss (FVTPL)	—
Reversal of previously recorded fair value gain of Investment property	—
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	—
Sub-total	<u>—</u>
Adjusted Net Income/Loss	<u>2,972</u>
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Depreciation on revaluation increment (after tax)	—
Sub-total	<u>—</u>
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote 3)	
Amortization of the effect of reporting relief	—
Total amount of reporting relief granted during the year	—
Others (describe nature)	—
Sub-total	<u>—</u>
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	—
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(6)
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	—
Adjustment due to deviation from PFRS/GAAP — gain (loss)	—
Others (describe nature)	—
Sub-total	<u>(6)</u>
Total Retained Earnings, end of the reporting period available for Dividend	<u>US\$14,467</u>