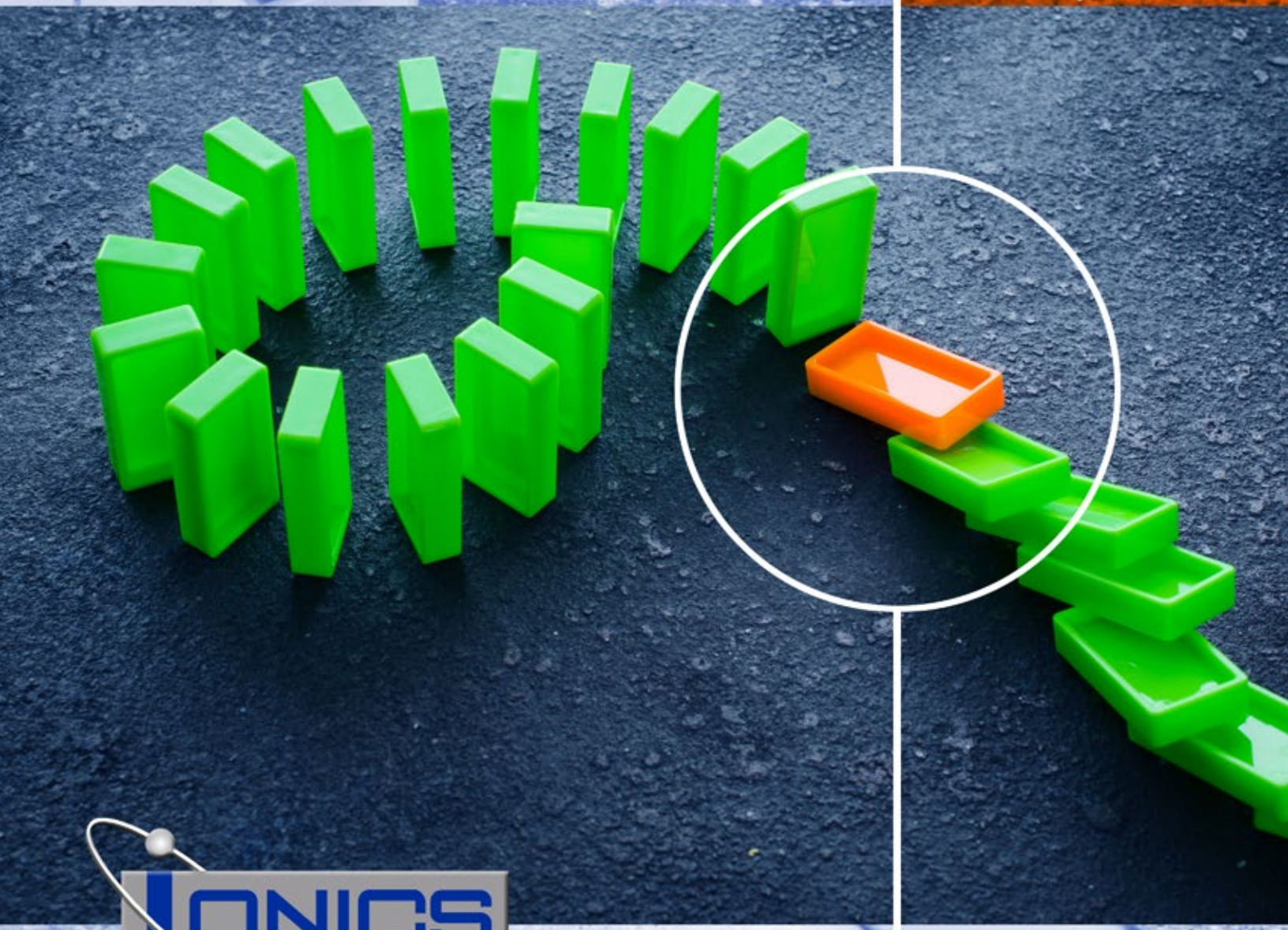
The Pain & Power of Disruption



IONICS INC.

2020 ANNUAL REPORT

NOTICE OF REGULAR MEETING | INFORMATION STATEMENT

TABLE OF CONTENTS

NOTICE OF ANNUAL SHAREHOLDERS' MEETING

TO ALL SHAREHOLDERS:

Notice is hereby given that the Annual Shareholders' Meeting of Ionics, Inc. will be conducted through remote communication on Friday, 21 May 2021 at 2:00 p.m.

The Agenda for the said meeting shall be as follows:

1. **Call to Order**
2. **Proof of Notice of Meeting**
3. **Certification of Quorum**
4. **Reading and Approval of the Minutes of the Previous Meeting**
5. **Management Report for the Fiscal Year 2020**
6. **Ratification of All Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation from the date of the last Annual Shareholders' Meeting to the present**
7. **Election of Directors**
8. **Appointment of External Auditors**
9. **Other Matters**
10. **Adjournment**

Only shareholders of record at the close of business hours on 30 April 2021 will be entitled to notice of, and to vote at, the meeting.

In light of the COVID-19 pandemic, the Company will conduct its Annual Shareholders' Meeting via remote communication. Shareholders who wish to attend the meeting or vote through remote communication should register using the Company's registration portal provided at www.ionicsgroup.com/agm2021 on or before on 19 May 2021. The requirements and procedure for registration, participation and voting through remote communication are set out in the Company's Information Statement and shall be made available at the Company website. In compliance with the requirements of the Securities and Exchange Commission, there will be an audio and video recording of the meeting.

In case you cannot attend the meeting, please designate your authorized representative by submitting a signed proxy form via email to ioncorp.agm@ionics-ems.com no later than the close of business hours on 19 May 2021. All proxies received will be validated on 20 May 2021. A sample proxy form may be downloaded at www.ionicsgroup.com/agm2021.

Shareholders of record may send their queries and comments about the items in the agenda to ioncorp.agm@ionics-ems.com on or before 19 May 2021.

Copies of this Notice of Meeting, Definitive Information Statement, Management Report, Annual Report (SEC Form 17A), Sustainability Report and Quarterly Report (SEC Form 17Q) for the First Quarter of 2021 shall be made available at the Company's website at www.ionicsgroup.com/agm2021 and at the Company's PSE EDGE profile.

Makati City, 27 April 2021.

MANUEL R. ROXAS
CORPORATE SECRETARY

INFORMATION STATEMENT

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. [x] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter : **IONICS, INC.**

3. Province, country or other jurisdiction of incorporation or organization : **PHILIPPINES**

4. SEC Identification Number : **107432**

5. BIR Tax Identification Code : **000-124-671**

6. Business Address : **Circuit St., Light Industry and Science Park of the Philippines (LISPP) I, Bo. Diezmo, Cabuyao, Laguna 4025**

7. Registrant's telephone number : **(049) 508-1111**
   (02) 519-4416

8. Date of Meeting : **21 May 2021**
   Time of Meeting : **2:00 p.m.**
   Place of Meeting : **The meeting will be conducted through remote communication via Zoom. The link to the virtual meeting room will be provided to shareholders who have successfully registered.**

9. Approximate date on which the Information Statement is first to be uploaded to the Company website : **29 April 2021**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant)

Title of Each Class	**Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding**
Common	**837,130,992**
	(exclusive of 20,844,000 Treasury Shares)

11. Are any or all of Registrant's securities listed in a Stock Exchange?

    Yes ✔ No ___

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange / Common Stock**

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SHAREHOLDERS

(a) Date of Meeting : 21 May 2021
Time of Meeting : 2:00 p.m.
Place of Meeting : The meeting will be conducted through remote communication via Zoom. The link to the virtual meeting room will be provided to shareholders who have successfully registered.

(b) This Information Statement, copies of the Company's Management Report, Annual Report (SEC Form 17A), Sustainability Report and Quarterly Report (SEC Form 17Q) for the First Quarter of 2021 shall be made available at the Company's website and PSE EDGE on or before 29 April 2021.

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

DISSENTER'S RIGHT OF APPRAISAL

Title X, Section 80 and Title IV, Section 41 of the Revised Corporation Code of the Philippines ("RCCP") allow a shareholder to exercise his right of appraisal in certain instances: (1) in case an amendment to the articles of incorporation will change or restrict the rights of such shareholder or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties; (3) in cases of merger or consolidation; or (4) in case the company decides to invest its funds in another corporation or business.

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

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

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

(a) Each of the persons who has been a director or officer of the Company from the beginning of the fiscal year 2020, as well as each of the nominees for the election as director for the year 2021, together with any associate of any of the foregoing, has not expressed any interest in any matter to be acted upon.

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

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total Number of Shares Issued and Outstanding as of 31 March 2021: 837,130, 992 exclusive of 20,844,000 treasury shares

Foreign Equity Ownership as of 31 March 2021: The Company's foreign equity ownership is presented, as follows:

	No. of Shares	% Ownership
Shares held by Philippine nationals	809,918,059 Common	96.75%
Shares held by Foreign nationals	27,212,933 Common	3.25%
Total	**837,130,992** Common	**100%**

Record Date: All shareholders of record as of 30 April 2021 will be entitled to notice of, and to vote at, the Annual Shareholders' Meeting.

Number of Votes Per Share: Each share is entitled to one (1) vote.

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

Security Ownership of Certain Record and Beneficial Shareholders of More than 5% of the Company's Voting Securities as of 31 March 2021

Title of Class	Names and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage Held
Common	**Aqua Holdings, Inc.** *c/o Carmelray Industrial Park II* *Barangay Tulo, Calamba, Laguna* *Shareholder*	Lawrence C. Qua, Meliton C. Qua, Raymond C. Qua, Virginia Judy Q. Dy (*shareholders of Aqua Holdings, Inc.)*	Filipino	335,153,100(R)	**40.04%**
Common	**Leonardo T. Siguion Reyna*** *7 Tanguile Road,* *North Forbes Park* *Makati City* *Shareholder*	N/A	Filipino	75,006,000 (R)	**8.96%**
Common	**Social Security System** *SSS Bldg., East Ave., Diliman,* *Quezon City* *Shareholder*	Republic of the Philippines	Filipino	54,874,198 (B)	**6.56%**

** deceased*

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

Mr. Rolando Mario Villonco, administrator of the Estate of Mr. Leonardo T. Siguion Reyna, is expected to submit a proxy to vote the Company's shares registered under the name of Leonardo T. Siguion Reyna.

The Social Security System is likewise expected to submit a proxy authorizing Commissioner Ricardo L. Moldez to vote its shares in the Company.

Security Ownership of Management as of 31 March 2021

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	**Lawrence C. Qua** Chairman/President/CEO	**27,454,760** Direct **1,950,000** Indirect	Filipino	3.28% 0.23%
Common	**Meliton C. Qua** Director	**6,497,362** Direct	Filipino	0.78%
Common	**Guillermo D. Luchangco** Director	**19,620,000** Indirect	Filipino	2.34%
Common	**Alfredo R. de Borja** Director	**14,000** Direct	Filipino	Nil
Common	**Ricardo L. Moldez** Director	**1** Direct	Filipino	Nil
Common	**Virginia Judy Q. Dy** Director	**1,033,603** Direct **4,887,140** Indirect	Filipino	0.12% 0.58%
Common	**Raymond C. Qua** Director/SVP-Treasurer	**8,562,350** Direct	Filipino	1.02%
Common	**Cecilia Q. Chua** Director	**5,584,412** Direct **3,000** Indirect	Filipino	0.67% Nil
Common	**Monica Siguion Reyna Villonco** Director	**24,000** Direct **127,000** Indirect	Filipino	Nil 0.02%
Common	**Medel T. Nera** Director	**1000** Direct	Filipino	Nil
Common	**Lilia B. De Lima** Director	**50,000** Indirect	Filipino	Nil
Common	**Judy C. Qua** VP - Business Development & Corporate Affairs	-0-	Filipino	-0-
Common	**Manuel R. Roxas** Corporate Secretary	**14,500** Direct	Filipino	Nil
Common	**Krisha F. Villanueva** Assistant Corporate Secretary	-0-	Filipino	-0-
Common	**Ronan R. Andrade** VP - Finance	-0-	Filipino	-0-
Common	**Cesar G. Caubalejo** AVP- Internal Audit	-0-	Filipino	-0-
	TOTAL	**75,823,128**		**9.05%**

Voting Trust Holders of 5% or more

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

Change in control

There is no arrangement which may result to a change in control of the Company.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Name/Position	Age	Citizenship
1. **Lawrence C. Qua** – Chairman	74	Filipino
2. **Alfredo R. de Borja** – Member (Independent)	76	Filipino
3. **Medel T. Nera** – Member (Independent)	65	Filipino
4. **Virginia Judy Q. Dy** – Member	80	Filipino
5. **Guillermo D. Luchangco** – Member	81	Filipino
6. **Meliton C. Qua** – Member	79	Filipino
7. **Raymond C. Qua**– Member	70	Filipino
8. **Cecilia Q. Chua** – Member	68	Filipino
9. **Monica Siguion-Reyna Villonco** – Member	67	Filipino
10. **Lilia B. De Lima** – Member (Independent)	80	Filipino
11. **Ricardo L. Moldez** – Member	73	Filipino

Commissioner Ricardo L. Moldez replaced former director Comm. Bai Norhata M. Alonto who resigned effective March 10, 2021.

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

The following are the Chairman and members of the Corporate Governance Committee for the year 2020 - 2021:

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

Mr. Medel T. Nera replaced the late Ms. Amelia B. Cabal who passed away on 11 September 2020.

The following individuals were nominated to the Board of Directors of the Company for the ensuing year, and have been approved for election by Board of Directors at its meeting on 10 March 2021:

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

The members of the Nomination Committee for the year 2020-2021 are as follows:

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

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

The Independent Directors were advised of SEC Memorandum Circular No. 4, Series of 2017 on the term limits for Independent Directors. Based on the Memorandum Circular, Mr. Alfredo R. de Borja has served the maximum cumulative term of nine years. The Board resolved to approve the re-nomination of Mr. de Borja for the position of independent director for the term 2021-2022. The Board considered Mr. de Borja's in-depth knowledge of the Company's business as well as that of its subsidiaries due to his length of service as an independent director of the Company. Furthermore, the technical nature of the Company's business and the industry in which it belongs require specialized knowledge which Mr. de Borja has contributed to the Company for many years. The Board believes that retaining Mr. de Borja as independent director will be instrumental in attaining its goals for the ensuing year. The Board therefore decided that it is to the best interest of the Company if Mr. de Borja will be re-nominated and re-elected.

All the independent directors were nominated by Aqua Holdings, Inc. None of the independent directors are subject to any trust arrangement or other contract or agreement with Aqua Holdings, Inc.

Executive Officers

Name	Rank/Title	Age	Citizenship
1. **Lawrence C. Qua**	Chairman / President / Chief Executive Officer	74	Filipino
2. **Raymond C. Qua**	SVP – Treasurer / Compliance Officer	70	Filipino
3. **Judy C. Qua**	VP – Corporate Affairs	70	Filipino
4. **Manuel R. Roxas**	Corporate Secretary	71	Filipino
5. **Ronan R. Andrade**	VP – Finance	50	Filipino
6. **Cesar G. Caubalejo**	AVP – Internal Audit / Assistant Compliance Officer	54	Filipino

Profile of Incumbent Directors, Nominees, and Officers

DIRECTORS

LAWRENCE C. QUA, 74, is the founding Chairman and Chief Executive Officer (CEO) of Ionics, Inc. and Subsidiaries, consisting of Ionics EMS, Inc., Ionics Properties Inc., Iomni Precision Inc., and Ionics Circuits Inc. He is also the Chairman and Director of Aqua Holdings, Inc. He is, further, a director and member of the investment committee of ICCP Venture Partners, Inc. and a director of various companies engaged in retailing and property development. He has been a trustee of the Semiconductor & Electronics Industry of the Philippines Inc. since its organization. He served as a board trustee of the Graduate Business School of De la Salle University for three years. Mr. Qua graduated from De La Salle University with a Bachelor of Science degree in Mechanical Engineering.

ALFREDO DE BORJA, 76, Filipino, has been an independent director of Ionics, Inc. since 2004 and an independent director of Ionics EMS, Inc. since 2007. He is the President of Makiling Farms, Inc., a real estate company, and President of E. Murio, Inc., a furniture manufacturer and exporter. He is also an independent director of Investment Capital Corp. of the Phil. ("ICCP"), ICCP Venture Partners, ICCP Holdings, Pueblo de Oro Development Corp., Regatta Properties, Science Park of the Phil (SPPI), Cebu Light Industrial Park, Clark Pipeline and Depot Company, RFM-SPPI Inc., Philippine Coastal Storage & Pipeline Corporation. He is also an independent director of Araneta Properties, Inc., both listed companies with the Philippine Stock Exchange. He has also served as director of several companies, including First Metro Investment Corp., SPI, Alsons, Inc., Alsons Power, Alsons Cement, Iligan Cement, Lima Land, Manila Memorial Park, Philcom, Shopwise, and Republic Glass Corp. He was the President of Gervel, Inc. from 1973 to 1986; Director and Chairman of the Executive Committee of First Metro Investment Co. from 1978 to 1983; Director and Vice President of Iligan Cement Corp. from 1973 to 1977; Professional Lecturer of the University of the Philippines Graduate School of Business Administration from 1971 to 1974; Executive Assistant to the Vice President of PLDT from 1970 to 1973; and Executive Assistant to the Vice President of Investment Managers, Inc. from 1966 to 1968. He holds a Master of Business Administration degree from Harvard University and a Bachelor of Science in Economics from the Ateneo de Manila University.

VIRGINIA JUDY Q. DY, 80, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. She has been a director of Aqua Holdings, Inc. for the last seven (7) years. She has also been the Finance Director of DVPRO Solutions, Inc. since 2001. Her previous corporate affiliations include Philippine Commercial and International Bank as Branch Manager, Insular Bank of Asia & America as Branch Manager, Ladtek Corporation/Interphase Development System as Accounting Manager and the International Corporate Bank as Branch Manager. Ms. Dy received her Bachelor of Science in Commerce degree from the Assumption Convent and is a Certified Public Accountant, having passed the government board exams in 1963.

GUILLERMO D. LUCHANGCO, 80, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. He is the Chairman and Chief Executive Officer of the ICCP Group, whose members include among others: Science Park of the Philippines, Inc., a developer of industrial parks; Pueblo de Oro Development Corporation, a developer of residential and township projects; and Manila Exposition Complex, Inc., the owner of the World Trade Center Metro Manila, Chairman of Investment & Capital Corporation of the Philippines and ICCP Ventures, which is in venture capital. Before founding ICCP in 1988, he served as Vice Chairman and President of Republic Glass Corporation, a publicly-listed company. Between 1969 and 1980, Mr. Luchangco worked with the SGV Group, the Philippines' leading auditing and consulting firm. He rose to the position of Managing Director and Regional Coordinator for management services. Mr. Luchangco serves on a number of boards, including the following publicly-listed companies in the Philippine Stock Exchange: Phinma Corporation, Trans-Asia Oil & Energy Development Corp., and Roxas & Co., Inc. He holds a Master of Business Administration degree from the Harvard Business School and a Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, Philippines.

MELITON C. QUA, 80, Filipino, held key positions in several companies which included the Philippine Bank of Communications as Senior Vice President, Citibank N.A., as Vice President, Bancnet as Director, Ionics EMS, Inc. as director, and Aqua Holdings, Inc. as Director. Mr. Qua has been a director of Ionics, Inc. since 1985. He received his Bachelor of Science degree in Business Administration from De La Salle University, Philippines.

RAYMOND MA. C. QUA, 70, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1985 and holds the position of Treasurer and Senior Vice President. He is also a director of Ionics EMS, Inc. Previously he was the Senior Vice President and General Manager of Synertronix, Inc. and the Vice President for Administration of Ionics, Inc. Mr. Qua is presently affiliated with various organizations and 14 associations serving as head, ranking officer or member. Mr. Qua received his Bachelor of Science degree in Commerce from De La Salle University, Philippines.

CECILIA Q. CHUA, 68, Filipino, was a director of Ionics Inc. from 1997 to 2000 and from 2007 up to present. She earned her Bachelor of Science in Food Technology from the University of Sto. Tomas in 1978. She is the Treasurer of B-Pack Corporation and Vice-President of CQ B-Pack Corporation. She has been the NPR Purchasing Manager of Ionics EMS Inc. since 1985. Previous corporate affiliations include Ionics Circuits Inc., Interphase Development Systems, Ladtek Inc., Complex Electronics Corporation and Philippine Meat Corporation.

MONICA SIGUION-REYNA VILLONCO, 67, Filipino, is the Chairman of Lowe Philippines, where she has served as a director since 2002. She earned her Bachelor of Fine Arts from the College of the Holy Spirit in 1975. Ms. Villonco is the incumbent President of Whitespace, Inc. and Datascope Communications (Phils.), Inc., and a director of Provident Plans International. Ms. Villonco is a member of the Board of Governors of the Philippine Red Cross, and the Board of Trustees of Teach for The Philippines. She also served as the editor-in-chief of Town & Country Philippines from 2007-2010.

MEDEL T. NERA, 65, Filipino, is a Certified Public Accountant. He has been an Independent Director of the Corporation since November 11, 2020. Mr. Nera is presently a Director of House of Investments, Inc., iPeople Inc., Seafront Resources Corp. and EEI Corporation. He is also an Independent Director of the National Reinsurance Corporation of the Philippines, Inc., Holcim Philippines, Inc. and the Generika pharmaceutical group. His past experiences include: President and CEO of House of Investments, Inc.; President of Honda Cars Kalookan, Inc., Director and President of RCBC Realty Corp.; Director and Chairman of the Risk Oversight Committee of Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and Senior Partner at Sycip Gorres Velayo & Co. where he had 35 years of experience in professional services. Mr. Nera served as Assurance Leader for the Financial Services Assurance practice of Ernst and Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. Mr. Nera obtained his Master in Business Administration degree from Stern School of Business, New York University, New York, USA and Bachelor of Science in Commerce degree from Far Eastern University. He also attended the International Management Program of the Manchester Business School, United Kingdom, and the Pacific Rim Bankers' Program of the University of Washington, Seattle, Washington, USA.

LILIA B. DE LIMA, 80, Filipino, is an independent director of Ionics, Inc. and Ionics EMS, Inc. She is currently an independent director of PHINMA Corporation and a director of AC Industrial Technology Holdings, Inc., FWD Life Philippines and Dusit Thani Philippines. She is also a trustee of TOWNS Foundation, Inc. In 2017, she served as an independent advisory board member of the Rizal Commercial Banking Corporation and was also a member of the board of directors of Science Park of the Philippines and RFM Science Park of the Philippines. From 1981 to 2016, Ms. de Lima worked in government, holding high positions in various government instrumentalities such as the Department of Trade and Industry, National Amnesty Commission, Cagayan Economic Zone Authority, Zamboanga Economic Zone Authority, PHIVIDEC Industrial Authority, and the Philippine Economic Zone Authority. Because of her stint as Director General of the Philippine Economic Zone Authority and having served the same for 21 years, she was awarded the Ramon

Magsaysay Laureat in 2017. She was also a recipient of various awards such as the Presidential Medal of Merit, awarded to her by former Presidents Benigno Aquino III and Gloria Macapagal Arroyo, The Order of the Rising Sun, Gold and Silver Star, which is the highest award given to a non-head of state by the Government of Japan for bringing hundreds of Japanese investors to the Philippines, People of the Year Award given by Peoples Asia Magazine, and Excellence in Public Service Award, which was awarded to Ms. de Lima five times by BIZNEWS ASIA. She attained her Bachelor of Laws from the Manuel L. Quezon University in 1965, and her Doctor of Laws LLD (Honoris Causa) from the same university in 2014. She passed the Philippine Bar Exams in 1966.

RICARDO L. MOLDEZ, 73, Filipino, is a member of the Social Security Commission (SSC), which serves as the governing board of the Social Security System. He shares in the responsibility for the governance of SSS in terms of providing policy directions, monitoring and overseeing management actions and with powers and duties specified by the Social Security Act of 2018. Comm. Moldez has been designated as member of the SSC Audit and Information Technology and Credit and Collection Committee. Before working at the SSC, Comm. Moldez was a litigation lawyer for more than 40 years. He also served at the Department of Justice as special counsel and at the Municipal Court of Muntinlupa. Mr. Moldez holds a Bachelor of Arts and a Bachelor of Laws degrees from the Lyceum of the Philippines Manila. Comm. Moldez was a member of the Board of Directors of Belle Corporation from 2019 to February 2021.

OFFICERS

JUDY C. QUA, 70, Filipino, is the Company's Vice President for Business Development and Corporate Affairs. She is also the Executive Assistant to the Chairman and CEO on special assignments. She is concurrently the President and Chief Operating Officer of Iomni Precision, Inc. She was the Executive Director for Finance of IONOTE Ltd., the joint venture facility of Ionics EMS, Inc. and NOTEAB of Sweden in China. Prior to joining the Ionics, Inc., she was in college teaching, advertising and marketing practice, data management, and was a consulting resource for Ionics in people management and corporate communications. Ms. Qua is a transformational psychologist, a professional lecturer, a certified faculty for the American Management Association and the Swedish-based CELEMI management simulation learning systems, and an author of four (4) books on life essays. She is the lecturer-facilitator of The Second Wind Mind Works neurotraining course. She holds a Master of Arts degree in Social and Industrial Psychology from the Ateneo de Manila University and a Master of Business Administration degree from Kellogg-HKUST Business School of Northwestern University.

RONAN ANDRADE, 50, Filipino, is the Vice President for Finance / Chief Finance Officer. He graduated from San Beda College in 1991 and passed the Certified Public Accountant Board Examination in the same year. He worked with Sycip Gorres & Velayo Auditing Firm-Audit Division from 1992 to 1998, starting as an audit staff member until he became audit supervisor. He joined Ionics, Inc. in 1999 as Senior Manager for Finance and became Assistant Vice President and Acting Finance Head of the Company, prior to his transfer to Internal Audit as Vice President. In 2007, Mr. Andrade was appointed as Vice President of Finance of the Company.

MANUEL R. ROXAS, 71, Filipino, has been the Company's Corporate Secretary for the past eighteen (18) years. His professional experience covers general corporate law practice as counsel to various companies engaged in banking, investments, pharmaceuticals, shipping, and manufacturing. Atty. Roxas received his Bachelor of Science degree in Economics from the University of Pennsylvania in 1970 and Bachelor of Laws degree from the University of the Philippines in 1975. His other professional affiliations include: Roxas de los Reyes Laurel Rosario & Leagogo as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc. as Chairperson, Mother Rosa Memorial Foundation, Inc. as Secretary and the Integrated Bar of the Philippines as member.

KRISHA F. VILLANUEVA, 28, Filipino, is the Company's Assistant Corporate Secretary. Atty. Villanueva is an associate lawyer at Roxas de los Reyes Laurel Rosario & Gonzales Law Offices. She received her Bachelor of Science degree in Business Administration (Cum Laude) from the University of the Philippines Diliman and her Juris Doctor degree from the University of the Philippines College of Law. While in law school, Atty. Villanueva served as legal intern at the UP Office of Legal Aid and the Office of the Government Corporate Counsel.

CESAR G. CAUBALEJO, 54, Filipino, is the Assistant Vice President, Chief Audit Executive and Assistant Compliance Officer. He graduated from the University of the Philippines at Tacloban City, Leyte in 1988 with a degree in Bachelor in Business Administration Major in Accounting. He is a Certified Public Accountant and an Internal Audit Specialist and Certified Fraud Examiner. He worked and started his career with SyCip, Gorres, Velayo & Co. (SGV) in 1988 until his resignation from the firm as a Senior Director under the Business Risk Services in December 2008. During his stint with SGV, he was assigned to work in other countries such as US, France, Vietnam, Malaysia and Kingdom of Saudi Arabia. In his short stint, in 2004 with KPMG Audit and Accounting Practice, he became its Country Manager in Lao PDR. He also worked for a year (1997) as a group controller in one of the diversified companies in the Philippines. He is a member of the Institute of Internal Auditors Philippines. He joined Ionics EMS, Inc. on January 5, 2009.

Additional Information on the members of the Board of Directors

- The directors of the Company are elected at the Annual Shareholders' Meeting and shall hold office until the next succeeding annual meeting and until their respective successors have been elected.
- No director has transacted with the Company in his/her personal capacity.
- None of the directors has informed the Company that he/she intends to oppose any action to be taken by the Company at the meeting.
- None of the directors were involved, during the past five years and up to the date hereof, in any bankruptcy petition filed by or against any business of which a director was a general partner or executive officer either at the time of the bankruptcy or within two years to that time; nor was any director convicted by final judgment in a criminal proceeding, domestic or foreign, or was subject to a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; or was subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking services; or was found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law.
- Members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar conducted by SGV & Co. on 24 November 2020. Comm. Ricardo L. Moldez attended the Advanced Corporate Governance Training conducted by the Institute of Corporate Directors on 23 October 2020.

Significant Employees

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

Certain Relationships and Directors' Self-Dealing and Related Transactions

As of March 31, 2021, the Company has no significant related party transactions with its shareholders, directors, officers and affiliated companies except as follows:

1. *Lease Arrangements*

   The Company leases two factory buildings to its subsidiary, Ionics EMS, Inc., as production plant site V and VI for its manufacturing business. The rental rate was based on the prevailing and current market rates within the area and the Company assumed no risks on the transactions.

   Ionics EMS, Inc. also entered into a lease agreement with Iomni Precision, Inc., a wholly owned subsidiary of Ionics, Inc. for its corporate office with an area of 1,310 square meters from 16 January 2021 to 15 January 2022. The rental rate was based on the current market rates and the rate of another tenant within the building.

   Ionics EMS, Inc. also leased another factory, Plant 2, from Ionics Property Inc. with an area of 3,104 square meters from 01 May 2020 to 31 December 2020. Starting 01 January 2021 to 30 April 2021 the area will be increased to 6,634 square meters.

2. *Legal Services*

   The Company retains for legal services the law firms Siguion Reyna Montecillo & Ongsiako Law Offices, where Monica Siguion Reyna Villonco's husband is a partner and Roxas de los Reyes Laurel Rosario & Gonzales Law Offices where the Corporate Secretary, Manuel R. Roxas is a partner and the Assistant Corporate Secretary, Krisha F. Villanueva, is an associate. The Company believes that legal fees are reasonable for the services rendered.

3. *Financial Advisors*

   Investment and Capital Corporation of the Philippines ("ICCP") is retained by the Company as its Financial Advisor. Guillermo D. Luchangco, who has been a director of the Company since 1991, is Chairman and Chief Executive Officer of ICCP. The Company believes that the retainer fees are reasonable for the services rendered.

A discussion on this matter is disclosed under Note 23 on page 58 of the Company's Annual Financial Statements.

Family Relations

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

Mrs. Judy C. Qua, the Company's Vice President for Business Development, is the spouse of the President/Chairman/Chief Executive Officer, Mr. Lawrence C. Qua.

Involvement in Legal Proceedings (as of 31 March 2021)

The Company and its subsidiaries are not involved in any material pending legal proceedings as of 31 March 2021.

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

1. Involved in any bankruptcy petition filed by or against any business of which a director was a general partner or executive officer either at the time of the bankruptcy or within two years to that time.

2. Convicted by final judgment in a criminal proceeding, domestic or foreign, or was subject to a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses.

3. Subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking services.

4. Found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

The following table summarizes the compensation of the Chief Executive Officer and four (4) most highly compensated executive officers of the Company and the aggregate compensation of all officers and directors as a group for the last two completed fiscal years, and the estimated aggregate compensation of the said officers and directors for the present fiscal year.

SUMMARY COMPENSATION TABLE
Annual Compensation

	Year	Salary	Others*
Chief Executive Officer and four (4) most highly compensated executive officers	2021 (estimate)	$ 507,118.00	$ 92,629.00
	2020	$ 461,016.00	$ 84,208.00
	2019	$ 397,461.00	$ 83,042.00
All officers and directors as a group unnamed	2021 (estimate)	$ 830,909.00	$ 219,456.00
	2020	$ 755,372.00	$ 199,506.00
	2019	$701,086.00	$ 194,651.00

**Others—includes per diem of directors*

The following are the CEO and the four (4) most highly compensated executive officers of Ionics, Inc. (i.e. on a consolidated basis):

	Name	Rank/Title
1.	Lawrence C. Qua	Chairman of the Board of Directors, Chief Executive Officer, and President
2.	Raymond C. Qua	SVP – Treasurer / Compliance Officer
3.	Ronan R. Andrade	VP – Finance
4.	Cesar G. Caubalejo	AVP – Internal Audit / Assistant Compliance Officer
5.	Judy C. Qua	VP – Corporate Affairs

In compliance with Sections 29 and 49 of the Revised Corporation Code requiring the disclosure of compensation of each member of the Board of Directors, the total compensation received by the members of the Board of Directors for the fiscal year 2020 will be presented to the stockholders during the Annual Stockholders' Meeting on May 21, 2021.

Standard Arrangements

Directors who are not officers of the Company are entitled to a per diem of Fifteen Thousand Pesos (P15,000.00) per regular meeting attended.

The Chairman of the Board who is also the Chief Executive Officer of both Ionics, Inc. and its subsidiary, Ionics EMS, receives compensation on a monthly basis plus a percentage of net profit after tax before bonus. All other executive officers receive monthly compensation without, however, any entitlement to a percentage of the profits.

Employment contract or compensatory plan or arrangement

As of 31 December 2020, no executive officer of the Company is under employment contract.

INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Sycip Gorres Velayo & Co. ("SGV") has been the external auditor of the Company since 1992, and is being recommended for reappointment. Representatives of SGV are expected to be present at the meeting and will have the opportunity to respond to appropriate questions and to make a statement if they so desire. The auditing partner in charge of the accounts of the Company for the financial year ended 31 December 2019, Ms. Dhonabee B. Señeres was appointed in 2016. Accordingly, the Company is in compliance with SRC Rule 68, paragraph 3(b)(iv), which requires that the external auditor or the signing partner be rotated after every five (5) years of engagement.

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

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

EXTERNAL AUDIT FEES AND SERVICES

Aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor.

Audit and Audit-Related Fees

1. Audit fees amounted to $140,219 and $147,845 for 2019 and 2020, respectively. The fees are generally based on the complexity of the issues involved, the work to be performed, the special skills required to complete the work, the experience level of the team members and most importantly the ability to provide the auditors' report expressing an opinion on the financial statements of the Company.
2. There are no assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of Ionics, Inc.'s financial statements.

Tax Fees - None

All Other Fees

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

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

The reports of the External Auditor and financial reports prepared by Management are presented to the Audit Committee for consideration. Financial statements duly recommended by the Audit Committee for approval are still subject to the confirmation of the Board of Directors prior to submission to the respective government regulatory agencies.

The Chairman and members of the Audit Committee are the following:

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

Mr. Medel T. Nera replaced the late Ms. Amelia Cabal who passed away on 11 September 2020.

OTHER MATTERS

ACTION WITH RESPECT TO REPORTS

Approval of the Minutes of the Previous Shareholders' Meeting

The minutes of the last Annual Shareholders' Meeting held on 20 August 2021 will be submitted for approval of the shareholders. A copy thereof will be made available at www.ionicsgroup.com/agm2021 before 30 April 2021 to any shareholder desiring to review the same.

The following were the significant matters discussed at the 20 August 2020 Shareholders' Meeting:

(i) Management Report for Fiscal Year 2019;

(ii) Ratification of Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation for the Fiscal Year 2019;

(iii) Election of Eleven (11) Directors, including the Independent Directors; and

(iv) Appointment of External Auditor.

During the previous annual meeting, the stockholders were given the opportunity to send their queries and clarifications on the items in the Agenda from the start of the registration period until 17 August 2020. However, the Company did not receive any questions related to the matters to be discussed in the meeting during the period allotted. Hence, no information can be disclosed pertaining to questions asked and answers given.

Further, the tabulation of votes was conducted by the Office of the Corporate Secretary. The tabulation was done manually by referring to the voting instructions of the stockholders and proxies and adding them together. The validation of proxies was conducted in the presence of the Assistant Corporate Secretary. The significant matters enumerated above were approved by the stockholders following the voting procedures explained in Item 10 of this Information Statement.

The list of directors, officers and stockholders who attended the previous stockholders' meeting is attached to this Information Statement as Annex "A". A summary of the matters discussed, resolutions reached and voting results is recorded in the Minutes of the 2020 Annual Stockholders' Meeting which is attached hereto as Annex "B".

Management Report and Financial Statements

Management shall report on the significant business transactions undertaken and the financial targets and achievements for the fiscal year 2020. The Management Report and the audited financial statements for the period ending 31 December 2020 of the Company are reflected in the Annual Report to Shareholders.

ACTIONS PROPOSED

Ratification of Acts, Resolutions and Investments of the Board of Directors, Executive Committee and Officers of the Company from the date of the last Annual Shareholders' Meeting as reflected in the minutes

Copies of the minutes of the meetings of the Board of Directors held from the date of the last Annual Shareholders' Meeting on 20 August 2020 until the present meeting will be made available for inspection to any shareholder desiring to review the same. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, at the 19/F BDO Plaza, 8737 Paseo de Roxas, Makati City, Metro Manila.

Election of Directors

A Board of eleven (11) directors will be elected at the meeting. The term of office of each director is one (1) year and will continue until the next Annual Meeting of Shareholders or until his or her successor has been elected and qualified.

Appointment of External Auditor

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

VOTING PROCEDURES

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

The eleven (11) nominees to the Board of Directors who garner the highest number of votes shall be deemed elected. A shareholder may vote such number of shares standing in his own name in the stock and transfer book of the Corporation as of record date for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

The manner of voting and counting of votes will be as follows:

i. Every shareholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on 30 April 2021. Any shareholder who cannot attend the meeting may designate his/her authorized representative by submitting a signed proxy form via email to Ioncorp.agm@ionics-ems.com no later than the close of business hours on 19 May 2021. Only votes submitted on or before 19 May 2021. shall be honoured for purposes of voting.

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

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

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

Registration for the 2021 Annual Shareholders' Meeting

Shareholders of record as of 30 April 2021 who wish to attend the meeting and vote in absentia should register through the Company's registration portal at www.ionicsgroup.com/agm2021 on or before 19 May 2021 ("Registration Period").

Shareholders of record are required to provide the following for validation and verification:

Individual Shareholders

- Scanned copy of the front and back portions of the shareholder's valid government-issued photo ID.*
- Valid and active corporate or personal e-mail address; and
- Valid and active contact number (landline or mobile number).

Corporate Shareholders

- Scanned copy of a Secretary's Certificate attesting to the authority of the representative to attend the meeting and vote for and on behalf of the Corporation;
- Scanned copy of the front and back portions of the valid government-issued photo ID* of the corporate shareholder's representative.
- Valid and active corporate or personal e-mail address of the corporate shareholder's representative; and
- Valid and active contact number (landline or mobile number) of the corporate shareholder's representative.

For Shareholders with Joint Accounts

In addition to the above requirements for individual shareholders, a scanned copy of an authorization letter signed by all joint shareholders on who among them is authorized to cast the vote for the account.

For Shareholders represented by Proxy

- Scanned copy of the front and back portions of the shareholder's valid government-issued photo ID.*
- Scanned copy of the Proxy Form or an authorization letter signed by the shareholder, authorizing the Proxy to attend the meeting and cast the vote for the account.
- Valid and active corporate or personal e-mail address of the Proxy; and

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

- Valid and active contact number (landline or mobile number) of the Proxy.

For Shareholders under Broker Accounts

- In addition to the above requirements for individual and corporate shareholders, shareholders under broker accounts shall submit a scanned copy of the broker's certification signed by the authorized signatory/ies on the beneficial shareholder's name, account number and number of shares.
- In case of a corporate shareholder, submit also a scanned copy of the Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the corporate beneficial shareholder.

Upon completion of the validation and verification procedure, each registered shareholder will receive an email confirmation which includes the link which the shareholder may use to access the virtual meeting room for the 2021 Annual Shareholders' Meeting of Ionics, Inc. together with the voting form.

The voting form shall contain the agenda items reflected on the Notice of the Annual Shareholders' Meeting. Shareholders may vote as follows:

a. For items other than the election of directors, registered shareholders have the option to vote "For", "Against", or "Abstain";

b. For election of Directors, the system of cumulative voting shall be followed. Each registered shareholder has a number of votes equal to the number of shares he/she owns, times the number of directors to be elected. Under this voting system, the registered shareholder has the option to (i) cast all his/her votes in favor of one (1) nominee, or (ii) distribute those votes among as many nominees as he/she may deem fit;

c. Once the registered shareholder has completed voting, he/she can submit his/her votes by sending the voting form to Ioncorp.agm@ionics-ems.com. Upon submission, the registered shareholder may no longer changes his/her votes.

The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 19 May 2021.

OTHER INFORMATION

Only those shareholders who have completed the registration and verification procedure within the Registration period shall be considered in determining the existence of a quorum. All documents (i.e. government-issued ID, authorization letter, Proxy Form, Secretary's Certificate) to be submitted must be in digital format with a file size no larger than 3 megabytes each;

The conduct of the 2021 Annual Shareholders' Meeting will be streamed live. In order to be admitted by the host to the virtual meeting room, please join using your full name, turn-on your camera and mute your microphone. Votes and queries cannot be submitted during the livestream. Registered shareholders may send their queries or comments related to the items in the agenda to Ioncorp.agm@ionics-ems.com on or before 19 May 2021.

The proceedings will be recorded in video and audio format. The Minutes of the Meeting will be uploaded to the Company website within five days upon the adjournment of the Annual Shareholders' Meeting.

The Company undertakes to provide without charge to each shareholder, upon written request by the shareholder, a copy of the Company's Annual Report (SEC Form 17-A), Audited Financial Statements and Quarterly Report (SEC Form 17-Q) for the First Quarter of 2021, which may also be viewed at the Company's official website (www.ionicsgroup.com) and PSE Edge. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, at the 19/F BDO Plaza, 8737 Paseo de Roxas, Makati City, Metro Manila.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 27 April 2021.

IONICS, INC.

By:

MANUEL R. ROXAS
Corporate Secretary

ANNEX A

List of Directors, Stockholders and Officers who Attended the 2020 Annual Stockholders Meeting Held on 20 August 2020

Board of Directors

Lawrence C. Qua
Raymond C. Qua
Meliton C. Qua
Virginia Judy Q. Dy
Cecilia Q. Chua
Guillermo D. Luchangco
Monica Siguion Reyna Villonco
Alberto R. de Borja
Lilia B. de Lima
Amelia B. Cabal
Bai Norhata M. Alonto

Stockholders*

Aqua Holdings (by proxy)
Social Security System (by proxy)
Estate of Leonardo Siguion Reyna (by proxy)
Deutsche Bank (by proxy)
Ionics Properties Inc. (by proxy)
Asuncion Q. Cedilla (by proxy)
Manuel R. Roxas

Officers

Judy S. Qua
Ronan R. Andrade
Rosalina G. Vicente
Cesar G. Caubalejo
Manuel R. Roxas
Krisha F. Villanueva

*All members of the Board of Directors are stockholders.

ANNEX B

MINUTES OF THE ANNUAL SHAREHOLDERS' MEETING OF IONICS, INC.
Held on 20 August 2020
Via Remote Communication (Microsoft Teams)

SHAREHOLDERS PRESENT/REPRESENTED

Please refer to Annex "A"

1. **Call to Order**
   The Chairman, Mr. Lawrence C. Qua, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Manuel R. Roxas, recorded the minutes of the proceedings.

2. **Proof of Notice of Meeting**
   The Corporate Secretary certified that in accordance with Rule 20 of the Securities Regulation Code and SEC Memorandum Circular No. 3, series of 2020, notice of the meeting was published in online and printed format on July 29, 2020 to July 30, 2020 in the Philippine Daily Inquirer and Business World. Affidavits of Publication to this effect were executed by Ms. Adela Gersalia Mendoza and Ms. Emma V. Doroteo of the Philippine Daily Inquirer and Business World, respectively, the publishing companies utilized by the Corporation to publish the notice. The notice was also posted in the Corporation's website.

3. **Certification of Quorum**
   The Corporate Secretary certified that based on the attendance record and the proxies and powers of attorney on hand, present in person and represented by proxy were a total of Five Hundred Thirty Two Million Nine Hundred Eighteen Thousand One Hundred Fifty Two (532,918,152) shares or 63.66% of the Eight Hundred Thirty Seven Million One Hundred Thirty Thousand Nine Hundred Ninety Two (837,130,992) total outstanding shares.

   He thus certified that a quorum existed for the valid transaction of business.

4. **Reading and Approval of the Minutes of the Previous Stockholders' Meeting Held on 21 June 2019**

   The Chairman proceeded to the next item in the agenda which was the reading and approval of the minutes of the previous meeting of the shareholders held on 21 June 2019.

   Since the stockholders were fully apprised of the salient matters approved in the previous meeting, the reading of the minutes of the last annual stockholders' meeting was dispensed with. Based on the total votes received, a total of 532,865,551 shares voted in favor of approving the Minutes of the 2019 Annual Stockholders Meeting as appearing in the minutes book of the Corporate Secretary.

5. **Report of Management and Approval of the Financial Statements for the Fiscal Year 2019**

   The President and Chief Executive Officer, Mr. Lawrence C. Qua, delivered the Management Report for the year 2019.

   He began by reporting that in 2019, Ionics, Inc. and its subsidiaries posted a gross revenue of $58 million and a net income of $3.817 million. He identified two subsidiaries which had a major impact in terms of operational, top-line attribution and bottom line contribution: Ionics EMS, Inc. ("EMS") and Ionics Properties, Inc. ("IPI").

   EMS, an electronics manufacturing services provider, registered a revenue growth of 8% at $56 million and a net income of $2.6 million for 2019. Financing costs increased due to borrowings incurred to acquire more top of the line manufacturing equipment.

ANNEX B

IPI, a subsidiary engaged in real estate leasing, saw its income dip to $1.9 million relative to the prior year owing to the termination of the lease agreements of two major lessees who were impacted by market forces.

Iomni Precision, Inc. ("Iomni"), a high-engineering plastic fabrication facility which provides specialized plastic parts for automotive and medical customers and Ionics Circuits, Inc. ("ICI"), an offshore investment subsidiary which provides a glimpse of the technology landscape of the future, both ended with small deficits of $39,000 and $4,000, respectively, for 2019.

Looking ahead, he stated, EMS is surging forward with a confident growth strategy of an expanded factory footprint and the acquisition of leading technology and advanced equipment. Sales and marketing channels have also been added to enhance prospecting and improve matching of potential customers.

Mr. Qua also reported that the balance sheet of Ionics, Inc. is strong, as with its key financial ratios.

As the coronavirus pandemic has unprecedentedly collapsed businesses and decimated lives worldwide, Ionics, Inc.'s manufacturing similarly contracted in the first half of the year 2020. The government mandated deployment of a skeletal manpower forcesand the unavailability of public transportation has hampered production but Management projects production moving forward in the second half of the year. Management is confident that backlog orders and the projects in the pipeline will enable Ionics, Inc. to catch up for the rest of the year.

Mr. Qua concluded his report by thanking the stockholders for their continued trust and support.

Thereafter, the Corporate Secretary presented the proposed resolution for the notation and approval of the Corporation's 2019 Annual Report, together with the Audited Financial Statements for the period ending December 31, 2019. A total of 532,865,551 shares voted in favor of approving the following resolution:

> **"RESOLVED,** That the Management Report as reflected in the Annual Report, together with the financial statements for the period ending 31 December 2019, be, as it is hereby, noted and approved."

6. Ratification of All Acts, Resolutions and Investments of the Board of Directors, Executive Committee and Officers of the Corporation

The Chairman proceeded to the next item on the agenda which was the ratification of all the acts, proceedings, and resolutions of the Board of Directors, Executive Committee and Officers of the Corporation from the date of the last annual stockholders' meeting up to the present as reflected in the minutes of the meetings of the Board of Directors.

A summary of significant transactions undertaken by the Board was provided in the Information Statement distributed to the stockholders and was likewise presented during the meeting.

The Corporate Secretary presented the proposed resolution for the ratification of all acts, resolutions and investments of the Board of Directors, Executive Committee and the officers of the Corporation. With 54,874,198 shares abstaining, and a total of 477,991,353 voting in favor of the proposed resolution, the following was approved:

> **"RESOLVED,** That all acts, resolutions and investments approved by the Board of Directors, Executive Committee and the Officers of the Corporation for the year 2019 in so far as the same are reflected in the minutes book of the Corporate Secretary, be as they are hereby, approved, confirmed and ratified."

7. Election of Directors

The Chairman of the Nomination Committee, Mr. Alfredo R. de Borja, reported on the nominees approved by the Nomination Committee for directorship for the year 2020-2021, as follows:

Lawrence C. Qua
Alfredo R. de Borja
Amelia B. Cabal
Bai Norhata M. Alonto
Virginia Judy Q. Dy
Guillermo D. Luchangco
Meliton C. Qua
Raymond C. Qua
Lilia B. De Lima
Cecilia Q. Chua
Monica Siguion Reyna Villonco

ANNEX B

Mr. Alfredo R. de Borja, Ms. Amelia B. Cabal and Ms. Lilia B. de Lima were nominated as independent directors.

Since there were only eleven (11) nominees to the Board of Directors and the nominees to the eleven (11) available seats all received votes in their names, it was proposed that the eleven (11) nominees be proclaimed as duly elected directors of the Corporation, to serve as such until the election and qualification of their successors.

The following resolution was approved:

> **"RESOLVED,** to elect the following as Directors of the Corporation to serve as such until the election and qualification of their successors:
>
> Lawrence C. Qua
> Alfredo R. de Borja
> Amelia B. Cabal
> Bai Norhata M. Alonto
> Virginia Judy Q. Dy
> Guillermo D. Luchangco
> Meliton C. Qua
> Raymond C. Qua
> Lilia B. De Lima
> Cecilia Q. Chua
> Monica Siguion Reyna Villonco

8. Appointment of External Auditor

The Chairman of the Audit Committee, Ms. Amelia B. Cabal discussed the appointment of the Corporation's External Auditor for the ensuing year. Ms. Cabal reported that after careful deliberation, the Audit Committee endorsed to the Board the reappointment of Sycip Gorres Velayo & Co. (SGV and Co.) as External Auditor of the Corporation for the year 2020-2021.

The Corporate Secretary presented the proposed resolution on this matter. A total of 532,865,551 shares voted in favor of the following resolution:

> **"RESOLVED,** that the Corporation be, as it is hereby, authorized to appoint Sycip Gorres Velayo & Co. (SGV & Co.) as the External Auditor for the year 2020-2021."

9. Adjournment

There being no further business to transact and inquiries to address, the meeting was adjourned.

MANUEL R. ROXAS
Corporate Secretary

ATTEST:

LAWRENCE C. QUA
Chairman of the Meeting

Annex A

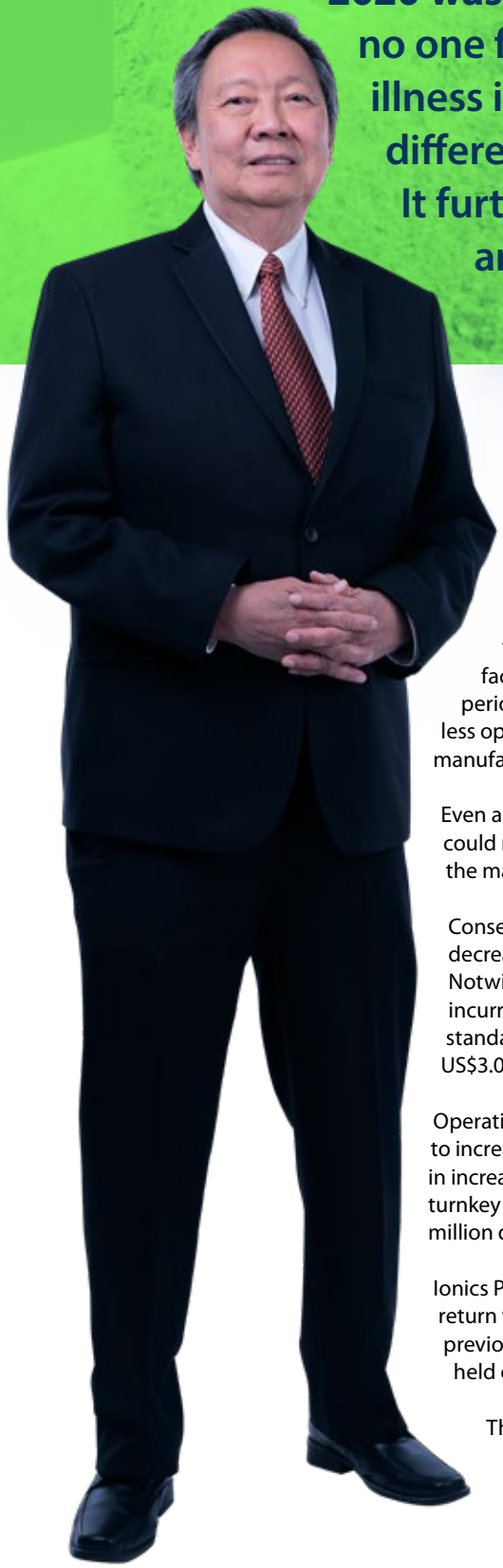
Present in Person	49,185,088
Present by Proxy	483,733,064
TOTAL	**532,918,152**
Total Issued and Outstanding	837,130,992
Present	532,918,152
Percentage Present	**0.63660067**

Prepared by:

KRISHA F. VILLANUEVA
Assistant Corporate Secretary

MESSAGE FROM THE CHAIRMAN

2020 was a coronavirus pandemic year. It was a global crisis no one foresaw nor prepared for. The spread of this lethal illness in nearly every country in the world hammered different economies caused by the prolonged lockdowns. It further battered businesses to inevitable closures and furloughed millions of workers to eventual unemployment.



The Ionics Group of Companies, as with many players in the industry, was not spared. The Group posted a decline of 11% in its gross revenue of US$53.725 million in 2020 from US$60.098 million in 2019. It also registered a significant 87.42% drop year-on-year in the consolidated net income to US$0.480 million from the preceding year of US$3.817 million, attributable to the equity holders of the Parent Company.

In the late first quarter up to the end of the second, the government-declared "Enhanced Community Quarantine" (ECQ) and its varied categories which shut down factories and curtailed manufacturing output for weeks. These were followed by long periods of public transportation halts, labor shortages, skeleton crews, logistical delays, and less optimal work-from-home mode for select supportive staff resulting in low utilization and manufacturing capacity causing financial hardships.

Even as the production fully resumed in the second half and the disruption cleared, the output could not be pulled up to the targeted levels as some customers pushed out their orders when the market softened and demand slowed.

Consequently, Ionics EMS Inc. (IEMS), the Group's electronics manufacturing services provider, decreased its sales by 10% to US$50.373 million in 2020 from US$56.148 million in 2019. Notwithstanding the underutilization of the existing and newly installed capacities, IEMS incurred additional incremental Covid-related costs in complying with the minimum health standard and Covid-19 protocols. The foregoing impacted adversely a lower gross profit of US$3.040 million in 2020 from US$6.127 million in 2019.

Operating expenses rose slightly to US$2,662 million in 2020 from US$2.602 million in 2019 due to increase in salaries and benefits related to Covid protocols adherence. Finance costs climbed in increased borrowings for machine acquisition and working capital requirement for new turnkey customers. Net foreign exchange losses were higher at US$0.264 million from US$0.090 million due to the appreciation of the Philippine peso vis a vis US dollar.

Ionics Properties, Inc. (IPI), a consistent performer in property leases dipped in revenue and return with a net after tax income of US$1.040 million in 2020 relative to US$1.184 million the previous year. The slide was attributable to two expired lease agreements while prospects held off their rental decisions until the health crisis blew over.

The Group's high-engineered plastics fabrication, Iomni Precision, Inc. (Iomni), weakened in its revenue in 2020 to US$2.431 million as compared to US$2.507 million the year earlier. The gross profit dropped to US$0.055 million from US$0.246 million and the

Even as the production fully resumed in the second half and the disruption cleared, the output could not be pulled up to the targeted levels as some customers pushed out their orders when the market softened and demand slowed.

operating expenses of US$0.157 million plus taxes and other expenses led to a loss of US$0.134 million from that of US$0.039 million in 2019. The net loss skewed in Q1 was booked from underutilization of capacity brought by negligible manufacturing output as halted by the start of ECQ in the last month of the first quarter of 2020.

Ionics Circuits, Inc. (ICL), the offshore investment subsidiary reported a net loss amounting US$0.029 million and US$0.004 million in 2020 and 2019, respectively. This was due to the increase in the share of net losses of firms invested in during the period.

As of December 31, 2020, the consolidated assets of the Group amounted to US$88.022 million which was US$8.597 million higher than the December 31, 2019 of US$79.425 million. Current ratio decreased to 1.88:1 in 2020 from 2.43:1 in 2019 while debt-to-equity ratio rose from 0.67:1 to 0.48:1 in respective years.

After last year's downturn, every business is hopeful for a recovery this year and more so by the electronics industry. The expectation of a rebound by the electronics industry is buoyed by the warp speed of vaccine availability to flatten the curve, stop the spread, ease aggressive restrictions, achieve herd immunity, smoothen business flow and normalize life. Instead, the electronics supply chain which was in the throes of disruption from the tariff war between the United States and China is exacerbated by the coronavirus outbreak. The months of shipment delays and other challenges threaten to derail the flow of critical electronics and impact the launch of new products primarily in consumer electronics followed by the automotive and industrial components.

In 2021, our key thrust is to stabilize the manufacturing environment towards continuing expansion by assisting our customers with cost efficiencies and infusion of digital transformations in their future transformations.

The need for seamless high-level connectivity has spawned further growth in the telecom sector focusing on virtual and networking equipment, seen as one of the twin strengths of IEMS. There is likewise noticed acceleration in medical technology focusing on digital healthcare solutions and personal care health services. New customers acquired in these two sectors are slated to ram up swiftly within the year to meet increasing market demands.

The Original Design Manufacturing (ODM) strategy is in full throttle for 2021 with its enhanced strategy of combined hardware, software and artificial intelligence to provide significant value-add to customers. The high-end solution in the offing incorporates designing, engineering and prototyping, to mass production and end to end product solution aimed to help customer products perform to exceed expectations.

Customers have reckoned with the risks of geographical concentration and soaring logistical costs in their current sourcing strategy, particularly with the bulkier mechanical and plastics parts and reevaluated to opt for a more flexible supply chain. This provides an opportunity for valuing localization in Iomni Precision's plastics for automotive, telecom, medical and consumer parts.

As to IPI, a build-to-suit factory project started construction in June 01, 2020 with completion by 3rd quarter of 2021 and new lease will add to the portfolio of real estate holdings and revenue henceforth. The Company is in the process of securing the necessary regulatory approvals to effect the increase in authorized capital stock and issuance of stock dividends.

Throughout the decades, the Group is gratified with the continuing faith and unwavering support of its stakeholders and pledge to enhance its value commitment.

LAWRENCE C. QUA
Chairman

MANAGEMENT REPORT

BUSINESS

Ionics, Inc. and Subsidiaries ("Ionics, Inc.")

Ionics, Inc. (the "Parent Company")

Ionics, Inc., the parent company, was incorporated in the Philippines on September 10, 1982 and started commercial operations in July 1987 to engage in electronic manufacturing services business.

In September 1999, the Parent Company transferred its primary manufacturing business to a majority owned subsidiary, Ionics EMS, Inc. ("IEMS"). Accordingly, the Parent Company ceased to be a manufacturing company and amended its primary purpose from that of a manufacturing entity to that of a holding company.

Ionics EMS, Inc. ("IEMS")

IEMS was incorporated on September 21, 1999 to take over the electronic manufacturing services business of the Parent Company. Certain assets and liabilities of the Parent Company were transferred to IEMS in a restructuring exercise that took effect on May 1, 1999. Its operations include printed circuit board assembly, box build assembly (finished product assembly), disk drive, magnetic head assembly, compact disk read-write assembly, systems and subsystems assembly, as well as design and testing services.

On February 25, 2000, IEMS offered its shares of stock to the public and became publicly listed in the Singapore Exchange Securities Trading Limited ("Singapore Exchange"). Low daily turnover and low daily market capitalization prompted IEMS to reconsider its continued listing in the Singapore Exchange. Consequently, on March 2, 2010, IEMS and its Parent Company jointly announced the proposed voluntary delisting of IEMS from the Singapore Exchange. In compliance with the delisting proposal, the Parent Company made a tender offer to purchase common shares issued to the minority stockholders. Subsequently, the Parent Company acquired an additional 104,801,455 shares or 6.72% ownership of IEMS.

Ionics EMS (USA), Inc.

On August 12, 2010, the Board of Directors approved the establishment of a company in the United States to serve as a full service design and prototyping house in Silicon Valley.

Ionics Properties, Inc. ("IPI")

IPI was incorporated on July 8, 1997 primarily to own the land, buildings, houses, apartments and other structures of whatever kind of Ionics, Inc. IPI started commercial operations in January 1998.

Ionics Circuits, Limited ("ICL")

Formerly Rising Moon Limited, ICL was incorporated in the Cayman Islands on July 5, 2000 with limited liability. On February 14, 2001 Rising Moon changed its corporate name to ICL. On March 22, 2005, the company registered its address as Scotia Centre, 4th floor, George Town, Grand Cayman, Cayman Islands.

Iomni Precision, Inc. ("Iomni")

Iomni was incorporated in the Philippines on June 20, 2000 primarily to manufacture and sell high-precision plastic products, parts, and injection molds and related products of every kind and description, and other disposition of plastic parts and related products, for its own account as principal or in a representative capacity.

The company's registered office address is No. 14 Mountain Drive, Light Industry and Science Park of the Philippines II, Brgy. La Mesa, Calamba City, Laguna.

As of December 31, 2007, Iomni was 70% owned by the Parent Company. On January 20, 2008, the Parent Company acquired the remaining 30% of Iomni, thus it became a wholly-owned subsidiary.

Synertronix, Inc. ("SI")

SI was registered with the Securities and Exchange Commission on May 10, 1990, to manufacture, purchase or otherwise acquire, buy and sell retail and wholesale, assemble, produce, or otherwise dispose of, and generally deal in components, parts and devices of all kinds and types used in connection with electronic and electrical machinery, appliances and equipment including but not limited to capacitors, semi-conductors, condensers and transformers for export abroad and for constructive exports to local companies. SI started commercial operations in June 1998.

On August 15, 2003, the Parent Company decided to discontinue the operations of SI.

On July 2, 2014, the Parent Company decided to sell the land and building of SI.

Ionics Products Solutions, Inc. (IPSI)

IPSI, is a domestic corporation incorporated under the laws of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2015. IPSI is established primarily to manufacture, purchase or otherwise acquire, buy and sell, both retail and wholesale, assemble, produce components, parts, apparatus and devices of all kinds and types used in connection with electronic and electronical machinery, appliances and

equipment for export abroad and for sale in the territory of the Philippines.

On October 6, 2016, the SEC approved IPSI's proposed increase in authorized capital stock and, accordingly, the ₱11.75 million deposit for future stock subscription received by IPSI from Ionics, Inc. (II), its parent company, in 2015 was applied against its outstanding subscription. As a result, the IPSI became 100% owned by II as of December 31, 2016.

IPSI's registered office address is at Circuit Street, Light Industry and Science Park of the Philippines-I, Bo. Diezmo, Cabuyao City, Laguna, Philippines.

Line of Business

IEMS is a total one-stop shop Electronics Manufacturing Services ("EMS") provider. Together with its predecessor, Ionics, Inc., IEMS has been the EMS solutions provider to some of the world's biggest Original Equipment Manufacturers ("OEM") for over 40 years.

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

IEMS is classified as a CEM. Most of its end products, therefore, are components and sub-assembly, which are eventually used as input for the finished products of its customers. IEMS accommodates most types of electronic manufacturing and assembly projects. Customers provide the specifications and blue print or prototype of a component or product that they want to be manufactured or assembled and IEMS delivers the finished item.

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

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

DIRECTORS AND OFFICERS

Please refer to pages 9 to 15 of the Information Statement.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT PLAN FOR THE YEAR 2021

Ionics EMS, Inc. ("IEMS")

The first half of 2020 was very challenging for Ionics EMS due to the Covid-19 pandemic which triggered the government to impose "community quarantines" in different levels for nine months which curtailed production and logistical movements. The second half improved with a rebound but not enough to reverse for a positive outcome.

In 2021, the national situation continues to be challenging amidst the soaring pandemic still and is aggravated by a global component shortage.

The demand of the existing customers is positive however the severe shortage of parts for the products of both the turnkey and consignment customers is impacting adversely on the production output. Despite the inadequate raw materials faced by the suppliers and the longer component supply lead time, Ionics EMS is working very closely with customers, manufacturers, and distributors to mitigate the problem.

Notwithstanding the current global situation, the company is still poised for growth. The company's short term and long term growth strategy is focused on retaining and expanding existing customers' requirements and acquiring new ones seeking alternative manufacturing locations in Southeast Asia.

Ionics EMS retains its strength in telecom and networking equipment manufacturing and has acquired new customers in this industry. In line with the increase in demand for medical devices, the company has also acquired new customers in this marketspace as it builds on its medical device certification to attract more.

The company's ODM strategy is in full throttle for 2021 with its key product offering for the industrial customers. The enhanced ODM strategy combines hardware, software and artificial intelligence to provide greater significant value-add to customers.

Overall, Ionics EMS aims to fill up its available capacity with more growth expectations.

Iomni Precision, Inc. ("Iomni")

The year 2020 was an unforeseen Covid-19 pandemic year which significantly and adversely disrupted the operations of many enterprises locally and globally.

Recovery in 2021 is hoped for but could be hampered by raw material supply concerns owing to the slowdown from the pandemic lockdowns.

The thrust is to emerge from the nerve-wracking situation stronger, more flexible and nimble as to capitalize on opportunities spawned by whatever the consequences are. Logistical limitations and soaring costs have spawned a greater localization thrust or "reshoring" as supply in close proximity offers convenience, accessibility, and eliminates overseas shipping costs and delays thus resulting in savings in these tight economic times.

There are lessons to be learned and one is to think more strategically about clients' supply chains. Guidance is to assist in building in redundancies. Another, to put in place crisis-management initiatives that have not only a Plan B, but a Plan C and D. One more is to rethink about materials and spare-parts inventories. Going further is to enhance processes for leaner manufacturing and more optimal technologies towards availing of Industry 4.0 tools of remote accessibility and predictive maintenance.

Ionics Properties, Inc. ("IPI")

The turnover in some factory leases is foreseen to impact on the bottomline but a sister company took over for manufacturing expansion. A build-to-suit project started construction in June 01, 2020 with completion by 3rd quarter of 2021. The Company is in the process of securing the necessary regulatory approvals to effect the increase in authorized capital stock and issuance of stock dividends.

Below are the consolidated key financial ratios for the years ended December 31, 2020 and 2019.

	December 31, 2020	December 31, 2019
Revenue Growth (Decline)	**(10.60%)**	4.88%
Gross Profit Margins	**8.36%**	13.52%
Net Income Margins	**0.86%**	6.49%
Return on Equity	**0.87%**	7.30%
Current Ratio	**1.88:1**	2.43:1
Leverage Ratio	**0.17:1**	0.37:1
Debt-to-Equity Ratio	**0.67:1**	0.48:1
Asset-to-Equity Ratio	**1.67:1**	1.48:1
Interest Coverage Ratio	**2.64:1**	13.66:1

1. Revenue Growth

The revenue growth is the Group's increase in revenue for a given period. Revenue growth is computed by deducting prior year revenue from current year revenue and dividing it by revenue of the prior year. The result is expressed in percentage.

2. Gross Profit Margin

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

3. Net Income Margin

Net income margin is the ratio of the Group's net income after tax for a given period. This is computed by dividing net income by net sales. The result is expressed in percentage.

4. Return on Equity

The return on equity is the ratio of the Group's net income to stockholders' equity. This is computed by dividing net income by total stockholders' equity. The result is expressed in percentage. This measures the management's ability to generate returns on their investments.

5. Current Ratio

The current ratio is the ratio of the Group's current resources and its current obligations. This is computed by dividing current assets by current liabilities. The result is expressed in ratio.

6. Leverage Ratio

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

7. Debt-to-Equity Ratio

The debt-to-equity ratio indicates the relative proportion of equity and debt used to finance the Group's assets. This is computed by dividing total liabilities by equity.

8. Asset-to-Equity Ratio

Asset-to-equity ratio shows the relationship of the total assets of the Group to the portion owned by shareholders. This is computed by dividing total assets by equity.

9. Interest Coverage Ratio

Interest coverage ratio is the ratio of the Group's ability to meet its interest payments. This is computed by dividing the sum of income before income taxes and finance costs by the finance costs.

For the year 2020 and the First Quarter of 2021, the Management is not aware of:

a) any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity;

b) any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

c) all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period;

d) any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;

e) any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/ income from continuing operations;

f) any significant elements of income or loss that did not arise from the issuer's continuing operations; and

g) any seasonal aspects that had a material effect on the financial condition or results of operations.

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in pages 6 to 12 of this Report.

FINANCIAL PERFORMANCE

QUARTER 1 2021

The Consolidated Results of Operations and Consolidated Financial Position of the Company are not yet available because of limited mobility and manpower in relation to the COVID-19 pandemic.

2020

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated sales decreased by 11% from US$58.20 million in 2019 to US$52.10 million in 2020, due to 50% capacity limitation imposed by the Government during the first half of the year to comply with Covid-19 (ECQ/MECQ) protocols. This has resulted underutilization of the existing and newly installed capacity, further, the Group has incurred covid related cost in observance with Covid Protocols. The foregoing has resulted to a lower gross profit of US$4.50 million in 2020 from US$8.13 million in 2019.

Operating expenses slightly decreased from US$3.52 million in 2019 to US$3.23 million in 2020 due to decreased in salaries and benefits.

With the foregoing, the Group reported a consolidated net income attributable to equity holders of the Parent Company amounting to US$0.48 million and US$3.82 million for year ended December 31, 2020 and 2019, respectively.

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

(In US Dollars)

COMPANY	REVENUE	NET INCOME (LOSS)
Parent Company	454,124	(142,477)
IEMS	50,372,715	(546,478)
IPI	1,712,093	1,037,183
ICL	–	(43,536)
Iomni	2,431,319	(133,956)
Synertronix	–	(7)
IPSI	20,788	4,840
TOTAL	54,991,039	175,569
Reclass/Eliminating entries	(1,266,381)	286,671
Consolidated	**53,724,658**	**462,240**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2020, the consolidated assets of the Group amounted to US$88.02 million which is US$8.59 million higher than the December 31, 2019 figure of US$79.43 million. The increase in the Group's total assets was mainly due to the increase in inventories, prepayments and other current assets, investment properties and property, plant and equipment.

Current ratio decreased to 1.88:1 in 2020 from 2.43:1 in 2019 due to increase in bank loan payable and accounts payable and accrued expenses, while debt-to-equity ratio increased from 0.48:1 in 2019 to 0.67:1 in 2020.

At the end of December 31, 2020, the Group's long-term debt increased to US$1.59 million from US$2.35 million in 2019.

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

The Parent Company reported a net loss of US$0.14 million and US$0.62 million in December 31, 2020 and 2019, respectively. Impairment loss amounting US$0.16 million on the investment in Iomni Precision, Inc. was recognized in 2020.

The individual performance of the subsidiaries for the year ended December 31, 2020 is as follows:

Ionics Ems, Inc. and Subsidiary ("IEMS")

IEMS sales decreased by 10% from US$56.15 million in 2019 to US$50.37 million in 2020, due to 50% capacity limitation imposed by the Government during the first half of the year to comply with Covid-19 (ECQ/MECQ) protocols. This has resulted to underutilization of the existing and newly installed capacity. Further, IEMS has incurred covid related cost in complying with the minimum health standard and Covid-19 Protocols. The foregoing has resulted to a lower gross profit of US$3.04 million 2020 from US$6.13 million in 2019.

Operating expenses slightly increased from US$2.60 million in 2019 to US$2.66 million 2020 due to increase in salaries and benefits. However, finance cost increased due to increase in borrowings for machine acquisition and working capital requirement for new turnkey customers. Net foreign exchange losses were higher at US$0.26 million from US$0.09 million due to the impact of appreciation of the Philippine Peso against United States dollar.

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

Ionics Properties, Inc. ("IPI")

Ionics Properties, Inc. (IPI), the subsidiary in real estate holdings reliant on property leases, had a lower performance in revenue and returns in 2020 compared to 2019 with the net income after tax yielding US$1.04 million and US$1.19 million the year prior. The decrease was due to cancellation of two lease agreements and there were no Lessees occupy the two facilities in 2020.

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported a net loss amounting US$0.044 million and S$0.004 million in 2020 and 2019, respectively. This is due to the increase in the share in net loss of investees during the period.

Synertronix, Inc. ("SI")

SI reported a net loss of US$0.001 million in 2020 and 2019, respectively.

Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2020 decreased to US$2.26 million from US$2.34 million in 2019 due to capacity limitation in compliance with COVID (ECQ/GCQ) protocols. Iomni reported a gross income of US$0.05 million and US$0.25 in 2020 and 2019, respectively.

Operating expenses amounted to US$0.16 million and US$0.21 million in 2020 and 2019, respectively.

With the foregoing, the Company's performance resulted to a net loss of US$0.13 million and US$0.04 million in 2020 and 2019, respectively.

2019

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated sales increased by 6% from US$54.71 million in 2018 to US$58.20 million this year, the increase in sales was attributable to the increase in customer order during the year. Gross profit decreased to US$8.13 million in 2019 from US$8.46 million in 2018.

Operating expenses decreased from US$3.65 million in 2018 to US$3.52 million in 2019 due to lower commission expense and no impairment loss on AFS investment in 2019 due to the adoption of PFRS 9 as discussed in Note 2 of Audited Financial Statements.

With the foregoing, the Group reported a consolidated net income attributable to equity holders of the Parent Company amounting to US$3.82 million and US$4.17 million for year ended December 31, 2019 and 2019, respectively.

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

(In US Dollars)

COMPANY	REVENUE	NET INCOME (LOSS)
Parent Company	454,124	(148,616)
IEMS	50,372,716	(546,583)
IPI	1,829,827	1,184,744
ICL	–	(4,029)
Iomni	2,507,325	(33,945)
Synertronix	–	(7)
IPSI	9,609	1,647
TOTAL	61,027,459	3,181,524
Reclass/Eliminating entries	(929,202)	(721,893)
Consolidated	**60,098,257**	**3,903,417**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2019, the consolidated assets of the Group amounted to US$79.43 million which is US$2.75 million higher than the December 31, 2018 figure of US$71.49 million. The increase in the Group's total assets was due to the increase in cash and cash equivalents, contract assets and property plant and equipment.

Current ratio decreased to 2.43:1 in 2019 from 2.70:1 in 2018 due to decrease in bank loan payable and accounts payable and accrued expenses, while debt-to-equity ratio increased from 0.40:1 in 2018 to 0.49:1 in 2019.

At the end of December 31, 2019, the Group's long-term debt increased to US$1.74 million from US$0.78 million in 2018.

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

The Parent Company reported a net loss of US$0.62 million and US$0.10 million in December 31, 2019 and 2018, respectively. Impairment loss on the investment and advances in Iomni Precision, Inc. and Ionics Products Solutions, Inc. was recognized in 2019.

The individual performance of the subsidiaries for the year ended December 31, 2019 is as follows:

Ionics Ems, Inc. and Subsidiary ("IEMS")

The IEMS has registered an increase in revenue to US$56.15 million or 8% in 2019 from US$51.97 million in 2018 due to higher demand by customers. With the increase in sales, gross profit increased by 6% or US$0.36 million from US$5.77 million in 2018 to US$6.13 million in the same period of 2019.

Operating expenses were lower at US$2.60 million from US$2.94 million of the previous year due to nil impairment of receivable in 2019. However, finance cost and net foreign exchange losses has increased to US$0.55 million from US0.16 million due to increase in borrowings for machine acquisition and impact of peso appreciation on peso denominated pension liability.

Summing up the foregoing, the net income after tax increased by 12% to US$2.66 million in 2019 from the US$2.38 million of 2018.

Ionics Properties, Inc. ("IPI")

Ionics Properties, Inc. (IPI), the subsidiary in real estate holdings reliant on property leases, had a lower performance in revenue and returns in 2019 compared to 2018 with the net income after tax yielding US$1.19 million and US$1.93 million the year prior. The decrease is due to termination of lease agreement by 2 major long- time lessor.

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported a net loss of US$0.004 million in 2019 from a net income of US$0.01 million in 2018.

Synertronix, Inc. ("SI")

SI reported a net loss of US$0.001 million in 2019 and 2018, respectively.

Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2019 decreased to US$2.34 million from US$2.78 million in 2018. Iomni reported a gross income of US$0.25 million and US$0.22 in 2019 and 2018, respectively.

Operating expenses amounted to US$0.21 million and US$0.18 million in 2019 and 2018, respectively.

With the foregoing, the Company's performance resulted to a net loss of US$0.04 million in 2019 and net income of US$0.03 million 2018, respectively.

2018

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated sales increased by 4% from US$52.50 million in 2017 to US$54.71 million this year, the increase in sales was attributable to the increase in customer order during the year. Gross profit slightly increased to US$8.46 million in 2018 from US$8.55 million in 2017.

Operating expenses decreased from US$4.21 million in 2017 to US$3.65 million in 2018 due to lower commission expense and no impairment loss on AFS investment in 2018 due to the adoption of PFRS 9 as discussed in Note 2 of Audited Financial Statements.

With the foregoing, the Group reported a consolidated net income attributable to equity holders of the Parent Company amounting to US$4.17 million and US$3.58 million for year ended December 31, 2018 and 2017, respectively.

The summarized revenues and net income (losses) of the Group for the year ended December 31, 2018 are as follows:

(In US Dollars)

COMPANY	REVENUE	NET INCOME (LOSS)
Parent Company	507,021	(78,708)
IEMS	51,972,678	2,374,432
IPI	2,498,272	1,926,943
ICL	–	12,460
Iomni	2,930,374	25,329
Synertronix	–	(505)
IPSI	199,534	5,199
TOTAL	58,107,879	4,265,150
Reclass/Eliminating entries	(806,069)	(21,050)
Consolidated	**57,301,810**	**4,244,100**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2018, the consolidated assets of the Group amounted to US$71.49 million which is US$2.75 million higher than the December 31, 2017 figure of US$68.74 million. The increase in the Group's total assets was due to the increase in inventories and cash and cash equivalents.

Current ratio decreased to 2.70:1 in 2018 from 2.27:1 in 2017 due to decrease in bank loan payable and accounts payable and accrued expenses, while debt-to-equity ratio decreased from 0.50:1 in 2017 to 0.40:1 in 2018.

At the end of December 31, 2018, the Group's long-term debt decreased to US$0.78 million from US$1.89 million in 2017.

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

The Parent Company reported a net loss of US$0.10 million and US$0.25 million in December 31, 2018 and 2017, respectively. Impairment loss on the investment in Synertronix was recognized in 2018. There was no dividend income receive during the period.

The individual performance of the subsidiaries for the year ended December 31, 2018 is as follows:

Ionics Ems, Inc. and Subsidiary ("IEMS")

The IEMS has registered an increase in revenue of US$51.973 million in 2018 from US$49.589 million in 2017. Gross profit slightly increased by US$0.03 million from US$5.74 million in 2017 to US$5.77 million in the same period of 2018.

Operating expense and other expenses slightly decreased by US$0.02 million from US$2.96 million in 2017 to US$2.94 million in 2018.

With the foregoing, IEMS reported a 7% increase in net income from US$2.22 million in 2017 to US$2.37 million in 2018.

Ionics Properties, Inc. ("IPI")

IPI, the subsidiary engaged in real estate holdings remained profitable with net income of US$1.93 million in 2018 and 2017.

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported a net income of US$0.01 million in 2018 from a net loss of US$0.26 million in 2017, due to reversal of impairment loss to other comprehensive income in compliance with PFRS 9.

Synertronix, Inc. ("SI")

SI reported a net loss of US$$0.001 million in 2018 from net income of US$0.019 million in 2017.

Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2018 decreased to US$2.78 million from US$3.09 million in 2017. Iomni reported a gross income of US$0.22 million and US$0.25 in 2018 and 2017, respectively.

Operating expenses amounted to US$0.18 million and US$0.23 million in 2018 and 2017 respectively.

With the foregoing, the Company's performance resulted to a net income of US$0.03 million and US$0.008 million in 2018 and 2017, respectively.

Below is the summary of Balance Sheet Accounts with more than 5% increase (decrease)

	December 31	
	2020	2019
	%	%
ASSETS		
Cash and cash equivalents	**N/A**	13
Contract assets	**N/A**	198
Inventories	**15**	(11)
Advances to suppliers	**182**	N/A
Prepayments and other current assets	**8**	448
Financial Assets at FVOCI	**(39)**	(36)
Investment in associate	**16**	14
Property, plant and equipment - net	**22**	8
Investment properties	**66**	N/A
Right-of-use assets	**(33)**	100
Other noncurrent assets	**6**	(15)
LIABILITIES		
Accounts payable and other liabilities	**34**	18
Contract liabilities	**N/A**	36
Bank loans and long-term debt	**73**	8
Lease liabilities	**(9)**	100
Income tax payable	**(32)**	(23)
Contract liabilities	**N/A**	36
Net pension liabilities	**28**	29
Deferred tax liabilities - net	**(31)**	(30)
Income tax payable	**(61)**	(53)
Other noncurrent liabilities	**35**	(19)

2020

Inventories increased due to buildup of raw materials inventory for new turnkey customers. The increase in advances to suppliers increase in advance payments to suppliers for material ordering for new turnkey customers. The increase in prepayments and other current assets was due to the increase in advance payments to suppliers for material ordering for new turnkey customers. Financial Assets at FVOCI decreased due to fair value loss recognized as of December 31, 2020. The increase in investment in associates is due to the amount of share in the net assets of its associates. Property, plant and equipment increased due to the transfer of machineries and equipment previously classified as right-of-use assets upon full payment of the related lease liabilities and acquisitions made during the period. Investment properties increased due to ongoing construction of new building of Ionics, Properties, Inc. Right-of-use assets (ROU) decreased due to reclassification to PPE of the fully paid finance lease liabilities and depreciation incurred during the period. The increase in accounts payable and accrued expenses was attributable to the purchase of raw materials and expenses resulting from delayed billing of service providers. Banks loans and long-term debt increased due to the availment of new loan for the construction of new building of Ionics Properties, Inc. during the period. The increase in other noncurrent assets is due to additional refundable deposits. Lease liabilities decreased due to payment of machinery and equipment. The decrease in income tax payable was due to payments of income tax during the year. Net pension liabilities increased due to additional accrual for the year. Deferred tax liabilities - net increased decreased due to the decrease on fair value of financial assets at FVOCI. The increase in other noncurrent liabilities was attributable to additional unearned rent income for new lease agreement.

2019

Cash and cash equivalents increased due to cash flows generated from operations. Contract assets increased due to impact of PFRS 9. Inventories decreased due to buyback of materials and raw materials converted into finished goods. The increase in prepayments and other current assets was due to the increase in advance payments to suppliers for material ordering and renewal of IT maintenance agreement amortized over the contracted period. Financial Asset at FVOCI decreased due to fair value loss. Property and equipment increased due to acquisitions made during the year. Right-of-use assets (ROU) increased mainly due to the adoption of PFRS 16, recognized from lease contracts in 2019. The increase in accounts payable and accrued expenses was attributable to the purchase of raw materials. The increase in contract liabilities was due to additional advance payments made by customers for material ordering. Banks notes and lease liabilities increased due to adoption PFRS 16 in 2019. The decrease in income tax payable was due to payments of income tax during the year. Deferred tax liabilities - net increased due to the decrease in deferred tax effect on financial assets at FVOCI. Net pension liability increased due to additional accrual for the year.

2018

Cash and cash equivalents increased due to cash flows generated from operations. Receivables decreased due to significant collections from customer. Contract assets increased due to impact of PFRS 9. Inventories increased as a result of increasing customer order. The decrease in prepayments and other current assets was attributable to the decrease in advance payment to suppliers for material ordering. AFS investments increase was due to additional investment to an Investee Company. Property and equipment decreased due to depreciation for the period. Deferred tax assets increased due to tax adjustments related to straight line valuation of rental income. The decrease in contract liabilities was due to application of advance

payments against receivable. Bank loans and finance lease liability decreased due to payments made during the year. The decrease in income tax payable was due to payments of income tax during the year. Net pension liabilities decreased due to number of eligible members who reached the normal retirement age.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

	(Amounts in US Dollar)		(Amounts in PhP)	
	HIGH	LOW	HIGH	LOW
26 April 2021 (latest) practicable date)	0.023	0.023	1.12	1.09
2021				
First Quarter	**0.023**	**0.022**	**1.11**	**1.09**
Second Quarter	**0.022**	**0.021**	**1.04**	**1.00**
Third Quarter	**0.021**	**0.020**	**1.00**	**0.98**
Fourth Quarter	**0.025**	**0.024**	**1.21**	**1.15**
2019				
First Quarter	0.034	0.033	1.76	1.71
Second Quarter	0.034	0.033	1.73	1.68
Third Quarter	0.030	0.029	1.57	1.51
Fourth Quarter	0.026	0.025	1.30	1.26
2018				
First Quarter	0.047	0.044	2.45	2.30
Second Quarter	0.043	0.042	2.32	2.22
Third Quarter	0.035	0.034	1.90	1.85
Fourth Quarter	0.032	0.030	1.68	1.56

Ionics Inc.'s common stock is listed in the Philippine Stock Exchange.

The number of shareholders of record as of March 31, 2021 is 848 holding a total of 837,130,992 outstanding common shares.

The following were the top 20 stockholders based on the number of shares held and percentage to total shares outstanding as of March 31, 2021:

Class of Securities	Name	No. of Shares	%
Common	AQUA HOLDINGS, INC.	335,153,100	40.04
Common	PCD NOMINEE CORP (FILIPINO)	326,505,767	39.00
Common	SIGUION REYNA, LEONARDO*	75,006,000	8.96
Common	PCD NOMINEE CORP (NON-FILIPINO)	26,512,233	3.17
Common	QUA, LAWRENCE C.	20,102,760	2.40
Common	IONICS PROPERTIES, INC.	14,059,000	1.68
Common	QUA, RAYMOND C.	8,562,350	1.02
Common	QUA, LAWRENCE C.	7,352,000	0.88
Common	QUA, MELITON C.	6,497,362	0.78
Common	CHUA, CECILIA Q.	5,584,412	0.67
Common	CEDILLA, MA. ASUNCION Q.	4,640,616	0.55
Common	DY, VIRGINIA JUDY Q.	1,033,603	0.12
Common	GELI, BENJAMIN S.	470,000	0.06
Common	YANG, TEH MIN	466,000	0.06
Common	TELENGTAN BROTHERS & SONS INC.	400,000	0.05
Common	UY, ABETO A.	250,000	0.03
Common	VILLONCO &/OR THELMA V. MABANTA, ROMEO	100,000	0.01
Common	EFIPANIA F. QUA	100,000	0.01
Common	LIONG HEE, QUE.	100,000	0.01
Common	DY, ARSENIA C.	99,000	0.01

** deceased*

Voting Rights

Each share is entitled to one (1) vote.

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

Dividends per Share

2020 None
2019 None
2018 None

Description of any restriction that limits the payment of dividends on common shares

Dividends shall be declared at such time and in such percentage as the Board of Directors may determine, but no dividends shall be declared or paid except from the surplus profits arising from its business nor shall any dividends be declared that will impair the capital of the Parent Company.

Recent Sales of Unregistered or Exempt Sales

There were no recent sales of unregistered or exempt securities, including any recent issuance of securities constituting an exempt transaction.

Description of Registrant's Securities

The registrant has an authorized capital stock of 1,000,000,000 shares with a par value of PhP1.00 per share. The issued and outstanding shares as of 31 March 2021 are 837,130,992.

No transfer of stock or interests which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

Debt Securities

There are no issuances of debt securities.

Stock Options

There are no issuances of stock options.

Securities Subject to Redemption or Call

There are no issuances of securities subject to redemption or call.

Warrants

There are no issuances of warrants.

Market information for Securities Other Than Common Equity

There are no material information relating to securities other than the Parent Company's common equity.

Other Securities

There are no issuances of other securities.

CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Please refer to page 18 of the Information Statement. There has been no unresolved disagreements with the independent accountant.

CORPORATE GOVERNANCE

(a) ***Evaluation, Appraisal and Performance Report System***

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

The Company submitted its Integrated Annual Corporate Governance Report ("IACGR") for the year 2020 to the SEC. It was also timely disclosed to the Philippine Stock Exchange.

(b) ***Compliance Report***

Measures are being undertaken by Ionics, Inc. to fully comply with the adopted leading practices on good corporate governance, such as participation of Ionics, Inc.'s directors and officers in corporate governance seminars. Measures are also undertaken such as periodic review and evaluation of internal guidelines and practices. Further, Ionics, Inc. sees to it that its Integrated Annual Corporate Governance Report, or any amendments or changes thereto, is timely submitted to the Securities Exchange Commission and the Philippine Stock Exchange.

(c) ***Deviations***

Ionics, Inc. is taking steps towards full compliance with its Corporate Governance Manual. As of 31 March 2021, there were no material deviations from the Company's Amended Manual of Corporate Governance which would necessitate the imposition of sanctions.

(d) ***Plan to improve***

Ionics, Inc. continues to improve its Corporate Governance when appropriate and warranted in its best judgment and in accordance with the Code of Corporate Governance for Publicly-Listed Companies. On 02 July 2020, the Board of Directors approved the amendments to the Manual of Corporate Governance of the Company. The Amended Manual was submitted to the SEC on 09 July 2020.

UNDERTAKING TO PROVIDE ANNUAL REPORT

Ionics, Inc. undertakes to provide without charge to each stockholder, upon written request by the shareholder, a copy of the Company's Annual Report (SEC Form 17-A), Audited Financial Statements and Quarterly Report (SEC Form 17-Q) for the First Quarter of 2021, which may also be viewed at the Company's official website (www.ionicsgroup.com) and PSE Edge. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, 19thFloor BDO Plaza, 8737 Paseo de Roxas, Makati City.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

VIRGINIA JUDY Q. DY
Member

LAWRENCE C. QUA
Chairman

ALFREDO R. DE BORJA
Member (Independent)

MELITON C. QUA
Member

CECILIA Q. CHUA
Member

LILIA DE LIMA
Member (Independent)

MONICA SIGUION-REYNA VILLONCO
Member

GUILLERMO D. LUCHANGCO
Member

Atty. MANUEL R. ROXAS
Corporate Secretary

RAYMOND C. QUA
Member

MEDEL T. NERA
Member (Independent)

RICARDO L. MOLDEZ
Member

Not in photo: **YANG TEH LIN**, Member.

CONSOLIDATED FINANCIAL STATEMENTS

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, 2020 and 2019, 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.

LAWRENCE C. QUA

CHAIRMAN OF THE BOARD &
CHIEF EXECUTIVE OFFICER

RAYMOND C. QUA

TREASURER/SENIOR VICE PRESIDENT

RONAN R. ANDRADE

CHIEF FINANCE OFFICER

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the **Certified Public Accountant (CPA)** who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **Ionics Ems, Inc. and Subsidiary** for the period ending December 31, 2020.

In discharging this responsibility, I hereby declare that:

I, am the Senior Manager for Accounting and Budget of **Ionics Ems, Inc. and Subsidiary.**

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of SyCip Gorres Velayo & Co. which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No.9298, that my statements are true and correct.

ROSALINA G. VICENTE
PROFESSIONAL IDENTIFICATION CARD NO. 0038115
VALID UNTIL: SEPTEMBER 28, 2024
BOA ACCREDITATION NUMBER:001975
TIN NO.:136-370-735
PTR NO.:28046688, JANUARY 25, 2021

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS AND STOCKHOLDERS
Ionics, Inc. and Subsidiaries
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, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Raw Materials Inventories

The carrying value of the Group's raw materials inventories as of December 31, 2020 amounted to US$14.13 million and accounts for 16% of its total consolidated assets as of the same date. The Group's inventories are carried at lower of cost and net realizable value (NRV). This is significant to our audit because the Group is operating in an industry characterized by rapid technological change, short-term customer commitments, and constant changes in demand. These factors increase the risk of inventory obsolescence, thereby decreasing the value of the Group's raw material inventories.

Disclosures related to this matter are provided in Notes 3 and 10 to the consolidated financial statements.

Audit Response

We obtained an understanding, evaluated the design and tested the controls over the Group's inventory management, including procurement and issuance to production, and inventory aging process. We obtained and reviewed management's calculation of the inventories' NRV. On a sampling basis, we tested the acquisition cost against the supporting documents such as purchase invoice. We agreed the cost used in the NRV listing against the cost in the raw material's inventory listing and tested the costs to complete and costs to sell against the latest historical costs. For the estimated selling price, we compared against the latest selling price invoiced to the customers. We also performed inventory count observations and reviewed the aging of raw materials inventories. On a sampling basis, we tested long-outstanding inventory items and those related to end-of-life products against management's plan to recover these inventories (e.g., application against outstanding customer advances, invoke buy-back provisions in the contract and usage in the related forecasted demand).

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, 2020, 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, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

DHONABEE B. SEÑERES
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 10, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

THE BOARD OF DIRECTORS AND STOCKHOLDERS
Ionics, Inc. and Subsidiaries
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, Inc. and subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 10, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

DHONABEE B. SEÑERES
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 10, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

THE BOARD OF DIRECTORS AND STOCKHOLDERS
Ionics, Inc. and Subsidiaries
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, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 10, 2021. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

DHONABEE B. SEÑERES
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-098-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534366, January 4, 2021, Makati City

March 10, 2021

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 5, 6 and 7)	**US$18,460**	US$18,567
Receivables (Notes 3, 4, 5 and 8)	**11,423**	11,606
Contract assets (Notes 3, 4 and 9)	**3,838**	3,874
Inventories (Notes 3 and 10)	**14,125**	12,287
Advances to suppliers (Note 3)	**2,530**	897
Prepayments and other current assets (Note 3)	**420**	389
Total Current Assets	**50,796**	47,620
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 4, 5 and 11)	**1,295**	2,123
Investments in associates (Notes 3 and 12)	**726**	626
Property, plant and equipment (Notes 3 and 13)	**23,425**	19,169
Investment properties (Notes 3 and 14)	**8,393**	5,071
Right-of-use assets (Notes 3 and 24)	**2,976**	4,432
Deferred tax assets - net (Notes 3 and 26)	**33**	29
Other noncurrent assets (Notes 4 and 5)	**378**	355
Total Noncurrent Assets	**37,226**	31,805
	US$88,022	US$79,425
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Notes 4, 5, 6 and 15)	**US$15,355**	US$11,482
Contract liabilities (Note 9)	**1,601**	1,660
Current portion of bank loans and long-term debt (Notes 4, 5, 6, and 16)	**8,857**	4,822
Current portion of lease liabilities (Notes 3, 4, 5, 6 and 24)	**1,123**	1,556
Income tax payable (Note 15)	**63**	92
Total Current Liabilities	**26,999**	19,612
Noncurrent Liabilities		
Bank loans and long-term debt - net of current portion (Notes 4, 5, 6, and 16)	**2,469**	1,741
Lease liabilities - net of current portion (Notes 3, 4, 5, 6, and 24)	**1,272**	1,066
Net pension liabilities (Notes 3 and 28)	**3,585**	2,795
Deferred tax liabilities - net (Note 26)	**47**	119
Other noncurrent liabilities (Notes 4, 5, 6 and 15)	**806**	597
Total Noncurrent Liabilities	**8,179**	6,318
Total Liabilities	**US$35,178**	US$25,930

(Forward)

	December 31	
	2020	2019
Equity Attributable to the Equity Holders of the Parent Company (Note 6)		
Capital stock (Note 17)	**US$17,633**	US$17,633
Additional paid-in capital (Notes 17 and 31)	**9,072**	9,072
Retained earnings (Note 17)	**30,348**	29,868
Other comprehensive income (loss):		
Unrealized losses on financial assets at FVOCI (Note 11)	**(1,972)**	(1,119)
Exchange differences (Notes 12 and 14)	**914**	902
Other reserves (Notes 12 and 28)	**(1,196)**	(932)
Adjustment to non-controlling interests (Note 30)	**(943)**	(943)
Treasury shares (Note 17)	**(1,365)**	(1,365)
	52,491	53,116
Non-controlling interests	**353**	379
Total Equity	**52,844**	53,495
	US$88,022	US$79,425

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2020	2019	2018
REVENUE (Note 29)			
Revenue from contracts with customers	**US$52,098**	US$58,197	US$54,710
Rental income (Notes 14 and 24)	**1,627**	1,901	2,591
	53,725	60,098	57,301
COST OF SALES AND RENTAL SERVICES			
Cost of sales (Note 19)	**48,829**	51,600	48,439
Cost of rental services (Notes 14, 20 and 24)	**407**	373	402
	49,236	51,973	48,841
GROSS PROFIT	**4,489**	8,125	8,460
OPERATING EXPENSES (Note 21)	**3,231**	3,524	3,654
OTHER INCOME (EXPENSES)			
Share in net earnings (losses) of associates (Notes 12 and 29)	**78**	(22)	8
Finance costs (Notes 16, 22 and 24)	**(443)**	(341)	(319)
Others - net (Notes 8, 11 and 18)	**(168)**	80	177
	(533)	(283)	(134)
INCOME BEFORE INCOME TAX	**725**	4,318	4,672
PROVISION FOR INCOME TAX (Note 26)	**263**	415	428
NET INCOME	**462**	3,903	4,244
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss:			
Exchange differences (Notes 12 and 14)	**12**	7	(9)
Items that may not be reclassified to profit or loss:			
Fair value gain (loss) on financial assets at FVOCI (Note 11)	**(853)**	(1,079)	544
Share in other comprehensive income (loss) of associates (Note 12)	**11**	(89)	–
Remeasurement gains (losses) on retirement plan (Notes 3 and 28)	**(283)**	(400)	396
	(1,113)	(1,561)	931
TOTAL COMPREHENSIVE INCOME (LOSS)	**(US$651)**	US$2,342	US$5,175
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 27)	**US$480**	US$3,817	US$4,166
Non-controlling interests	**(18)**	86	78
	US$462	US$3,903	US$4,244
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(US$625)**	US$2,268	US$5,084
Non-controlling interests	**(26)**	74	91
	(US$651)	US$2,342	US$5,175
BASIC/DILUTED EARNINGS PER SHARE (Note 27)			
For net income for the year attributable to ordinary equity holders of the Parent Company	**US$0.0006**	US$0.0046	US$0.0051

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to the equity holders of the Parent Company										
	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Retained Earnings (Note 17)	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 11)	Adjustment to Non-Controlling Interests (Note 30)	Exchange Differences (Notes 12 and 14)	Other Reserves (Note 28)	Treasury Shares (Note 17)	Total	Non-Controlling Interests	Total
	For the Year Ended December 31, 2020										
Balances at beginning of year	**US$17,633**	**US$9,072**	**US$29,868**	**(US$1,119)**	**(US$943)**	**US$902**	**(US$932)**	**(US$1,365)**	**US$53,116**	**US$379**	**US$53,495**
Net income (loss)	**–**	**–**	**480**	**–**	**–**	**–**	**–**	**–**	**480**	**(18)**	**462**
Other comprehensive income (loss)	**–**	**–**	**–**	**(853)**	**–**	**12**	**(264)**	**–**	**(1,105)**	**(8)**	**(1,113)**
Total comprehensive income (loss)	**–**	**–**	**480**	**(853)**	**–**	**12**	**(264)**	**–**	**(625)**	**(26)**	**(651)**
Balances at end of year	**US$17,633**	**US$9,072**	**US$30,348**	**(US$1,972)**	**(US$943)**	**US$914**	**(US$1,196)**	**(US$1,365)**	**US$52,491**	**US$353**	**US$52,844**
	For the Year Ended December 31, 2019										
Balances at beginning of year, as previously presented	US$17,633	US$9,072	US$26,097	(US$40)	(US$943)	US$895	(US$455)	(US$1,365)	US$50,894	US$306	US$51,200
Effect of adoption of PFRS 16	–	–	(46)	–	–	–	–	–	(46)	(1)	(47)
Balances at beginning of year, as restated	17,633	9,072	26,051	(40)	(943)	895	(455)	(1,365)	50,848	305	51,153
Net income	–	–	3,817	–	–	–	–	–	3,817	86	3,903
Other comprehensive income (loss)	–	–	–	(1,079)	–	7	(477)	–	(1,549)	(12)	(1,561)
Total comprehensive income (loss)	–	–	3,817	(1,079)	–	7	(477)	–	2,268	74	2,342
Balances at end of year	US$17,633	US$9,072	US$29,868	(US$1,119)	(US$943)	US$902	(US$932)	(US$1,365)	US$53,116	US$379	US$53,495
	For the Year Ended December 31, 2018										
Balances at beginning of year	US$17,633	US$9,072	US$21,931	(US$584)	(US$943)	US$904	(US$838)	(US$1,365)	US$45,810	US$215	US$46,025
Net income	–	–	4,166	–	–	–	–	–	4,166	78	4,244
Other comprehensive income (loss)	–	–	–	544	–	(9)	383	–	918	13	931
Total comprehensive income (loss)	–	–	4,166	544	–	(9)	383	–	5,084	91	5,175
Balances at end of year	US$17,633	US$9,072	US$26,097	(US$40)	(US$943)	US$895	(US$455)	(US$1,365)	US$50,894	US$306	US$51,200

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**US$725**	US$4,318	US$4,672
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 19, 20, 21 and 24)	**4,456**	4,905	4,715
Finance costs (Notes 16, 22 and 24)	**443**	341	319
Movement in net pension liabilities (Note 28)	**508**	226	(114)
Share in net losses (earnings) of associates (Note 12)	**(78)**	22	(8)
Interest income (Notes 7 and 18)	**(55)**	(145)	(78)
Impairment of property and equipment (Note 13)	**–**	57	–
Gain on disposal of property and equipment (Note 18)	**–**	–	(4)
Operating income before working capital changes	**5,999**	9,724	9,502
Changes in working capital:			
Decrease (increase) in:			
Receivables	**152**	34	4,080
Contract assets	**36**	(2,572)	584
Inventories	**(1,838)**	1,455	(3,407)
Advances to suppliers	**(1,633)**	(15)	(145)
Prepayments and other current assets	**(31)**	(288)	275
Other noncurrent assets	**(23)**	65	29
Increase (decrease) in:			
Accounts payable and other liabilities	**3,863**	1,787	71
Contract liabilities	**(59)**	441	(92)
Other noncurrent liabilities	**209**	(140)	(418)
Net cash generated from operations	**6,675**	10,491	10,479
Income taxes paid	**(293)**	(451)	(512)
Interest received	**86**	128	66
Net cash provided by operating activities	**6,468**	10,168	10,033

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 13 and 16)	**(US$4,292)**	(US$5,707)	(US$940)
Investment properties (Note 14)	**(4,641)**	(368)	(116)
Financial assets at FVOCI (Note 11)	**(100)**	–	(250)
Proceeds from sale of property and equipment	**–**	–	4
Net cash used in investing activities	**(9,033)**	(6,075)	(1,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of (Note 4):			
Commercial loans	**16,000**	8,000	9,954
Bank loans	**1,641**	80	83
Payments of (Note 4):			
Commercial loans	**(12,000)**	(8,000)	(9,954)
Principal portion of lease liabilities	**(1,872)**	(1,708)	–
Long-term debt	**(754)**	–	(1,856)
Bank loans	**(124)**	(63)	(80)
Interests on bank loans, long-term debt and lease liabilities (Notes 16, 22 and 24)	**(433)**	(318)	(356)
Net cash provided by (used in) financing activities	**2,458**	(2,009)	(2,209)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(107)**	2,084	6,522
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,567**	16,483	9,961
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**US$18,460**	US$18,567	US$16,483

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value per Share and Earnings per Share)

1. Corporate Information and Status of Operations

Ionics, Inc. (the Parent Company) is a domestic corporation incorporated under the laws of the Philippines and registered with the Securities and Exchange Commission (SEC) in September 1982. The Parent Company started commercial operations in July 1987 and engaged in electronic manufacturing services business. In September 1999, the Parent Company transferred its primary manufacturing business to a majority-owned subsidiary, Ionics EMS, Inc. (EMS), which was subsequently listed in the Singapore Exchange Securities Trading Limited (Singapore Exchange). However, on March 2, 2010, the Parent Company and EMS jointly announced the proposed voluntary delisting of EMS from the Singapore Exchange. Consequently, the Parent Company's primary purpose was amended from a manufacturing company to a holding company.

The principal activities of the Parent Company and its subsidiaries (collectively, the Group) are described in Notes 2 and 29.

The Parent Company is listed in the Philippine Stock Exchange.

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 10, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVOCI which have been measured at fair value.

The Parent Company's functional currency and the Group's presentation currency is the United States (US) Dollar ($). All amounts are rounded to the nearest thousand US$ (US$000), except for earnings per share and par value information or unless otherwise indicated.

The following table shows the functional currency of the Parent Company and its subsidiaries:

Entity	Functional Currency
Ionics, Inc. (the Parent Company)	US Dollar
Ionics EMS, Inc. (EMS)	US Dollar
Ionics Circuits, Limited (ICL)	US Dollar
Ionics Properties, Inc. (IPI)	US Dollar
Iomni Precision, Inc. (Iomni)	US Dollar
Ionics EMS (USA), Inc. (USA)	US Dollar
Synertronix, Inc. (SI)	Philippine Peso
Ionics Products Solutions, Inc. (IPSI)	Philippine Peso

For consolidation purposes, the financial statements of SI and IPSI were translated to US Dollars using the prevailing closing rate as of the reporting date for the consolidated statement of financial position accounts and the weighted average rate for the reporting period for profit or loss accounts. The foreign currency exchange differences arising from translation are taken to the line item "Exchange differences" in other comprehensive income.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority owned subsidiaries as at December 31, 2020 and 2019:

Subsidiaries	Country of Incorporation	Principal Activity	Effective Percentage of Ownership
ICL	Cayman Islands	Investing	**100%**
IPI	Philippines	Leasing	**100**
Iomni	Philippines	Manufacturing	**100**
SI	Philippines	Manufacturing	**100**
IPSI	Philippines	Retailing	**100**
EMS	Philippines	Manufacturing	**97**
USA	United States of America	Manufacturing	**97**

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

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

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

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

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

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

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

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

Non-Controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Parent Company's equity (see accounting policy on Business Combinations).

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

As of December 31, 2020 and 2019, the Group has non-controlling interests pertaining to EMS. The percentage of equity held by non-controlling interests in 2020 and 2019 is 3.28%.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended accounting pronouncements which became effective January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

  These amendments have no impact on the consolidated financial statements but may impact future periods should the Group enter into any business combinations.

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

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The amendments do not have a significant impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

  These amendments were consistently applied on the disclosures of the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

  These amendments were consistently applied on the disclosures of the Group.

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

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

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and,
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

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

  In April 2020, the Group received lease concession in a form of lease discount for the period of nine (9) months from April to December 2020. Management determined that this lease concession is directly related to COVID-19 pandemic. This resulted to reduction of depreciation expense for the year ended and lease liabilities as of December 31, 2020 amounting to US$0.07 million (see Note 24).

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

  Effective beginning on or after January 1, 2021

  - Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

    The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
    - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
    - Relief from discontinuing hedging relationships
    - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

    The entity shall also disclose information about:
    - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
    - The progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

    The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the entity is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies,* if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements,* to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred effectivity

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

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

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

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current and noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of changes in value.

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
re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables 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.

The Group's financial assets comprise of financial assets at amortized cost and FVOCI.

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 method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group classified cash and cash equivalents, receivables (excluding advances to managers and employees), and refundable deposits (reported under "other noncurrent assets" account) as financial assets at amortized cost.

c. Subsequent measurement - Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

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

Gains and losses on these financial assets are never recycled to 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 OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted, proprietary golf/club shares and non-listed equity investments 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.

The Group's financial liabilities comprise of financial liabilities at amortized cost.

b. Subsequent measurement - Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized under the "Other income (expense)" 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 accounts payable and other liabilities and bank loans and long-term debt that meet the above definition (other than liabilities covered by other accounting standards, such as net pension liabilities, 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 effective interest rate (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, 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 loss calculation.

For the Group's cash and cash equivalents 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 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 and cash equivalents, 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 similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- 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 profit or loss.

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.

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 consolidated 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, plant and equipment).

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.

Investments in Associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operational policy decisions of the investee but not to control or have joint control over those polices. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate.

The Group's share in the results of operations of the associate is reflected in profit or loss. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in other comprehensive income.

The Group recognizes its share of the losses of the associate until its share of losses equals its interest in the associate. Once the Group's investment is reduced to zero, additional losses are provided for, and a liability is recognized to the extent the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Property, Plant and Equipment

Property, plant and equipment, except for land and construction in progress, are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent replacement costs of parts of the property and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Land is measured at cost less accumulated impairment losses recognized.

Depreciation and amortization is computed using the straight-line method over the following estimated useful life (EUL) of each type of asset:

	Years
Machineries and equipment	5-10
Building and building improvements	5-30
Tools and other equipment	5
Airconditioning systems	5-15
Furniture, fixtures and equipment	5
Transportation equipment	5

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the 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 are written down to their recoverable amounts (see Accounting Policy on Impairment of Nonfinancial Assets).

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

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

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less impairment in value, if any.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties as follows:

	Years
Building	30
Building improvements	5 - 7

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 investment properties.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties when, and only when, there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties to inventories when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view of sale.

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

Business Combinations

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

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, i.e., transactions with owners in their capacity as owners.

In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the Parent Company.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Nonfinancial Assets

Property, plant and equipment, investment properties, right-of-use assets and other nonfinancial assets

The Group assesses at each reporting date whether there is an indication that an asset 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 cash-

generating unit'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 profit or loss 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 profit or loss 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.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. An impairment loss is recognized when the recoverable amount of the cash-generating units is less than their carrying amount. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

Investments in associates
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates. The Group determines at each reporting date whether there is any objective evidence that investment in associate is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the investment in associate and the acquisition cost and recognizes the amount in profit or loss.

Foreign Currency-denominated 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange Differences
As of the reporting date, the assets and liabilities of the Group are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statement of comprehensive income accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity as "Exchange differences."

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

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

Retained earnings represent accumulated earnings of the Group and any adjustments arising from application of new accounting standards, policies or correction of errors applied retrospectively, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from associates included in the consolidated retained earnings are available for dividend declaration when these are likewise declared as dividends by the subsidiaries and associates as approved by their respective BOD.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury and the undistributed earnings of the subsidiaries and associates.

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

Treasury Shares and Shares Held by Subsidiary
Own equity instruments which are reacquired (treasury shares) by the Parent Company or the subsidiaries are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issuance or cancellation of the company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Earnings Per Share (EPS)
Basic earnings per share is computed by dividing net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after giving retrospectively adjustment to any stock dividend declared or stock split made during the year.

Diluted earnings per share is calculated by dividing the 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 are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

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

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

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

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

The Group determined that the input method is the appropriate method in measuring progress for revenue recognized as over time because there is a direct relationship between the Group's effort (i.e., actual cost incurred) and the transfer of service or goods to the customer. For both turnkey and consignment contracts, payment of the transaction price is due 30 to 120 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.

Subcontracting services
For goods that transfer of control has been passed to the buyer at the time when the performance obligation has been satisfied, revenues are recognized at a point in time. The performance obligation is generally satisfied upon delivery of the goods to the customer. Payment of the transaction price is due 30 to 60 days upon delivery. Sales are measured at the fair value of the consideration received, excluding discounts and returns.

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 in 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.

c) Cost 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 optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under operating expenses) because the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

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

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

Other Costs and Expenses
Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Cost and expenses are generally measured at the amount paid or payable.

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

Cost of rental services
Cost of rental services includes all direct expenses associated with operating leases. This includes depreciation, real property taxes, repairs and maintenance and salaries and wages related to the maintenance of investment properties. Such costs are recognized when incurred.

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. These are recognized when incurred.

Leases (Effective Beginning January 1, 2019)
The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

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

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. 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 measured at cost, less any accumulated depreciation and impairment losses, and adjust 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, as follows.

	Years
Machineries and equipment	5-10
Building	5

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

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

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

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

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

Leases (Effective before January 1, 2019)
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease - Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Operating lease - Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Collections of operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance lease - Group as a lessee
Leases where the lessor transfers substantially all the risks and benefits of ownership of the leased item, are capitalized at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum leased payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the leased term, the asset is depreciated over the shorter of the estimated useful life of the asset and 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 gains (losses) on retirement plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

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

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

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

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

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum

corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax 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.

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.

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Revenue from contracts with customers

- Identifying contracts with customers
  Generally, a valid and approved Manufacturing Service Agreement (MSA), tooling and sourcing agreements, customer forecast, and/or customer purchase order will be in place before the Group provides services or manufacture goods for the customers. The Group is not obligated to transfer any goods or provide services until the customer submits a Purchase Order under the MSA, respectively. The Purchase Order creates the enforceable rights and obligations and is therefore evaluated together with the MSA for revenue recognition in accordance with PFRS 15.

- Determining the timing of revenue recognition
  The Group assessed that revenue from manufacturing of goods shall be recognized over time or point in 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.

For subcontracting services, goods are transferred at a point in time since performance obligation is generally satisfied upon delivery of the goods to the customer.

- Determining the measure of progress for revenue recognized over time
  The Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.

Determination of functional currency
The Group has revenue and costs and expenses denominated in various currencies, mainly in US Dollar and Philippine Peso. The entities within the Group determines the functional currency based on economic substance of underlying circumstances relevant to each entity within the Group. The determination of functional currency was based on the primary economic environment in which each of the entities generates and expends cash. The Parent Company, EMS, USA, Iomni, IPI and ICL's functional currency is US dollar, while the functional currency of IPSI and SI is Philippine Peso.

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

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

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

For all lease agreements, the Group determined that no indicators exist to consider the lease commitments as a finance lease. The Group retains all the significant risks and rewards of ownership of these properties and therefore, all leases are accounted for as operating leases (see Note 24).

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 determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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).

The renewal period for lease of warehouse facility is not included as part of the lease term since at the date of initial application of PFRS 16, it is not reasonably certain that the Group will exercise the renewal option. 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.

Refer to Note 24 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Operating lease classification - Group as a lessee (2018: Prior to adoption of PFRS 16)
The Group has entered into commercial property leases. The Group has determined, based on the terms and conditions of the lease agreements and finance lease indicators previously set forth, that it has not acquired all the significant risks and rewards of ownership of the leased properties and so accounts for the contracts as operating leases (see Note 24).

Finance lease classification - Group as a lessee (2018: Prior to adoption of PFRS 16)
The Group leases certain machineries and equipment and has determined, based on an evaluation of the terms and conditions of the agreements, that the lessor transfers substantially all the risk and benefits incidental to ownership of the leased properties to the Group, thus, the Group recognizes these leases as finance leases (see Note 24).

Impairment of nonfinancial assets
The Group reviews its nonfinancial assets for impairment considering the following indicators of impairment:
- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or,
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

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 are as follows:

	2020	2019
Advances to suppliers	**US$2,530**	US$897
Prepayments and other current assets	**420**	389
Investment in associates (Note 12)	**726**	626
Property and equipment (Note 13)	**23,425**	19,169
Investment properties (Note 14)	**8,393**	5,071
Right-of-use assets (Note 24)	**2,976**	4,432

In 2019, the Group recognized a provision for impairment amounting to US$0.06 million. This pertains to the design cost of the planned construction of the Group's administrative building recorded under "Construction-in-progress" account which did not materialize, thus, the management assessed that the carrying amounts of these assets are not recoverable (nil for 2020 and 2018, see Notes 13 and 21).

Management believes that no impairment indicator exists for the other nonfinancial assets of the Group as of December 31, 2020 and 2019.

Significant influence over ICCP SBI Venture Partners (Hong Kong) Limited (ISVP-HK)
The Group assessed that it has significant influence over ISVP-HK despite having ownership interest of below 20%. Management assessed that it has the power to participate in the financial and operating policy decisions of ISVP-HK through its representation in ISVP-HK's BOD. Accordingly, ISVP-HK is accounted for as an associate (see Note 12).

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

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

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

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

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

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

As of December 31, 2020 and 2019, allowance for impairment losses on receivables amounted to US$0.71 million and US$0.93 million, respectively, and nil for contract assets as of both years (see Notes 8 and 9).

Provision for inventory obsolescence
The Group reviews its inventory levels to assess impairment at least on a quarterly basis. The semiconductor industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand. Impairment losses are provided

on excess and obsolete inventory based on regular reviews of inventories on hand, and the latest forecasts of product demand and product requirements from customers. If actual market conditions or customer's product demands are less favorable than those forecasted, additional impairment loss is recognized. An increase in allowance for inventory obsolescence would increase recorded cost of sales and decrease current assets.

In 2018, the Group recognized provision for inventory obsolescence amounting to US$0.01 million (nil in 2020 and 2019, see Note 19). The Group's allowance for inventory obsolescence amounted to US$0.04 million as of December 31, 2020 and US$0.29 million as of December 31, 2019 and 2018, respectively. The carrying values of inventories of the Group amounted to US$14.13 million and US$12.29 million as of December 31, 2020 and 2019, respectively (see Note 10).

Valuation of unquoted equity investments designated as financial assets at FVOCI
Valuation of unquoted investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation.

In valuing the Group's financial assets at FVOCI at fair value in compliance with PFRS 9, management applied judgment in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 3).

As of December 31, 2020 and 2019, the Group's unquoted equity investments amounted to US$1.28 million and US$2.10 million, 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 13 and 24 for further details on property and equipment and right-of-use assets, respectively.

Estimating the incremental borrowing rate
The Group has various lease contracts from which it cannot determine the interest rate implicit. For these lease contracts, the Group used incremental borrowing rate (IBR) to measure the related 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 assets 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 (such as for subsidiaries that do not enter into financing transactions) 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 (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to US$2.40 million and US$2.62 as of December 31, 2020 and 2019 respectively (see Note 24).

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

The net pension liabilities as at December 31, 2020 and 2019 amounted to US$3.59 million and US$2.80 million, respectively (see Note 28).

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 future 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 and carry forward benefits of NOLCO and MCIT of the Parent Company and on certain subsidiaries as of December 31, 2020 and 2019 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, 2020 and 2019, the Group recognized net deferred tax assets amounting to US$0.03 million (see Note 26).

4. Financial Risk Management Objectives and Policies

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

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

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

The Group has various financial assets such as cash and cash equivalents, receivables (excluding advances to managers and employees), financial assets at FVOCI, and refundable deposits. The Group's principal financial liabilities consist of accounts payable and other liabilities (excluding nonfinancial liabilities), bank loans and long-term debt, lease liabilities and security deposits (included under "Other noncurrent liabilities"). The main purpose of these financial liabilities is to raise funds for the Group's operations.

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 and other receivables from customers and contract assets are monitored on a regular basis. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern.

The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Generally, trade receivables, and 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.

Rent receivables
Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing contracts, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

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.

The Group does not hold any collateral from its customers thus, the carrying amounts of cash and cash equivalents and refundable deposits approximate the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Cash and cash equivalents are 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.

Concentration of credit risk
The Group has concentration of credit risk due to sales to significant customers. One customer accounted for approximately 16.16%, 23.40% and 20.54% of its total revenue from contracts with customers in 2020, 2019 and 2018, respectively. The Group's top five customers accounted for approximately 58.47%, 60.98% and 60.86% of its total revenue from contracts with customers in 2020, 2019 and 2018, respectively. In 2020 and 2019, the financial and contract assets of the Group are more concentrated to the banks and financial intermediaries, consumer electronics and telecom, which accounted for 83.96% of the total credit risk exposure, respectively.

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

	2020	2019
Banks and financial intermediaries*	**US$18,449**	US$18,557
Telecommunications (Telecom)	**6,312**	5,020
Consumer electronics	**3,803**	5,321
Computer peripherals	**3,404**	2,986
Real estate	**129**	262
Automotive	**104**	371
Others**	**1,821**	1,803
Total	**US$34,022**	US$34,320

**Excludes cash on hand amounting to US$0.011 million and US$0.010 million as of December 31, 2020 and 2019, respectively.*
***Excludes nonfinancial assets amounting to US$0.066 million and US$0.072 million as of December 31, 2020 and 2019, respectively.*

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

	2020				
	Minimal Risk	**Average Risk**	**High Risk**	**Credit-Impaired**	**Total**
Cash and cash equivalents*	**US$18,449**	**US$–**	**US$–**	**US$–**	**US$18,449**
Receivables					
Trade receivables	**10,267**	**–**	**–**	**521**	**10,788**
Other receivables from customers	**675**	**–**	**–**	**189**	**864**
Rent receivables	**129**	**–**	**–**	**–**	**129**
Advances to managers and employees**	**41**	**–**	**–**	**–**	**41**
SSS claims receivables	**77**	**–**	**–**	**–**	**77**
Others	**168**	**–**	**–**	**2**	**170**
Contract assets	**3,838**	**–**	**–**	**–**	**3,838**
Other noncurrent assets Refundable deposits	**378**	**–**	**–**	**–**	**378**
	US$34,022	**US$–**	**US$–**	**US$712**	**US$34,734**

**Excludes cash on hand amounting to US$0.011 million*
***Excludes nonfinancial assets amounting to US$0.066 million*

	2019				
	Minimal Risk	Average Risk	High Risk	Credit-Impaired	Total
Cash and cash equivalents*	US$18,557	US$–	US$–	US$–	US$18,557
Receivables					
Trade receivables	9,614	–	–	676	10,290
Other receivables from customers	1,368	–	–	244	1,612
Rent receivables	262	–	–	–	262
SSS claims receivables	41	–	–	–	41
Advances to managers and employees**	37	–	–	–	37
Others	212	–	–	5	217
Contract assets	3,874	–	–	–	3,874
Other noncurrent assets Refundable deposits	355	–	–	–	355
	US$34,320	US$–	US$–	US$925	US$35,245

**Excludes cash on hand amounting to US$0.010 million*
***Excludes nonfinancial assets amounting to US$0.072 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 instance of defaults or discrepancies in payment.

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 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 with various financial institutions that management believes to be of high credit quality. The Group's policy is to invest with financial institution from which it has outstanding loans and loan facilities.

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:

	2020			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Credit-impaired)**	**Total**
Cash and cash equivalents*	**US$18,449**	**US$–**	**US$–**	**US$18,449**
Receivables				
Rent receivables	**129**	**–**	**–**	**129**
Advances to managers and employees**	**41**	**–**	**–**	**41**
SSS claims receivables	**77**	**–**	**–**	**77**
Others	**168**	**–**	**2**	**170**
Other noncurrent assets				
Refundable deposits	**378**	**–**	**–**	**378**
Total	**US$19,242**	**US$–**	**US$2**	**US$19,244**

**Excludes cash on hand amounting to US$0.011 million*
***Excludes nonfinancial assets amounting to US$0.066 million*

	2019			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	Total
Cash and cash equivalents*	US$18,557	US$–	US$–	US$18,557
Receivables				
Rent receivables	262	–	–	262
Advances to managers and employees**	37	–	–	37
SSS claims receivables	41	–	–	41
Others	212	–	5	217
Other noncurrent assets				
Refundable deposits	355	–	–	355
Total	US$19,464	US$–	US$5	US$19,469

**Excludes cash on hand amounting to US$0.010 million*
***Excludes nonfinancial assets amounting to US$0.072 million*

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

December 31, 2020:

		Trade receivables							
			Days past due						
	Contract Assets	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**>150 days**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	
Estimated total gross carrying amount at default	**US$3,838**	**US$7,331**	**US$2,340**	**US$501**	**US$20**	**US$2**	**US$19**	**US$54**	**US$10,267**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		Other receivables from customers							
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	
Estimated total gross carrying amount at default		**474**	**141**	**58**	**–**	**–**	**1**	**1**	**675**
		–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total expected credit loss	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**

December 31, 2019:

		Trade receivables							
			Days past due						
	Contract Assets	Current	<30 days	30-60 days	61-90 days	91-120 days	121-150 days	>150 days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	US$3,874	US$6,328	US$1,663	US$784	US$803	US$4	US$32	US$–	US$9,614
	–	–	–	–	–	–	–	–	–
		Other receivables from customers							
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default		1,116	82	132	36	–	2	–	1,612
		–	–	–	–	–	–	–	–
Total expected credit loss	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–

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 and long-term funding are 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 and loan facilities. 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 short and long-term liquidity requirements of the Group.

The tables below show the maturity profile of the financial assets and financial liabilities, based on its internal methodology that manages liquidity based on remaining contractual maturities:

	2020					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Financial assets						
Cash and cash equivalents	**US$12,891**	**US$5,569**	**US$–**	**US$–**	**US$–**	**US$18,460**
Receivables[1]	**3,437**	**7,920**	**–**	**–**	**–**	**11,357**
Refundable deposits[2]	**–**	**–**	**–**	**278**	**100**	**378**
	16,328	**13,489**	**–**	**278**	**100**	**30,195**
Financial liabilities						
Accounts payable and other liabilities[3]	**6,579**	**8,326**	**197**	**–**	**–**	**15,102**
Bank loans and long-term debt[4]	**–**	**245**	**8,743**	**1,588**	**983**	**11,559**
Lease liabilities[5]	**–**	**322**	**898**	**1,315**	**–**	**2,535**
Security deposits[6]	**–**	**260**	**–**	**–**	**–**	**260**
	6,579	**9,153**	**9,838**	**2,903**	**983**	**29,456**
Liquidity gap	**US$9,749**	**US$4,336**	**(US$9,838)**	**(US$2,625)**	**(US$883)**	**US$739**

[1]Excludes nonfinancial assets amounting to US$0.066 million
[2]Included under noncurrent assets
[3]Excludes nonfinancial liabilities amounting to US$0.253 million
[4]Including future interest payable amounting to US$0.233 million
[5]Including future interest payable amounting to US$0.140 million
[6]Included under accounts payable and other liabilities and other noncurrent liabilities

	2019					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets						
Cash and cash equivalents	US$14,562	US$4,005	US$–	US$–	US$–	US$18,567
Receivables[1]	3,673	7,861	–	–	–	11,534
Refundable deposits[2]	–	–	–	355	–	355
	18,235	11,866	–	355	–	30,456
Financial liabilities						
Accounts payable and other liabilities[3]	4,259	7,008	–	–	–	11,267
Bank loans and long-term debt[4]	–	2,348	4,272	1,756	–	8,376
Lease liabilities[5]	–	–	1,664	1,093	–	2,757
Security deposits[6]	–	4	89	150	–	243
	4,259	9,360	6,025	2,999	–	22,643
Liquidity gap	US$13,976	US$2,506	(US$6,025)	(US$2,644)	US$–	US$7,813

[1]Excludes nonfinancial assets amounting to US$0.072 million
[2]Included under noncurrent assets
[3]Excludes nonfinancial liabilities amounting to US$0.215 million
[4]Including future interest payable amounting to US$1.813 million
[5]Including future interest payable amounting to US$0.135 million
[6]Included under accounts payable and other liabilities and other noncurrent liabilities

Market Risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, caused by changes in interest rates, equity prices and 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 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 primarily Philippine Peso (₱). It is the Group's policy not to trade in 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 at the reporting date 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.

	2020		2019	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Cash	**US$1,241**	**₱59,605**	US$1,749	₱88,550
Receivables	**650**	**31,205**	769	38,954
Financial assets at FVOCI	**2,281**	**109,564**	626	31,682
Refundable deposits	**397**	**19,073**	421	21,328
	4,569	**219,447**	3,565	180,514
Accounts payable and other liabilities	**7,465**	**358,490**	2,860	144,820
Net exposure arising from recognized assets and liabilities	**(US$2,896)**	**(₱139,043)**	US$705	₱35,694

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

Currency	**Source**	**2020**	**2019**
Philippine Peso	Bankers Association of the Philippines (BAP) closing rate	**US$0.020823**	US$0.019749

Sensitivity analysis

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

	2020		2019	
Changes in foreign currency exchange rates				
Philippine Peso	**5.44%**	**(5.44%)**	3.84%	(3.84%)
Effect on income before tax				
Philippine Peso	**US$39**	**(US$39)**	US$166	(US$166)

The Group based the percentage of increase and decrease in foreign exchange rate on percentage change of the foreign exchange rates as of the reporting date and year-end forecasted closing rate for 2020 and 2019 from third-party forecast.

Other than the potential impact on the Group's consolidated income (loss) before income tax, there is no 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 each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, interest rates in particular, remain constant. The Group does not expect the impact of the volatility on other currencies to be material.

The stated changes represent management's assessment of reasonably possible changes in foreign currency 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 (loss) before income tax measured in the respective functional currencies, translated into US dollars at the exchange rate ruling at the reporting date for presentation purposes.

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

	December 31, 2020					
	Long-term Debt (Note 16)	**Bank Loan** (Note 16)	**Commercial Loan** (Note 16)	**Lease Liabilities** (Note 24)	**Accrued Interest** (Note 15)	**Total**
Balances at beginning of year	**US$2,346**	**US$217**	**US$4,000**	**US$2,622**	**US$38**	**US$9,223**
Non-cash flows activities:						
Lease concession (Notes 2 and 24)	–	–	–	(74)	–	(74)
Availments	–	–	–	1,719	–	1,719
Accretion of interest (Note 22)	–	–	–	145	298	443
Cash flows activities:						
Availments	–	1,641	16,000	–	–	17,641
Payment of principal	(754)	(124)	(12,000)	(1,872)	–	(14,750)
Payment of interest	–	–	–	(145)	(288)	(433)
Balances at end of year	**US$1,592**	**US$1,734**	**US$8,000**	**US$2,395**	**US$48**	**US$13,769**

5. Fair Value Measurement

The Group's financial instruments consist of cash and cash equivalents, receivables (excluding advances to managers and employees), refundable deposits (included under other noncurrent assets), financial assets at FVOCI, accounts payable and other liabilities (excluding nonfinancial liabilities), bank loans and long-term debt, lease liabilities and security deposits (included under other noncurrent liabilities).

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

December 31, 2020

			Fair value measurement using		
	Carrying value	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset measured at fair value:					
Financial assets at FVOCI (Note 11)	**US$1,295**	**US$1,295**	**US$19**	**US$145**	**US$1,131**
Asset for which fair value are disclosed:					
Other noncurrent assets					
Refundable deposits	**378**	**378**	**–**	**–**	**378**
Liabilities for which fair values are disclosed:					
Long-term debt (Note 16)	**US$1,592**	**US$1,672**	**US$–**	**US$–**	**US$1,672**
Lease liabilities (Note 24)	**2,395**	**2,500**	**–**	**–**	**2,500**
Bank loans (Note 16)	**1,734**	**1,896**	**–**	**–**	**1,896**
Other liabilities					
Security deposits	**321**	**464**	**–**	**–**	**464**

December 31, 2019

			Fair value measurement using		
	Carrying value	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset measured at fair value:					
Financial assets at FVOCI (Note 11)	US$2,123	US$2,123	US$26	US$113	US$1,984
Asset for which fair value are disclosed:					
Other noncurrent assets					
Refundable deposits	355	355	–	–	355
Liabilities for which fair values are disclosed:					
Long-term debt (Note 16)	US$2,346	US$2,465	US$–	US$–	US$2,465
Lease liabilities (Note 24)	2,622	2,693	–	–	2,693
Bank loans (Note 16)	217	217	–	–	217
Other liabilities					
Security deposits	243	229	–	–	229

The fair values of cash and cash equivalents, receivables, accounts payable and other liabilities and commercial loans (included under "Bank loans and long-term debt") approximate their respective carrying values due to the short-term maturities of these instruments.

The estimated fair values of refundable deposits, long-term debt, bank loans, lease liabilities and security deposits represent the present value of the amount of estimated future cash flows expected to be collected or paid derived using the incremental borrowing rate of the Group for a similar loan.

The estimated fair values of long-term debt and lease liabilities represent the present value of the amount of estimated future cash flows expected to be collected or paid derived using the applicable rates ranging from 0.07% to 3.00% in 2020 and 1.31% to 4.08% in 2019.

For quoted equity investments, the fair value of financial assets is determined using the market prices of the listed shares and the price of the most recent transaction for non-listed shares. Under PFRS 9, unquoted investments are measured using market approach on its comparable underlying investments with significant unobservable inputs within Level 3 category (see Note 3).

Financial assets at FVOCI measured at fair value based on the quoted market bid prices are included within the Level 1 of the fair value hierarchy.

The fair values of proprietary golf/club shares measured at FVOCI is determined by using the market price of the proprietary golf /club shares and is included in Level 2 of the hierarchy.

The fair values of the non-listed equity investments categorized within Level 3 of the fair value hierarchy have been estimated using the comparable company valuation multiples technique. The market approach is applied using significant unobservable inputs such as quoted prices of the comparable companies under the real estate industries and lack of marketability discount ranging from 10% to 30%. Factors such as revenue growth and earnings before interest, taxes, depreciation and amortization depreciation are considered on the selection of comparable companies. Increase in quoted prices and decrease in lack of marketability discount increase the value of the investments and vice versa.

Reconciliation of fair value measurement of non-listed equity investments categorized within the Level 3 of fair value hierarchy follow:

	2020	2019
Balance at beginning of year	**US$1,982**	US$3,177
Unrealized gain (loss) - net of tax	**(850)**	(1,195)
Balance at end of year	**US$1,132**	US$1,982

In 2020 and 2019, there were no transfer between Level 1 and Level 2 of the fair value hierarchy, and no transfer into and out of the Level 3 category.

6. 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 equity and net debt. Net debt includes bank loans and long-term debt, lease liabilities, security deposits and accounts payable and other liabilities, less cash and cash equivalents. The Group's policy is for its leverage ratio not to exceed 75%. The management continues to monitor and improve on areas of customers' terms to adhere with the policy of leverage ratio.

The leverage ratio as at December 31, 2020 and 2019 follows:

	2020	2019
Current liabilities		
Accounts payable and other liabilities*	**US$15,102**	US$11,267
Current portion of bank loans and long-term debt	**8,857**	4,822
Current portion of lease liabilities	**1,123**	1,556
	25,082	17,645
Noncurrent liabilities		
Security deposits - net of current portion**	**260**	151
Bank loans and long-term debt - net of current portion	**2,469**	1,741
Lease liabilities - net of current portion	**1,272**	1,066
	4,001	2,958
Total debt	**29,083**	20,603
Less cash and cash equivalents	**18,460**	18,567
Net debt	**10,623**	2,036
Equity	**52,844**	53,495
Total equity and net debt	**US$63,467**	US$55,531
Leverage ratio	**16.74%**	3.67%

**Excluding nonfinancial liabilities amounting to US$0.253 million and US$0.215 million as of December 31, 2020 and 2019, respectively*
***Included under other noncurrent liabilities*

The Group has no externally-imposed capital requirements as of December 31, 2020 and 2019.

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**US$11**	US$10
Cash in banks	**12,880**	14,552
Cash equivalents	**5,569**	4,005
	US$18,460	US$18,567

Cash in banks and cash equivalents earn interest at the respective bank deposit rates ranging from 0.05% to 2.50% in 2020, 2019 and 2018. Interest income earned on cash and cash equivalents amounted to US$0.06 million, US$0.15 million and US$0.08 million in 2020, 2019 and 2018, respectively (see Note 18).

8. Receivables

This account consists of:

	2020	2019
Trade receivables	**US$10,788**	US$10,290
Other receivables from customers	**864**	1,612
Rent receivables	**129**	262
Advances to managers and employees	**107**	109
SSS claims receivables	**77**	41
Others	**170**	217
	12,135	12,531
Less allowance for impairment losses	**712**	925
	US$11,423	US$11,606

Trade and other receivables related to customers are noninterest-bearing and normally due within 30-120 days from the date of billing.

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

	Lifetime ECL credit-impaired			
	2020			
	Trade receivables	**Other receivables from customers**	**Others**	**Total**
Balances at beginning of year	**US$676**	**US$244**	**US$5**	**US$925**
Recovery of impairment losses (Note 18)	**(106)**	**–**	**–**	**(106)**
Financial assets derecognized	**(49)**	**(55)**	**(3)**	**(107)**
Balances at end of year	**US$521**	**US$189**	**US$2**	**US$712**

	2019			
	Trade receivables	Other receivables from customers	Others	Total
Balances at beginning of year	US$728	US$216	US$5	US$949
New financial assets originated (Note 21)	–	28	–	28
Reversal of impairment losses (Note 21)	(52)	–	–	(52)
Balances at end of year	US$676	US$244	US$5	US$925

In 2020, the Group recovered receivables from customers totaling to US$0.11 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 2019, see Note 18). The remaining outstanding receivables amounting to US$0.11 million were written down since management assessed that these remaining receivables are no longer recoverable (see Notes 18 and 21).

In 2019, the Group recognized direct write-off of receivables amounting to US$0.002 million (nil in 2020 and 2018, see Note 21).

9. Contract Balances

This account consists of:

	2020	2019
Contract assets	**US$3,838**	US$3,874
Contract liabilities	**1,601**	1,660

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

In 2020 and 2019, 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 the customer contracts have original expected duration of one (1) year or less.

10. Inventories

	2020	2019
At NRV:		
Raw materials	**US$13,193**	US$11,281
Spare parts and supplies	**932**	1,006
	US$14,125	US$12,287

The Group recognizes a write-down whenever the NRV of inventories is lower than its cost. The related cost of inventories at NRV amounted to US$14.17 million and US$12.58 million as of December 31, 2020 and 2019, respectively.

In 2020, the Group wrote down portion of its raw materials inventories amounting to US$0.25 million, which was previously provided with full allowance, since the management assessed that the carrying amount of these inventories are no longer recoverable. As of December 31, 2020, and 2019, allowance for inventory obsolescence on raw materials amounted to US$0.04 million and US$0.29 million, respectively.

The raw materials and supplies used in the operations amounted to US$29.29 million, US$32.92 million and US$29.82 million in 2020, 2019 and 2018, respectively (see Note 19).

11. Financial Assets at FVOCI

As of December 31, this account consists of:

	2020	2019
Quoted		
Balance at beginning of year	**US$26**	US$28
Fair value loss during the year	**(7)**	(2)
Balance at end of year	**19**	26
Unquoted		
Balance at beginning of year	**2,097**	3,302
Additional investments	**100**	–
Fair value loss during the year	**(921)**	(1,205)
Balance at end of year	**1,276**	2,097
	US$1,295	US$2,123

The Group's investments at FVOCI include investment listed in US NASDAQ stock market, investments in golf/club shares and other non-listed companies which are not held for trading and which the Group has irrevocably designated at FVOCI.

The movements in net unrealized losses on financial assets at FVOCI (net of tax) follows:

	2020	2019
Balance at beginning of year	**(US$1,119)**	(US$40)
Fair value loss	**(853)**	(1,079)
Balance at end of year	**(US$1,972)**	(US$1,119)

The Group recognized dividends from Beacon Property Ventures, Inc. and Tech Venture II, Ltd. amounting to US$0.05 million and US$0.03 million, respectively in 2019 (nil in 2020 and 2018 see Note 18).

12. Investments in Associates

This account consists of:

	2020	2019
Acquisition cost		
Balance at beginning and end of year	**US$580**	US$580
Accumulated equity in net earnings		
Balance at beginning of year	**141**	252
Share in net earnings (losses)	**78**	(22)
Share in other comprehensive income (loss)	**11**	(89)
Balance at end of year	**230**	141
Equity in cumulative translation adjustment		
Balance at the beginning of year	**(95)**	(102)
Exchange differences	**11**	7
Balance at end of year	**(84)**	(95)
Net book value	**US$726**	US$626

	Country of Incorporation and Business	Effective Percentage Ownership
ICCP Ventures, Inc. (IVI)	Philippines	24%
ICCP Ventures Partners, Inc. (IVPI)	Philippines	30%
Tech Ventures Partners, Ltd. (TVPL)	Cayman Islands	30%
ICCP SBI Venture Partners (Hong Kong) Limited (ISVP-HK)	Hong Kong	19%

Share in net earnings in 2020 and 2018 amounted to US$0.06 million and US$0.01 million, respectively, and share in net losses of the investee in 2019 amounted to US$0.02 million. The Group did not recognize share in equity losses from ISVP-HK amounting to US$0.04 million as of December 31, 2020 and 2019. Below are the summarized financial information relating to the Group's investment in associates:

	2020			
	IVI	**IVPI**	**TVPL**	**ISVP-HK**
Current assets	**US$112**	**US$2,164**	**US$512**	**US$337**
Noncurrent assets	**306**	**311**	**1,101**	**128**
Total assets	**US$418**	**US$2,475**	**US$1,613**	**US$465**
Current liabilities	**US$71**	**US$1,193**	**US$267**	**US$1,666**
Noncurrent liabilities	**–**	**441**	**46**	**2**
Total liabilities	**US$71**	**US$1,634**	**US$313**	**US$1,668**
Income	**US$–**	**US$613**	**US$312**	**US$527**
Expenses	**1**	**286**	**380**	**327**
Net income (loss)	**(US$1)**	**US$327**	**(US$68)**	**US$200**
Other comprehensive income (loss)	**–**	**189**	**(311)**	**–**
Total comprehensive income (loss)	**(US$1)**	**US$516**	**(US$379)**	**US$200**

	2019			
	IVI	IVPI	TVPL	ISVP-HK
Current assets	US$104	US$2,440	US$1,918	US$577
Noncurrent assets	290	644	40	12
Total assets	US$394	US$3,084	US$1,958	US$589
Current liabilities	US$61	US$1,102	US$258	US$1,962
Noncurrent liabilities	–	1,824	36	2
Total liabilities	US$61	US$2,926	US$294	US$1,964
Income	US$2	US$767	US$10	US$343
Expenses	–	759	93	685
Net income (loss)	US$2	US$8	(US$83)	(US$342)
Other comprehensive income (loss)	–	–	24	(13)
Total comprehensive income (loss)	US$2	US$8	(US$59)	(US$355)

	2018			
	IVI	IVPI	TVPL	ISVP-HK
Current assets	US$371	US$2,450	US$531	US$505
Noncurrent assets	–	644	1,437	84
Total assets	US$371	US$3,094	US$1,968	US$589
Current liabilities	US$61	US$1,102	US$258	US$1,962
Noncurrent liabilities	–	1,824	36	2
Total liabilities	US$61	US$2,926	US$294	US$1,964
Income	US$1	US$685	US$118	US$375
Expenses	–	669	17	789
Net income (loss) / Total comprehensive income (loss)	US$1	US$16	US$101	(US$414)

The reconciliation of the net assets of the associates to the carrying amounts of the investments in associates recognized in the consolidated financial statements follows:

	2020				
	IVI	**IVPI**	**TVPL**	**ISVP-HK**	**Total**
Net asset of associate attributable to common shareholders	**US$347**	**US$841**	**US$1,300**	**(US$1,203)**	**US$1,285**
Proportionate ownership in the associate	**24%**	**30%**	**30%**	**19%**	
Share in net identifiable asset	**US$83**	**US$253**	**US$390**	**US$–**	**US$726**
Carrying values	**US$83**	**US$253**	**US$390**	**US$–**	**US$726**

	2019				
	IVI	IVPI	TVPL	ISVP-HK	Total
Net asset of associate attributable to common shareholders	US$310	US$168	US$1,674	(US$1,375)	US$777
Proportionate ownership in the associate	24%	30%	30%	19%	
Share in net identifiable asset	US$74	US$50	US$502	US$–	US$626
Carrying values	US$74	US$50	US$502	US$–	US$626

13. Property, Plant and Equipment

The rollforward analyses of this account follows:

	2020							
	Land	**Machineries and Equipment**	**Building, Building Improvements and Leasehold Improvements**	**Tools and Other Equipment**	**Airconditioning Systems**	**Furniture, Fixtures and Equipment**	**Transpor-tation Equipment**	**Total**
Cost								
Balances at beginning of year	**1,925**	**37,329**	**7,777**	**7,813**	**1,644**	**267**	**263**	**57,018**
Additions	**–**	**2,837**	**464**	**820**	**169**	**2**	**–**	**4,292**
Retirement	**–**	**(1,077)**	**–**	**–**	**–**	**–**	**–**	**(1,077)**
Reclassifications from:								
Right-of-use assets (Note 24)	**–**	**3,852**	**–**	**65**	**–**	**–**	**–**	**3,917**
Investment properties (Note 14)	**621**	**–**	**931**	**–**	**–**	**–**	**–**	**1,552**
Balances at end of year	**2,546**	**42,941**	**9,172**	**8,698**	**1,813**	**269**	**263**	**65,702**
Accumulated depreciation and amortization								
Balances at beginning of year	**–**	**22,872**	**7,213**	**5,876**	**1,423**	**258**	**207**	**37,849**
Depreciation and amortization (Notes 19 and 21)	**–**	**2,173**	**253**	**812**	**71**	**4**	**35**	**3,348**
Retirement	**–**	**(1,077)**	**–**	**–**	**–**	**–**	**–**	**(1,077)**
Reclassifications from:								
Right-of-use assets (Note 24)	**–**	**1,528**	**–**	**39**	**–**	**–**	**–**	**1,567**
Investment properties (Note 14)	**–**	**–**	**590**	**–**	**–**	**–**	**–**	**590**
Balances at end of year	**–**	**25,496**	**8,056**	**6,727**	**1,494**	**262**	**242**	**42,277**
Net book values	**US$2,546**	**US$17,445**	**US$1,116**	**US$1,971**	**US$319**	**US$7**	**US$21**	**US$23,425**

	2019								
	Land	Machineries and Equipment	Building, Building Improvements and Leasehold Improvements	Tools and Other Equipment	Airconditioning Systems	Furniture, Fixtures and Equipment	Transportation Equipment	Construction-in-Progress	Total
Cost									
Balances at beginning of year	1,925	28,529	7,713	7,144	1,455	265	263	57	47,351
Additions	–	7,137	45	679	189	3	–	–	8,053
Disposals	–	–	–	(10)	–	(1)	–	–	(11)
Impairment (Note 3)	–	–	–	–	–	–	–	(57)	(57)
Reclassification from right-of-use assets (Note 24)	–	1,663	19	–	–	–	–	–	1,682
Balances at end of year	1,925	37,329	7,777	7,813	1,644	267	263	–	57,018
Accumulated depreciation and amortization									
Balances at beginning of year	–	19,856	6,983	5,151	1,328	255	164	–	33,737
Depreciation and amortization (Notes 19 and 21)	–	2,323	230	735	95	4	43	–	3,430
Disposals	–	–	–	(10)	–	(1)	–	–	(11)
Reclassification from right-of-use assets (Note 24)	–	693	–	–	–	–	–	–	693
Balances at end of year	–	22,872	7,213	5,876	1,423	258	207	–	37,849
Net book values	US$1,925	US$14,457	US$564	US$1,937	US$221	US$9	US$56	US$–	US$19,169

In 2020, the Group reviewed the EUL of certain machineries and equipment used in the production. Upon reassessment, the Group determined that the normal life span of the machineries and equipment is more than the current useful life being used, hence, increasing it from the original useful life of seven (7) years to 10 years. The Group accounted the change in useful life effective January 1, 2020 for those machineries and equipment with carrying values as of effectivity date. The effect of change in useful life in 2020 (decrease in depreciation expense amounting to US$1.48 million) was prospectively recognized in the consolidated statement of comprehensive income (see Note 3).

In 2020, the Group retired certain fully depreciated machineries and equipment that are no longer used in the production totaling to US$1.08 million (nil in 2019).

In 2020, the Group reclassified its land, building and building improvements previously classified under investment properties to property, plant and equipment account in the consolidated statement of financial position, following the lease of such properties by EMS (see Notes 14 and 24).

The Group entered into financing agreements to acquire machineries and equipment and service cars amounting to nil and US$0.12 million in 2020, US$2.88 million and US$0.08 million in 2019, and nil and US$0.08 million in 2018, respectively. In 2019, the Group's financing agreement was secured by a chattel mortgage over the machineries and equipment of EMS located at its premises (nil in 2020 and 2018). The carrying amounts of these leased assets purchased through financing agreement amounted to US$1.01 million, US$2.78 million, and US$4.20 million as of December 31, 2020, 2019 and 2018 respectively (see Note 16).

On January 1, 2019, the Group reclassified various machineries and equipment, including tools and other equipment, totaling to US$4.20 million to right-of-use assets as a result of adoption of PFRS 16. These pertain to leases previously accounted for as finance lease under PAS 17. The contracts for these leases provide transfer of ownership to lessee upon payment full payment of the lease liabilities (see Note 24).

On June 30, 2019, the Group reclassified back to machineries and equipment the remaining carrying amount of right-of-use assets amounting to US$0.97 million recognized as of January 1, 2019, as a result of full payment of lease liabilities (see Note 24).

In 2019, the Group recognized a provision for impairment amounting to US$0.06 million pertaining to the design cost of the planned construction of the Group's administrative building which did not materialize, thus, the management assessed that the carrying amounts of these assets are not recoverable (see Notes 3 and 21).

The unpaid acquisition of property and equipment amounted to US$2.35 million as of December 31, 2019 (nil in 2020, see Notes 15 and 16).

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

	2020	2019	2018
Cost of sales	**US$3,231**	US$3,305	US$4,243
General and administrative expenses	**101**	104	101
Selling expenses	**16**	21	23
	US$3,348	US$3,430	US$4,367

14. Investment Properties

The rollforward analyses of this account follows:

	2020				
	Land	**Building**	**Building Improvements**	**Construction -In-Progress**	**Total**
Cost					
Balances at beginning of year	**US$2,390**	**US$5,295**	**US$4,389**	**US$–**	**US$12,074**
Additions	**–**	**–**	**69**	**4,572**	**4,641**
Reclassification (Note 13)	**(621)**	**(472)**	**(459)**	**–**	**(1,552)**
Balances at end of year	**1,769**	**4,823**	**3,999**	**4,572**	**15,163**
Accumulated Depreciation					
Balances at beginning of year	**US$–**	**US$3,157**	**US$3,840**	**US$–**	**US$6,997**
Depreciation (Note 20)	**–**	**179**	**178**	**–**	**357**
Reclassification (Note 13)		**(234)**	**(356)**	**–**	**(590)**
Balances at end of year	**–**	**3,102**	**3,662**	**–**	**6,764**
Exchange Reserves	**(6)**	**–**	**–**	**–**	**(6)**
Net Book Values	**US$1,763**	**US$1,721**	**US$337**	**US$4,572**	**US$8,393**

	2019			
	Land	Building	Building Improvements	Total
Cost				
Balances at beginning of year	US$2,390	US$5,295	US$4,021	US$11,706
Additions	–	–	368	368
Balance at end of year	2,390	5,295	4,389	12,074
Accumulated Depreciation				
Balances at beginning of year	US$–	US$2,978	US$3,705	US$6,683
Depreciation (Note 20)	–	179	135	314
Balances at end of year	–	3,157	3,840	6,997
Exchange Reserves	(6)	–	–	(6)
Net Book Values	US$2,384	US$2,138	US$549	US$5,071

The Group obtained an appraisal report from Royal Asia Corporation, a third-party appraiser, as of November 2019. Based on the appraisal report, the fair values of land and depreciable investment properties, amounted to US$3.28 million and US$5.13 million, respectively. Management believes that the fair values as of December 31, 2020 are not materially different from that of November 2019.

The fair values of the land and depreciable investment properties were arrived at using the Sales Comparison approach and Cost approach, respectively, which are included under the Level 3 of the fair value hierarchy. In the Sales Comparison approach, fair value is based on sales and listings of comparable properties registered within the vicinity. Factors such as price per square meter, location, size and shape of lot and bargaining allowance identified as significant unobservable inputs were taken into consideration to estimate the fair value of the property.

In the Cost approach, an estimate is made of the cost of construction of the replaceable properties at current prices in accordance with the prevailing market prices for materials, labor, overhead and all other attendant costs associated with its acquisition, installation and construction in place. Adjustments, which include consideration of cost to cure improvements to become marketable, as well as market resistance factors, are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence that may exist to arrive at a reasonable valuation.

In July 2020, the Board, by majority vote, ratified the memorandum of Agreement entered into by the Parent Company's wholly-owned subsidiary, IPI, with Continental Temic Philippines, Inc. to construct and lease a build-to-suit production facility on its property in Light Industry and Science Park II, Calamba City, Laguna. The construction cost will be financed internally and through bank borrowings (see Note 16). As of December 31, 2020, total construction costs incurred for the construction of the production facility recorded as "construction-in-progress" under investment properties account amounted to US$4.57 million (nil in 2019).

In 2020, IPI leased out one its properties to an affiliate, EMS. Related land, buildings and building improvements with a carrying value of US$0.91 million were reclassified from investment properties to property, plant and equipment (see Note 13).

Rental income earned from the investment properties amounted to US$1.63 million, US$1.90 million, US$2.59 million in 2020, 2019 and 2018, respectively (see Note 24).

Cost of rental services from investment properties amounted to US$0.41 million, US$0.34 million and US$0.40 million in 2020, 2019 and 2018, respectively (see Notes 20 and 24).

15. Accounts Payable and Other Liabilities

This account consists of:

	2020	2019
Trade payables	**US$11,198**	US$8,019
Accrued expenses	**2,525**	2,382
Unearned rent income (Note 24)	**546**	538
Security deposit	**260**	243
Non-trade payables	**43**	43
Others	**1,589**	854
	16,161	12,079
Less noncurrent portion of unearned rent and security deposits (Note 24)	**806**	597
	US$15,355	US$11,482

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

Others mainly include other contracted labor and accrued interest.

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

	2020	2019
Accrued utilities	**US$839**	US$486
Accrued sales commission	**521**	407
Accrued salaries, wages and other benefits	**255**	699
Accrued professional fees	**215**	135
Accrued handling charges	**209**	304
Accrued direct materials	**7**	14
Accrued rent	**–**	2
Other accrued expenses	**479**	335
	US$2,525	US$2,382

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

16. Bank Loans and Long-term Debt

This account consists of:

	2020	2019
Long-term debt		
Current	**US$778**	US$754
Noncurrent	**814**	1,592
Bank loans		
Current	**79**	68
Noncurrent	**1,655**	149
Commercial loans		
Current	**8,000**	4,000
	US$11,326	US$6,563
Current	**US$8,857**	US$4,822
Noncurrent	**2,469**	1,741
	US$11,326	US$6,563

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

Bank loans:

- In 2020 and 2019, the Group entered into credit loan agreements with local banks for the car loan fleet financing of certain employees with payment terms ranging from three (3) to five (5) years amounting to US$0.10 million and US$0.08 million, respectively. These loans are subject to monthly interest rates ranging from 0.63% to 0.83% in 2020, 2019 and 2018. The Group made payments in relation to these loan agreements amounting to US$0.12 million and US$0.06 million in 2020 and 2019, respectively. As of December 31, 2020 and 2019, the outstanding balance of these bank loans amounted to US$0.20 million and US$0.22 million, respectively.

- In 2020, IPI entered into a secured term loan agreement aggregating to US$8.00 million with a term of ten (10) years (inclusive of the two (2)-year grace period on the principal payment) for the construction of a two (2)-storey build-to-suit production facility to be leased out to its existing third-party lessee (see Note 14). This loan is subject to 3.75% interest for the first five (5) years and for the next five (5) years, interest shall be repriced annually at 12-month LIBOR plus 2.75% spread inclusive of the 10% FCDU withholding tax. The term loan is secured by a real estate mortgage over the land which said build-to-suit production facility is being constructed.

  On December 29, 2020, IPI made its first drawdown amounting to US$1.60 million, payable monthly starting December 29, 2022. As of December 31, 2020, the outstanding balance of these loan amounted to US$1.53 million, net of transaction costs subject to amortization (nil as of December 31, 2019).

Debt Covenant

The agreement provides affirmative and negative covenants which the Company must fulfill. This includes compliance of:

- Debt-to-equity ratio, computed total liabilities divided by total equity, of not more than 2.0:1;
- Minimum debt-service ratio, computed Earnings Before Interest Taxes, Depreciation and Amortization (EBITDA) divided by prior period debt-service, of 1.5:1; and,
- Minimum current ratio, computed as current assets divided by current liabilities, of 2.5:1.

As of December 31, 2020, all covenants set forth in the agreement have been fully met by IPI.

Commercial loans:

- In 2019, EMS applied for a credit facility with a third party bank for a four (4)-month short-term loan up to US$4.00 million, with an annual interest of 4.50%, four (4)-month short-term loan up to US$5.00 million and domestic bills purchase line up to ₱10.00 million. The loans are covered by unregistered real estate mortgage over an affiliate's properties in Laguna for US$5.00 million as of December 31, 2020.

- In 2020, EMS paid its outstanding balance as of December 31, 2019 totaling U$4.00 million. On June 29, 2020, EMS made a drawdown for a four (4)-month short term loan amounting to US$4.00 million of which full amount was paid on October 27, 2020. On October 31, 2020 , this facility had expired and was renewed last December 1, 2020 with the same terms but with interest rate reduction from 4.50% to 3.50% per annum. On December 28, 2020, EMS made a drawdown amounting to US$2.00 million and will mature on April 27, 2021.

- In January 2020, EMS applied for a credit facility with another third-party bank for a one (1)-year short term loan up to US$6.00 million, with an annual interest of 3.75%, domestic bills purchase line up to ₱10.00 million, foreign exchange settlement line up to US$1.00 million and foreign exchange pre-settlement risk line up to US$1.00 million each and corporate credit card line up to ₱5.00 million. EMS made drawdowns for four (4)-month short term loan amounting to US$4.00 million each on June 30, 2020 and December 1, 2020 and US$2.00 million on October 7, 2020. Out of the US$10.00 million drawdowns in 2020, EMS already paid U$4.00 million. The remaining outstanding balance amounting to US$2.00 million and US$4.00 million will mature on February 4, 2021 and May 30, 2021, respectively.

There are no debt covenants related to these loans.

Long-term debt (see Notes 13 and 24):

- On June 15, 2016, EMS entered into another three (3)-year financing agreement with the same supplier amounting to US$1.64 million. This is subject to 0.70% quarterly interest and matured on June 30, 2019.

- On March 29, 2017, EMS entered into another three (3)-year financing agreement with the same supplier amounting to US$1.66 million. This is subject to 1.10% quarterly interest and matured on May 31, 2020.

- On August 29, 2017, EMS entered into another three (3)-year financing agreement with a supplier amounting to US$2.16 million. This is subject to 1.09% quarterly interest and matured on August 31, 2020.

- On January 1, 2019, as a result of adoption of PFRS 16, the abovementioned long-term debt amounting to US$1.88 million which pertain to leases previously accounted for as finance lease under PAS 17 were reclassified to lease liabilities account. The carrying amount of lease liabilities for these agreements amounted to US$0.67 million as of December 31, 2019 (see Note 24).

- In 2019, EMS entered into another three (3)-year financing agreements with a supplier with contract prices amounting to US$2.88 million and US$0.08 million, respectively, accounted as property, plant and equipment purchased machineries and equipment on installment basis amounting to which are subject to 1.14% quarterly interest and will mature on October and November 2022, respectively. The financing agreements are secured by a chattel mortgage over machineries and equipment of EMS located at its premises resulting to recognition of long-term debt. The Group made payments in relation to these financing agreements amounting to US$0.75 million and US$0.43 million in 2020 and 2019, respectively.

  As of December 31, 2020 and 2019, the carrying values of the outstanding long-term debt relating to these agreements amounted to US$1.59 million and US$2.35 million, respectively.

In 2020, 2019 and 2018, 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$0.30 million, US$0.17 million and US$0.32 million, respectively (see Note 22).

17. Equity

Capital Stock

The Parent Company's capital stock consists of 1,000,000,000 authorized common stock at ₱1.00 par value per share, with 857,974,992 issued shares amounting to ₱857.97 million (US$17.63 million) as of December 31, 2020 and 2019. The Parent Company has additional paid-in capital amounting to ₱800.00 million (US$9.07 million) as of December 31, 2020 and 2019.

In 2017, the Parent Company acquired additional treasury shares amounting to US$0.30 million (nil in 2020 and 2019). As of December 31, 2020 and 2019, the Parent Company has 20,844,000 treasury shares amounting to ₱36.94 million (US$1.00 million).

In 2012, IPI, a wholly-owned subsidiary of the Ionics, Inc., acquired 14,059,000 shares of the Ionics, Inc. with a cost of US$0.37 million. This is presented as treasury shares in the consolidated statements of financial position as at December 31, 2020 and 2019.

On February 7, 1995, the SEC approved the registration of 429,687,496 common shares with issue price of ₱17.00.

The Parent Company's track record of capital stock is as follows:

	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders as of Yearend
At January 1, 1995	137,500,000			
Add (deduct)				
Public offering additional issuance	34,375,000	₱17	June 21, 1995	
Stock dividends	171,875,000		June 28, 1996	
Stock dividends	85,937,496		May 23, 1997	
Treasury shares	(1,400,000)		December 31, 2000	
Stock dividends	428,287,496		December 31, 2012	
December 31, 2013	856,574,992			1,051
Add: Movement	–			(159)
December 31, 2014	856,574,992			892
Add: Movement	–			(10)
December 31, 2015	856,574,992			882
Add: Movement	(10,254,000)		May 20, 2016	(8)
December 31, 2016	846,320,992			874
Movement	(9,190,000)		May 20, 2016	(8)
December 31, 2017	837,130,992			866
Movement	–			(4)
December 31, 2018	837,130,992			862
Movement	–			(10)
December 31, 2019	837,130,992			852
Movement	–			(2)
December 31, 2020	**837,130,992**			**850**

Retained Earnings

The Parent Company's retained earnings available for dividend declaration amounted to US$11.29 million, US$11.43 million and US$12.05 million as of December 31, 2020, 2019 and 2018, respectively.

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries and associates amounting to US$20.10 million and US$17.82 million as of December 31, 2020 and 2019, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

The retained earnings is also restricted from dividend distribution to the extent of the cost of treasury shares.

18. Others - Net

This account consists of:

	2020	2019	2018
Interest income (Note 7)	**US$55**	US$145	US$78
Recoveries from impairment loss (Note 8)	**106**	–	–
Foreign currency exchang gains (loss) - net	**(292)**	(123)	134
Bank charges	**(52)**	(44)	(51)
Dividend income from FVOCI (Note 11)	**–**	75	–
Gain on sale of property and equipment	**–**	–	4
Miscellaneous	**15**	27	12
	(US$168)	US$80	US$177

19. Cost of Sales

This account consists of:

	2020	2019	2018
Raw materials and supplies used (Note 10)	**US$29,289**	US$32,920	US$29,815
Salaries, wages and benefits (Notes 23 and 28)	**11,449**	10,447	9,923
Depreciation and amortization (Notes 13 and 24)	**3,854**	4,399	4,243
Occupancy cost and utilities (Note 24)	**3,008**	2,532	2,927
Handling and freight charges	**709**	465	436
Others(Note 3)	**520**	837	1,095
	US$48,829	US$51,600	US$48,439

Pension expense included in the salaries, wages and benefits account amounted to US$0.39 million, US$0.30 million and US$0.29 million in 2020, 2019 and 2018, respectively (see Note 28).

20. Cost of Rental Services

This account consists of:

	2020	2019	2018
Depreciation (Note 14)	**US$390**	US$347	US$348
Taxes and licenses	**8**	26	4
Others	**9**	–	50
	US$407	US$373	US$402

Others include occupancy cost, utilities and insurance.

21. Operating Expenses

This account consists of:

	2020	2019	2018
General and administrative expenses	**US$2,014**	US$2,390	US$2,604
Selling expenses	**1,217**	1,134	1,050
	US$3,231	US$3,524	US$3,654

General and administrative expenses consist of the following:

	2020	2019	2018
Salaries and benefits	**US$1,221**	US$1,257	US$1,210
Professional fees	**295**	324	275
Depreciation and amortization (Notes 13 and 24)	**192**	137	101
Insurance	**61**	64	57
Occupancy cost and utilities (Note 24)	**30**	179	184
Management bonus	**21**	180	198
Taxes and licenses	**14**	60	15
Reversal of impairment loss on receivables (Note 8)	**–**	(52)	(8)
Impairment and write-off of receivables (Note 8)	**–**	30	439
Outside services	**–**	53	6
Impairment loss on property and equipment (Note 13)	**–**	57	–
Other expenses	**180**	101	127
	US$2,014	US$2,390	US$2,604

Other expenses mainly include repairs and maintenance, contracted services and representation expenses.

Selling expenses consist of the following:

	2020	2019	2018
Sales commission and agent's professional fee	**US$796**	US$668	US$612
Salaries and benefits	**335**	341	309
Depreciation and amortization (Notes 13 and 24)	**20**	22	23
Transportation expense	**–**	39	52
Membership fees and dues	**–**	15	7
Other expenses	**66**	49	47
	US$1,217	US$1,134	US$1,050

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

Pension expense included in the salaries, wages and benefits account amounted to US$0.03 million, US$0.03 million and US$0.01 million in 2020, 2019 and 2018, respectively (see Note 28).

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

22. Finance Costs

This account consists of:

	2020	2019	2018
Interests on:			
Bank loans and long-term debt (Note 16)	**US$283**	US$113	US$242
Lease liabilities (Note 24)	**145**	176	–
Others (Note 16)	**15**	52	77
	US$443	US$341	US$319

Others pertain to interest from term loan and amortization of discounts from security deposits.

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related parties may be individuals or corporate entities. The Group has approval process and established limits when entering into material related party transactions.

There are no transactions with related parties outside of the Group in 2020, 2019 and 2018.

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:

	2020	2019	2018
Executive officers' compensation	**US$559**	US$478	US$517
Directors' remuneration	**348**	368	357
Short-term employee benefits	**92**	122	83
Post-employment benefits	**54**	49	47
	US$1,053	US$1,017	US$1,004

24. Leases

Group as Lessee

The Group entered into lease agreements with third parties for land, warehouse space and various machineries, tools and equipment. The lease of land and warehouse space have an original lease term of five (5) years. The lease of machineries, tools and equipment generally have a lease term of three (3) years.

Future undiscounted minimum lease payments under noncancelable leases as at December 31 follow:

	2020	2019
Within one year	**US$1,196**	US$1,303
After one year but not more than five years	**1,315**	1,093
	US$2,511	US$2,396

The Group has a lease contract renewable for another five (5)-year period at the option of the Group. Based on the assessment of the Group's management upon adoption of PFRS 16, the renewal is not reasonably certain. The potential future rental payments relating to periods following the exercise date of extension option that are not included in the lease term as at December 31 follow:

	2020	2019
Within one year	**US$26**	US$362
After one year but not more than five years	**–**	30
	US$26	US$176

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

	2020		
	Building	**Machineries, Tools and Equipment**	**Total**
Cost			
Balances at beginning of year	**US$1,306**	**US$4,979**	**US$6,285**
Additions	**–**	**1,719**	**1,719**
Reclassifications (Note 13)	**–**	**(3,917)**	**(3,917)**
Balances at end of year	**1,306**	**2,781**	**4,087**
Accumulated Depreciation			
Balances at beginning of year	**478**	**1,375**	**1,853**
Depreciation (Notes 19 and 21)	**478**	**347**	**825**
Reclassifications (Note 13)	**–**	**(1,567)**	**(1,567)**
Balances at end of year	**956**	**155**	**1,111**
Net Book Values	**US$350**	**US$2,626**	**US$2,976**

	2019		
	Building	Machineries, Tools and Equipment	Total
Cost			
Balances at beginning of year	US$1,306	US$5,580	US$6,886
Additions	–	1,062	1,062
Reclassifications (Note 13)	–	(1,663)	(1,663)
Balances at end of year	1,306	4,979	6,285
Accumulated Depreciation			
Balances at beginning of year	–	1,385	1,385
Depreciation (Notes 19 and 21)	478	683	1,161
Reclassifications (Note 13)	–	(693)	(693)
Balances at end of year	478	1,375	1,853
Net Book Values	US$828	US$3,604	US$4,432

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

	2020	2019
Balance at beginning of year	**US$2,622**	US$3,268
Additions	**1,719**	1,062
Accretion of interest expense (Note 22)	**145**	176
Payment of principal (Note 4)	**(1,872)**	(1,708)
Payment of interest (Note 22)	**(145)**	(176)
Lease concession adjustment (Note 2)	**(74)**	–
Balance at end of year	**US$2,395**	US$2,622

In April 2020, the Group received lease concession in a form of lease discount for nine (9) months covering the period of April 2020 to December 2020. Management assessed and determined that this lease concession is directly related to COVID-19 pandemic.

Accordingly, the Group opted to apply practical expedient and accounted lease concession directly through profit or loss. This resulted to reduction of depreciation expense for the year ended and lease liabilities as of December 31, 2020 amounting to US$0.07 million (nil as of December 31, 2019, see Notes 19 and 21).

The Group had a total cash outflows for leases of US$2.03 million, US$1.88 million and US$1.69 million in 2020, 2019 and 2018, respectively.

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

	2020	2019
Current	**US$1,123**	US$1,556
Noncurrent	**1,272**	1,066
	US$2,395	US$2,622

The following are the amounts recognized in consolidated statements of comprehensive income in 2020 and 2019 (nil in 2018):

	2020	2019
Depreciation of right-of-use assets (Notes 19 and 21)	**US$751**	US$1,161
Accretion of interest expense (Note 22)	**145**	176
Foreign exchange gain (loss)	**(19)**	45
	US$877	US$1,382

Iomni Precision, Inc. - as a Lessee

- Iomni leases a parcel of land and a factory building from a third-party lessor. The lease is for a period of 10 years starting January 15, 2001. On September 6, 2011, the parties entered into an agreement to renew the lease contract for a period of five (5) years commencing on January 16, 2011. The lease covers the same property with a 5% annual escalation clause beginning January 16, 2013.

  On February 23, 2016, the parties entered into an agreement to renew the lease contract for a period of five (5) years and 15 days commencing on January 16, 2016. The lease covers the same property, with a monthly rental subject to a 5% annual escalation beginning February 1, 2018.

  Management exercises significant judgement in determining whether renewal and termination options embedded in the contract are reasonably certain to be exercised (see Note 3).

  As of December 31, 2020 and 2019, the carrying values of right-of-use asset and lease liability for this lease amounted to US$ 0.02 million and US$0.02 million, and US$0.31 million and US$0.37 million, respectively. Total depreciation expense charged to cost of sales and operating expenses amounted to US$0.09 million and US$0.02 million and US$0.28 million and US$0.01 million in 2020 and 2019, respectively (nil in 2018, see Notes 19 and 21). The interest expense recorded under finance cost related to this lease amounted to US$0.01 million and US$0.04 million in 2020 and 2019, respectively (nil as of 2018, see Note 22).

Ionics EMS, Inc.

- In 2015, EMS entered into a three (3)-year lease agreements to finance its acquisition of machineries and equipment recorded under right-of-use assets upon adoption of PFRS 16 (previously, finance lease). The carrying amounts of right-of-use assets and lease liabilities amounted to US$2.95 million and US$2.54 million respectively as of December 31, 2020 and December 31, 2019, respectively (see Notes 13 and 16).

  In 2019, EMS entered into additional two (2) new lease agreements with a term of three (3) years to finance its acquisition of machineries and equipment. The carrying amounts of related right-of use assets and lease liabilities on these leases amounted to US$1.03 million and US$0.64 million as of December 31, 2020 and 2019, respectively.

  In 2020, EMS entered into three (3)-year lease agreement to finance its acquisition of machineries and equipment amounting to US$1.72 million. As of December 31, 2020, the carrying amounts of the right-of-use assets and lease liabilities related to this agreement amounted to US$1.59 million and US$1.31 million, respectively.

  In 2020 and 2019, the Group reclassified to machineries and equipment the right-of-use assets totaling US$2.35 million and US$0.97 million, respectively, as a result of full payment of lease liabilities (see Note 13).

  The total interest expense recognized on these leases amounted to US$0.18 million, US$0.09 million and US$0.12 million in 2020, 2019 and 2018, respectively (see Note 22). Total depreciation expense charged to cost of goods sold amounted to US$0.70 million and US$0.68 million in 2020 and 2019, (nil in 2018, see Note 19).

- In 2017, EMS entered into a five (5) year lease agreement for 5,331 sq.m. parcel of land from third party starting September 15, 2017 to September 22, 2022. The lease agreement provides 5% annual escalation cost beginning September 15, 2018. The carrying amount of right-of-use assets and lease liabilities amounted to US$0.32 million and US$0.04 million, and US$0.51 million and US$0.59 million as of December 31, 2020 and 2019, respectively (see Notes 13 and 16).

  Total depreciation expense charged to cost of goods sold and operating expenses amounted to US$0.18 million and US$0.01 million respectively in 2020 and 2019. The total interest expense amounted to US$0.04 million and US$0.05 million in 2020 and 2019, respectively (nil in 2018, see Notes 19 and 20).

Group as Lessor

The Group's lease agreements with its tenants are generally granted for a term of one (1) to five (5) years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants pay fixed monthly rent which is calculated with reference to fixed sum per square meter of area leased.

The future minimum lease receivables under the noncancelable operating leases as at December 31 follows:

	2020	2019
Within one year	**US$2,273**	US$4,921
After one year but not more than five years	**14,574**	4,662
	US$16,847	US$9,583

Iomni Precision, Inc.

- In 2016, Iomni entered into a sub-lease agreement of an office space to a third party for a period of three (3) years starting on February 16, 2016 until February 15, 2019, subject to 5% annual escalation. The lease may be renewed for an additional term of two (2) years at the option of the lessee.

  On February 16, 2019, the parties agreed to renew the lease contract for period of two (2) years. The lease covers the same property with a 5% annual escalation clause beginning February 16, 2019 and matured on January 31, 2021.

  As at March 10, 2021, the parties agreed to renew the lease contract covering the same property for a period starting February 1, 2021 until February 21, 2022.

- In 2017, Iomni entered into a sub-lease agreement for another office spaces to another third party for a period starting on August 1, 2017 until September 30, 2018. In August 2018, the parties entered into an agreement to renew the contract until September 30, 2019, with a 5% increase in monthly rate. As of December 31, 2020 and 2019, the lease contract has already expired and not renewed.

Iomni recognized rental income amounting to US$0.06 million in 2020 and 2019, and US$0.08 million in 2018.

Iomni recognized related cost of rental services arising from the leased properties amounting to US$0.03 million in 2020 and US$0.01 million in 2019 and 2018, respectively (see Note 20).

Ionics Properties, Inc. (IPI)

- IPI leased out its two (2)-storey building with a total floor area of 4,640 sq. m. to a third party which commenced in December 2009. In 2013, the contract was renewed with a term of three (3) years.

  In December 2016, the lease contract was renewed until March 31, 2020 and is subject to annual escalation clause. However, this was subsequently pre-terminated in 2018, due to lessee's unwinding of business. As a result of pre-termination, the Group received six (6) months rental payment amounting to US$0.11 million. Total rental income recognized pertaining to this lease amounted to US$0.11 million in 2019 and US$0.23 million in 2018 (nil in 2020).

  As at March 10, 2021, IPI leased out the same property to another third party for a period starting January 1, 2021 until December 31, 2024.

- In October 2004, IPI entered into a 10-year non-cancellable lease with a third-party, for the rent of its three (3)-storey factory with a total floor area of 14,550 sq. m. The lease agreement provides for the payment of three (3) months advance rental and three (3) months security deposit which is based on the current month's rental rate.

  In 2014, the contract was renewed for another 10 years to commence on October 1, 2014 up to September 30, 2024. Total rental income recognized pertaining to this lease amounted to US$1.56 million, US$1.57 million and US$1.55 million in 2020, 2019 and 2018, respectively.

- In November 2015, IPI entered into a three (3)-year non-cancellable lease with a third party for the rent of its two (2)-storey building with a total floor area of 3,938 sq. m. The lease contract covered period from November 2015 to November 2018 and is subject to 5% escalation. The lease contract ended on November 2018.

  Total rental income recognized pertaining to this lease amounted to US$0.21 million in 2018 (nil in 2020 and 2019).

- In 2013, IPI entered into a five (5)-year lease contract with a third party for the rent of its building with an area of 7,432 sq. m. The lease commenced on September 15, 2013 and shall continue for a period of five (5) years, until September 14, 2018. The lease agreement provides for a three (3)-month security deposit and three (3)-month advance rental.

  In September 2018, the parties entered into an agreement to extend the lease contract from September 15, 2018 which ended on March 31, 2019. Subsequently in 2020, this was occupied and used by EMS for its manufacturing activities starting May 1, 2020 until April 30, 2021, subject for renewal upon mutual agreement of both parties. Related properties were reclassified from investment properties to property, plant and equipment account in the consolidated statement of financial position (see Notes 13 and 14).

  Total rental income recognized pertaining to this lease amounted to US$0.16 million in 2019 and US$0.52 million 2018 (nil in 2020).

The carrying values of security deposits included under "other noncurrent liabilities" amounted to US$0.32 million and US$0.15 million as of December 31, 2020 and 2019, respectively (see Note 15). Amortization of discount on security deposit recognized under "Other expense" amounted to US$0.02 million in 2020, 2019 and 2018 (see Note 21).

Unearned income included under "other noncurrent liabilities" amounted to US$0.55 million and US$0.45 million as of December 31, 2020 and 2019, respectively (see to Note 15). The amortization of unearned income recognized under "Rent income" amounted to US$0.02 million in 2020, 2019 and 2018.

IPI recognized related cost of rental services arising from the leased properties amounting to US$0.37 million in 2020, US$0.33 million in 2019 and US$0.39 million in 2018 (see Note 20).

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

EMS, Iomni and IPI are all PEZA-registered. Their registrations entitle them to certain incentives and privileges including a lower corporate income tax rate subject to certain provisions and limitations of Republic Act (RA) 7916 and each subsidiary's registration agreement with PEZA.

Ionics EMS, Inc.

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
1. ReGrow Helmet Low Level Light Therapy Device	February 22, 2019	Inclusion	Gross income tax incentive starting Feb. 22, 2019
2. Buddee Smart Plug fabrication	March 21, 2018	Inclusion	Gross income tax incentive starting March 21, 2018
3. Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Inclusion	Gross income tax incentive starting August 22, 2018

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
4. Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Inclusion	Gross income tax incentive starting July 24, 2017
5. Manufacture of LCD and touch panel for mobile phone*	February 14, 2017	New Project	Four-year ITH starting February 2017
6. Server repair and Upgrade	January 30, 2017	New Project	Gross income tax incentive starting January 2017
7. Manufacture of T-Mark 340 AC	December 29, 2016	New Project	Gross income tax incentive starting September 2016
8. Manufacture of Afimilk Tag	July 28, 2016	New Project	Gross Income tax incentive starting July 2016
9. Manufacture of Nano Nozzle Reader	July 28, 2016	New Project	Gross Income tax incentive starting July 2016
10. Manufacture of PCBA for Printer	February 15, 2016	New Project	Gross income tax incentive starting February 2016
11. Manufacture of Quantum	February 15, 2016	New Project	Gross income tax incentive starting February 2016
12. WI butler*	March 21, 2016	New project	Four-year ITH starting March 2016
13. Electronic Door Lock System*	March 21, 2016	New project	Four-year ITH starting March 2016
14. LCD Projector w/ Power Supply*	July 06, 2015	New project	Four-year ITH starting July 2015
15. Manufacture of tracking device	Oct. 07, 2014	New Project	Gross Income tax incentive starting Oct 2014
16. Manufacturing of light cure device	May 08, 2014	New Project	Gross Income tax incentive starting March 2014
17. Portable/mobile two-way radio communication equipment	July 23, 2013	New project	Gross Income tax incentive starting July 2013
18. XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Four-year ITH starting June 2012
19. Mobile Display Device*	June 22, 2012	New project	Four-year ITH starting Dec 2009
20. Dual Port Gigabit Ethernet Bypass Adapter*	May 31, 2011	New project	Three-year ITH starting June 2011
21. Pole Cabinets*	March 31, 2011	New project	Four-year ITH starting June 2011
22. Video Conference System*	March 1, 2011	New project	Three-year ITH starting March 2011
23. Optical Network Terminal*	February 15, 2010	New project	Four-year ITH starting March 2010
24. Manufacturing of Plug Computer*	October 28, 2009	New project	Four-year ITH starting December 2009
25. Electronic Communicator and Controller Module (ECCM)*	May 13, 2009	New project	Four-year ITH starting March 2009
26. Digipass Security Software for Microsoft pocket PC*	April 27, 2009	New project	Four-year ITH starting March 2009
27. Re-manufacture of Mobile Phones*	November 28, 2008	New project	Four-year ITH starting December 2008
28. PV-Max Master*	March 13, 2008	New project	Four-year ITH starting May 2008
29. T2 Wi-Fi Tag*	March 16, 2009	New project	Four-year ITH starting October 2008
30. Optics Telecommunication*	November 28, 2005	New project	Four-year ITH starting January 2006
31. ROHS Flex Cable Assembly*	October 13, 2005	New project	Four-year ITH starting October 2005
32. RF Tuners and Amplifiers*	May 23, 2005	New project	Four-year ITH starting June 2005
33. Power Controller of Beard Trimmer with Saft NiCD and Sanyo NiMH Re-chargeable Battery*	December 09, 2004	New project	Four-year ITH starting December 2004
34. Wireless Broadband Access Unit*	May 11, 2004	New project	Four-year ITH starting May 2004
35. Power Over LAN Assembly*	September 30, 2003	New project	Three-year ITH starting October 2003
36. Electronic Car Dashboard Assembly*	June 12, 2003	New project	Four-year ITH starting June 2003
37. Design and Development*	July 28, 2003	New project	Four-year ITH starting July 2003
38. Hi-Focus Asymmetrical Digital Subscriber Line (ADSL) Broadband Access System*	September 21, 2000	New project	Four-year ITH starting October 2000
39. RF Tuners and Amplifiers*	May 23, 2005	New project	Four-year ITH starting June 2005

**ITH incentives for these product lines have already expired as of December 31, 2020.*

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 Group to other incentives which include, among others, the duty-free importation of raw materials and capital equipment.

Iomni Precision, Inc.

Product Line/Registered Activities	Date of Registration	Income Tax Holiday (ITH)/ Gross Income Tax (GIT) Incentive
1. Manufacture of re-writable compact disk (CD) drive mechanical loader assembly*	October 17, 2000	Four-year ITH starting October 2000
2. Plastic injection molding of high precision plastic parts and assembly*	September 17, 2001	Four-year ITH starting September 2001
3. Fabrication of molds, dies, and printing of plastic parts*	March 28, 2003	Four-year ITH starting March 2003
4. Manufacture of main base M, main frame and tray disc*	August 12, 2005	Four-year ITH starting August 2005
5. Manufacture of plastic parts and assembly of super solar cell*	September 24, 2007	Four-year ITH starting September 2007
6. Lease out activity	July 12, 2013	GIT Incentive

**ITH incentive for these product lines have already expired as of December 31, 2020. Gross income from these product lines are now being subjected to the 5% gross income tax from the date ITH incentive has expired.*

Ionics Properties, Inc.

IPI is registered with PEZA as an Ecozone Facilities Enterprise pursuant to the provisions of R.A. No. 7916. The registration entitles IPI to certain incentives and privileges including exemption from payment of any and all local government imposts, fees, licenses or taxes and a gross income tax of 5% subject to certain provisions and limitations of R.A. 7916 and IPI's registration agreement with PEZA.

26. Income Taxes

Provision for income tax consists of:

	2020	2019	2018
Current	**US$267**	US$418	US$446
Deferred	**(4)**	(3)	(18)
	US$263	US$415	US$428

Provision for income tax pertains to (i.) gross income tax (GIT) of IPI, (ii.) ITH, GIT and RCIT of EMS and Iomni, and (iii.) MCIT and RCIT of the Parent Company.

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

	2020	2019
Deferred tax assets on:		
Lease liabilities	**US$154**	US$29
Advance rental	**24**	26
Unamortized past service cost	**5**	7
MCIT	**–**	2
Deferred tax liabilities on:		
Right-of-use assets	**(137)**	(26)
Contract assets	**(10)**	(9)
Unrealized foreign exchange gain	**(3)**	–
	US$33	US$29

The components of the Group's net deferred tax liabilities as of December 31 follow:

	2020	2019
Deferred tax assets on:		
Lease liabilities	**US$–**	US$21
MCIT	**–**	7
Deferred tax liabilities on:		
Unrealized gain on financial assets at FVOCI recognized in OCI	**(47)**	(120)
Right-of-use assets	**–**	(23)
Contract assets	**–**	(4)
	(US$47)	(US$119)

The above deferred tax liability on unrealized gain on financial assets at FVOCI recognized directly in OCI amounted to US$0.05 million and US$0.12 million as of December 31, 2020 and 2019, respectively (see Note 11).

The net deferred tax assets and liabilities presented in the consolidated statements of financial position as of December 31 follow:

	2020	2019
Deferred tax assets - net	**US$33**	US$29
Deferred tax liabilities - net	**(47)**	(119)

The Group did not recognize certain deferred tax assets of certain subsidiaries since management believes that it may not be reasonably probable that taxable profit will be available against which the deductible temporary differences, NOLCO and MCIT can be utilized. The components of the temporary differences and carryforward benefits of NOLCO and MCIT for which deferred tax assets were not recognized by the Group follow:

	2020	2019
Net pension liabilities	**US$3,585**	US$2,795
Allowance for impairment losses on receivables	**712**	925
NOLCO	**427**	262
Accrued warranties, advance rentals and others	**142**	338
Allowance for inventory obsolescence	**39**	285
MCIT	**17**	18

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The NOLCO that can be carried forward as a deduction against taxable income follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
2017	US$30	(US$30)	US$–	December 31, 2020
2019	232	–	232	December 31, 2022
2020	195	–	195	December 31, 2025
	US$457	(US$30)	US$427	

The Group has the following excess MCIT over RCIT which can be offset against future taxable income:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
2016	US$9	(US$9)	US$ –	December 31, 2019
2019	9	–	9	December 31, 2022
2020	8	–	8	December 31, 2023
	US$26	(US$9)	US$17	

Reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Movement in unrecognized deferred tax assets	**(2.90%)**	0.23%	4.35%
Income from operations subject to lower preferential rate without NOLCO	**(27.51%)**	(18.84%)	(14.88%)
Nondeductible expenses	**31.72%**	3.20%	2.87%
Income from operations under ITH – net	**–**	(0.64%)	(14.35%)
Others	**4.97%**	(4.34%)	1.17%
Effective income tax rate	**36.28%**	9.61%	9.16%

Under 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 31).

The Group did not recognize deferred tax liability for all temporary differences associated with investments in subsidiaries as the Group assessed that it is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

27. Earnings Per Share

Earnings per share amounts attributed to ordinary equity holders of the Parent Company were computed as follows (amounts in thousands, except earnings per share):

	2020	2019	2018
Net income attributable to ordinary equity holders of the Parent Company	**US$480**	US$3,817	US$4,166
Weighted average number of issued common shares	**857,975**	857,975	857,975
Less treasury shares (Note 17)	**34,903**	34,903	34,903
Weighted average number of outstanding common shares	**823,072**	823,072	823,072
Basic/diluted earnings per share	**US$0.0006**	US$0.0046	US$0.0051

There were no potential dilutive shares in 2020, 2019 and 2018.

28. Net Pension Liabilities

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

Under the existing regulatory framework, R.A. No. 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 Group has no transaction either directly or indirectly through its subsidiaries or with its employees' retirement benefit fund.

The components of retirement costs included in "Salaries, wages and benefits" account under cost of sales and operating expenses in the consolidated statements of comprehensive income (see Notes 19 and 21). Details are as follow:

	2020	2019	2018
Current service cost	**US$262**	US$183	US$198
Net interest cost	**123**	142	99
	US$385	US$325	US$297

The amount of remeasurement gains (losses) on retirement plan recognized under other comprehensive income are as follow:

	2020	2019	2018
Defined benefit obligation	**(US$285)**	(US$425)	US$433
Plan assets	**2**	25	(37)
	(US$283)	(US$400)	US$396

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:

	2020	2019
Present value of defined benefit obligation	**US$4,136**	US$3,280
Fair value of plan assets	**(551)**	(485)
	US$3,585	US$2,795

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

	2020	2019
Balance at beginning of year	**US$3,280**	US$2,556
Current service cost	**262**	183
Interest cost	**138**	157
Benefits paid	**(29)**	(152)
Remeasurement (gains) losses arising from:		
Experience adjustments	**(108)**	(63)
Changes in financial assumptions	**332**	498
Changes in demographic assumptions	**61**	(10)
Effect of changes in foreign exchange rates	**200**	111
Balance at end of year	**US$4,136**	US$3,280

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

	2020	2019
Balance at beginning of year	**US$485**	US$387
Interest income	**15**	15
Return on assets excluding amount included in net interest cost	**2**	25
Contributions	**50**	193
Benefits paid	**(29)**	(152)
Effect of changes in foreign exchange rates	**28**	17
Balance at end of year	**US$551**	US$485

The movements in the net pension liabilities recognized in the consolidated statements of financial position follow:

	2020	2019
Balance at beginning of year	**US$2,795**	US$2,169
Retirement cost	**385**	325
Remeasurement losses (gains)	**283**	400
Contributions	**(50)**	(193)
Effect of changes in foreign exchange rates	**172**	94
Balance at end of year	**US$3,585**	US$2,795

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 value of plan assets by each class is as follows:

	2020	2019
Cash in banks	**US$254**	US$205
Investment in equity securities	**9**	10
Investment in Government Securities		
Fixed rate treasury notes	**285**	266
Other receivable		
Interest receivable	**3**	4
	US$551	US$485

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

Cash in banks - includes savings and time deposits with Bangko Sentral ng Pilipinas (BSP);

Investment in government securities - includes investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs);

Investment in equity securities - includes investment in common shares traded in the Philippine Stock Exchange (PSE);

Others - includes accrued interest on fixed income securities and special deposit account in BSP.

As at December 31, 2020 and 2019, the Fund has no investments in the securities (debt or equity) of any related party.

The plan assets do not include any of the Group's own equity instruments nor any property occupied by, or other assets used by the Group.

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

	2020	2019	2018
Retirement age	**60 – 65**	60 - 65	60 - 65
Average remaining working life	**11 – 18**	11 - 18	11 - 18
Discount rate			
Beginning of year	**5%**	7%	5%
End of year	**4%**	5%	7%
Salary increase rate			
Beginning of year	**3.5% - 5%**	3.5% - 5%	3.5% - 5%
End of year	**3.5% - 5%**	3.5% - 5%	3.5% - 5%

The following sensitivity analysis that follows 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.

	2020		2019	
Assumptions	**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$319)**	+1.0%	(US$229)
	-1.0%	**374**	-1.0%	243
Future salary	**+1.0%**	**US$388**	+1.0%	US$282
increase rate	**-1.0%**	**(336)**	-1.0%	(223)

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. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

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

	2020					
	Less than 1 year	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**15 to 20 years**	**More than 20 years**
Normal retirement	**US$886**	**US$130**	**US$132**	**US$557**	**US$885**	**US$2,433**
Other than normal retirement	**235**	**794**	**1,285**	**1,707**	**1,568**	**2,473**
	US$1,121	**US$924**	**US$1,417**	**US$2,264**	**US$2,423**	**US$4,906**

	2019					
	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$808	US$145	US$106	US$646	US$1,393	US$2,879
Other than normal retirement	207	758	942	1,038	793	848
	US$1,015	US$903	US$1,048	US$1,684	US$2,186	US$3,727

The Group expects to contribute to the pension plan amounting to US$0.31 million in 2020.

29. 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 segment reporting 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 world-class design, build, ship, and logistics services to top computer equipment companies. The Group has been providing a broad range of service offerings to customers in the desktop personal computer (PC), peripheral, server, notebook PC, and storage devices 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 Group works with the world's leading telecommunications equipment companies, along with its TL9000 certification, to face the demand and manufacturing challenges of a fluctuating and time-critical market segment.

The automotive segment understands and delivers to satisfy customers' unique manufacturing requirements. The automotive industry demands advanced technologies, high-end materials, and advanced manufacturing processes and quality systems. The Group has experience in Product Part Approval Processes (PPAPs), Process Failure Mode & Effects Analysis (PFMEA) and Design Failure Mode & Effects Analysis (DFMEA), and 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 real estate segment generates income from rentals of the Group's buildings, including warehouse and factory area, and building improvements to third party lessees within the PEZA economic zone.

The revenue from contracts with customers from major customers under computer peripherals industry amounted to US$8.42 million in 2020 and telecom industry amounted to US$12.13 million, and US$11.36 million in 2019 and 2018, respectively. Total revenues from these customers exceed 10% of the total revenue from contracts with customers of the Group.

The Group's segment information as of and for the years ended December 31, 2020, 2019 and 2018, which present income and losses, revenues and certain assets and liabilities attributed to each business segment, are summarized in the following tables:

	2020							
	Computer Peripherals	**Telecom**	**Automotive**	**Consumer Electronics**	**Real Estate**	**Others**	**Adjustments and Eliminations**	**Total**
Revenue from contracts with customers	**US$16,215**	**US$17,204**	**US$515**	**US$17,304**	**US$–**	**US$1,448**	**(US$588)**	**US$52,098**
Rental income	**–**	**111**	**–**	**–**	**1,712**	**512**	**(708)**	**1,627**
Income (loss) from operations	**(388)**	**319**	**(89)**	**352**	**1,129**	**(88)**	**23**	**1,258**
Foreign exchange gain (loss) – net	**(141)**	**(65)**	**(4)**	**(84)**	**(11)**	**(5)**	**18**	**(292)**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**18**	**18**
Income tax	**(40)**	**(46)**	**–**	**(99)**	**(67)**	**(11)**	**–**	**(263)**
Equity in net earnings (loss)	**–**	**–**	**–**	**–**	**–**	**(20)**	**98**	**78**
Interests – net	**(188)**	**(185)**	**(2)**	**(179)**	**20**	**6**	**140**	**(388)**
Miscellaneous – net	**(9)**	**91**	**–**	**(14)**	**–**	**1**	**–**	**69**
Net income (loss) attributable to the Parent Company	**(US$766)**	**US$114**	**(US$95)**	**(US$24)**	**US$1,071**	**(US$117)**	**US$297**	**US$480**
Identifiable assets	**US$16,329**	**US$16,682**	**US$282**	**US$15,667**	**US$17,252**	**US$43,435**	**(US$39,097)**	**US$70,550**
Unallocated assets	**–**	**–**	**–**	**–**	**–**	**17,472**	**–**	**17,472**
Total assets	**US$16,329**	**US$16,682**	**US$282**	**US$15,667**	**US$17,252**	**US$60,907**	**(US$39,097)**	**US$88,022**
Identifiable liabilities	**US$95**	**US$1,934**	**US$75**	**US$3,057**	**US$4,170**	**US$30,588**	**(US$48,329)**	**(US$8,410)**
Unallocated liabilities	**–**	**–**	**–**	**–**	**–**	**43,588**	**–**	**43,588**
Total liabilities	**US$95**	**US$1,934**	**US$75**	**US$3,057**	**US$4,170**	**US$74,176**	**(US$48,329)**	**US$35,178**
Capital expenditures	**US$4,203**	**US$379**	**US$5**	**US$1,057**	**US$67**	**US$300**	**US$–**	**US$6,011**
Depreciation and amortization	**US$2,360**	**US$567**	**US$4**	**US$776**	**US$357**	**US$392**	**US$–**	**US$4,456**

	2019							
	Computer Peripherals	Telecom	Automotive	Consumer Electronics	Real Estate	Others	Adjustments and Eliminations	Total
Revenue from contracts with customers	US$18,297	US$17,904	US$776	US$20,396	US$–	US$1,113	(US$289)	US$58,197
Rental income	–	–	–	–	2,545	–	(644)	1,901
Income (loss) from operations	1,470	1,170	(129)	432	1,073	33	552	4,601
Foreign exchange gain (loss) – net	(70)	(10)	(7)	(14)	4	(8)	(18)	(123)
Non-controlling interests	–	–	–	–	–	–	(86)	(86)
Income tax	(114)	(136)	(1)	(68)	(88)	(3)	(5)	(415)
Equity in net losses	–	–	–	–	–	(25)	3	(22)
Interest - net	(156)	(119)	(12)	(156)	102	(20)	165	(196)
Miscellaneous - net	(16)	(7)	(1)	(4)	–	(1)	12	(17)
Dividend income	–	–	–	–	48	27	–	75
Net income (loss) attributable to the Parent Company	US$1,114	US$898	(US$150)	US$190	US$1,139	US$3	US$623	US$3,817
Identifiable assets	US$14,429	US$13,621	US$831	US$14,983	US$51,498	US$724	(US$40,068)	US$56,018
Unallocated assets	–	–	–	–	–	23,407	–	23,407
Total assets	US$14,429	US$13,621	US$831	US$14,983	US$51,498	US$24,131	(US$40,068)	US$79,425
Identifiable liabilities	US$44	US$1,603	US$60	US$2,013	US$1,578	US$65	(US$48,889)	(US$43,526)
Unallocated liabilities	–	–	–	–	–	69,456	–	69,456
Total liabilities	US$44	US$1,603	US$60	US$2,013	US$1,578	US$69,521	(US$48,889)	US$25,930
Capital expenditures	US$5,637	US$1,006	111	US$1,220	US$368	US$79	US$–	US$8,421
Depreciation and amortization	US$3,278	US$606	US$143	US$723	US$417	US$239	(US$501)	US$4,905

	2018							
	Computer Peripherals	Telecom	Automotive	Consumer Electronics	Real Estate	Others	Adjustments and Eliminations	Total
Sales	US$18,271	US$17,227	US$1,276	US$16,650	US$–	US$1,479	(US$193)	US$54,710
Rental income	–	147	–	–	2,498	559	(613)	2,591
Income (loss) from operations	1,728	870	(182)	266	2,033	79	12	4,806
Foreign exchange gain (loss) – net	102	20	1	18	6	(13)	–	134
Dividend income	–	–	–	–	–	–	–	–
Non-controlling interests	–	–	–	–	–	–	(78)	(78)
Income tax	(116)	(118)	(2)	(70)	(115)	(7)	–	(428)
Equity in net earnings	–	–	–	–	–	17	(9)	8
Interest – net	(113)	(93)	(2)	(77)	5	39	–	(241)
Miscellaneous - net	(11)	–	–	(28)	–	–	–	(39)
Gain on sale of property and equipment	–	–	–	4	–	–	–	4
Net income (loss) attributable to the Parent Company	US$1,590	US$679	(US$185)	US$113	US$1,929	US$115	(US$75)	US$4,166
Identifiable assets	US$12,328	US$15,657	US$1,026	US$12,081	US$12,293	US$46,840	(US$37,878)	US$62,347
Unallocated assets	–	–	–	–	–	9,144	–	9,144
Total assets	US$12,328	US$15,657	US$1,026	US$12,081	US$12,293	US$55,984	(US$37,878)	US$71,491
Identifiable liabilities	US$102	US$2,297	US$95	US$523	US$1,292	US$4,403	(US$19,146)	(US$10,434)
Unallocated liabilities	–	–	–	–	–	30,725	–	30,725
Total liabilities	US$102	US$2,297	US$95	US$523	US$1,292	US$35,128	(US$19,146)	US$20,291
Capital expenditures	US$342	US$186	US$–	US$104	US$93	US$403	US$–	US$1,128
Depreciation and amortization	US$2,806	US$842	US$–	US$553	US$281	US$233	US$–	US$4,715

The Group's geographical markets refer only to the initial destination of the products. 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 equity investments and assets attributed to the subsidiaries, ICL and Ionics-EMS (USA), respectively, are located in the Philippines.

The BOD analyzes cash flows as a consolidated level.

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 following tables represent the Group's total revenue and certain assets based on the Group's geographical segment:

Segment Revenues

	2020	2019	2018
Asia	**US$38,735**	US$33,762	US$33,967
North America	**10,773**	9,056	7,209
Europe	**4,217**	17,280	16,125
	US$53,725	US$60,098	US$57,301

Segment Assets

	2020	2019	2018
Asia	**US$80,558**	US$71,611	US$68,042
North America	**5,894**	6,503	2,080
Europe	**1,570**	1,311	1,369
	US$88,022	US$79,425	US$71,491

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 following table presents revenue by type:

	2020	2019
Manufacturing of goods	**US$52,012**	US$57,657
Subcontracting services	**86**	540
Revenue from contracts with customers	**US$52,098**	US$58,197

The following table presents revenue from contracts with customer per timing of revenue recognition for each reportable segment:

	2020		
	Revenue recognized over time	**Revenue recognized at point in time**	**Total**
Telecom	**US$17,204**	**US$–**	**US$17,204**
Consumer electronics	**16,716**	**–**	**16,716**
Computer peripherals	**16,195**	**20**	**16,215**
Automotive	**515**	**–**	**515**
Others	**1,448**	**–**	**1,448**
Revenue from contracts with customers	**US$52,078**	**US$20**	**US$52,098**

	2019		
	Revenue recognized over time	Revenue recognized at point in time	Total
Computer peripherals	US$20,386	US$10	US$20,396
Telecom	18,297	–	18,297
Consumer electronics	17,615	–	17,615
Automotive	776	–	776
Others	1,113	–	1,113
Revenue from contracts with customers	US$58,187	US$10	US$58,197

30. Acquisition of Additional Shares of a Subsidiary

On February 25, 2000, EMS offered its shares of stock to the public and became publicly listed in the Singapore Exchange. On September 25, 2009, Philippine SEC approved EMS' equity restructuring, which ultimately offset its remaining deficit and improved its debt to equity ratio. Low daily turnover and low daily market capitalization prompted EMS to reconsider its continued listing in the Singapore Exchange.

On September 25, 2009, Philippine SEC approved EMS' equity restructuring. The equity restructuring resulted to issuance of common and preferred shares to the Parent Company, which consequently increased the ownership of EMS by 15%. The non-controlling interests were adjusted to reflect the increase in ownership in the amount of US$0.13 million.

On March 2, 2010, the Parent Company and EMS jointly announced the proposed voluntary delisting of EMS from the Singapore Exchange. In compliance with the delisting proposal, the Parent Company offered to purchase the common shares issued to the non-controlling shareholders of EMS. In 2010, the Parent Company acquired an additional 104,801,455 shares or 6.72% ownership of EMS for a total consideration of US$1.17 million.

The difference between the amount by which the non-controlling interests were adjusted and the consideration paid to the non-controlling shareholders amounted to US$0.58 million. The transaction costs of US$0.23 million incurred in relation to the equity transaction was recognized directly in equity.

31. Other Matters

Ionics Properties, Inc.
On May 12, 2016, the BOD and shareholders approved the proposed increase in IPI's authorized capital stock from 100,000,000 shares to 750,000,000 common shares with a par value of ₱1.00 per share and to declare stock dividends amounting to ₱180.00 million in support of the said increase. The abovementioned BOD resolution was subsequently readopted by the BOD on March 11, 2020. As of March 10, 2021, IPI is in the process of securing the necessary regulatory approvals to effect the increase in authorized capital stock and issuance of stock dividends.

Retained earnings available for declaration as dividends amounted to US$11.30 million and US$10.27 million in 2020 and 2019, respectively.

Iomni Precision, Inc.
Iomni's authorized capital stock consists of 200,000,000 shares at ₱1.00 (US$0.021) per share as of December 31, 2020 and 2019.

On March 14, 2018, the Board approved Iomni's equity restructuring to offset its deficit amounting to US$6.07 million as of December 31, 2016 against its additional paid-in capital subject to approval of stockholders and Philippine SEC.

The proposed restructuring is intended to effect the following:

- Decrease of authorized capital stock from ₱200,000,000 to ₱60,000,000 by reducing its par value per share from ₱1.00 to ₱0.30; and,
- The conversion of advances in the peso equivalent ranging from US$250,000 to US$300,000 to additional paid-in capital.

The resulting reduction surplus together with the existing additional paid-in capital will then be utilized to wipe out the existing deficit of Iomni. The abovementioned BOD resolution was subsequently readopted by the BOD on March 11, 2020.

As of March 10, 2021, Iomni is in the process of completing the requirements to be submitted to SEC upon filing of application for equity restructuring.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
On February 3, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). Some of the key features of the CREATE bill are the following:

- Reduction in current income tax rate from 30% to 25% or 20%, whichever is applicable, effective July 1, 2020;
- Reduction of non-deductible interest expense;
- Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one (1) percent (%);
- Exemption to tax on foreign-sourced dividends received subject to certain conditions;
- Imposition of improperly accumulated earnings tax is hereby repealed; and,
- Rationalization of fiscal incentives

As at March 10, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law and the Group is assessing the possible financial impact should it eventually pass into Law.

COVID-19 Pandemic
The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Group's business activities. The manufacturing operations of the Group was highly affected by the lockdowns and social distancing measures during the first half of the year. Despite these restrictions, the Group's export-oriented companies operating in PEZA zone continue to operate under skeletal work force during the lock down as allowed under Department of Trade and Industry (DTI) Memorandum Circular (MC) No. 20-14.

As a result, the Group's total revenues declined by 11% mainly coming from the first half of 2020 due to the incremental costs incurred in response to COVID-19 pandemic and the underutilization of production lines in compliance with the minimum health standards set by the government, including the Group's COVID tasks force to mitigate the adverse impact of the pandemic to its operations. Upon lifting and easing of some quarantine measures, the Group was able to recover and normalizes its operations on the second half resulting to a significant increase on its revenues, 48% better than the first half. To further mitigate the impact of these measures, the Group optimized its manpower resources and its production lines and various cost cutting initiatives were implemented.

As of reporting date, numbers of individuals infected of COVID-19 is rising again and the National Government may impose stricter measures to mitigate the infection, including the area where the Group operates. As this global problem evolves, the scale and duration of these developments remain uncertain as of report date. The effects of the potential lockdowns and lower operational capacity to comply with social distancing measures imposed by the Government may pose risks and unfavorable impact to the Group. Amidst the evolving nature of this outbreak, the Group remains committed to abide by and comply with all rules and regulations issued by the Government in relation to COVID-19 pandemic.

SUPPLEMENTARY INFORMATION AND DISCLOSURES

IONICS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES

REQUIRED ON REVISED SRC RULE 68

DECEMBER 31, 2020

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 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 assets at FVOCI of the Group as of December 31, 2020:

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
Financial Assets at FVOCI			
Quoted:			
Rovi Corporation	N/A	4,037	US$19
Unquoted:			
Sta. Elena Golf Course	N/A	1	104
Manila Southwoods Golf and Country Club	N/A	1	26
The Palms Country Club	N/A	1	14
Pacific Synergies IV	6.08%	–	96
Beacon Property Ventures, Inc.	10.00%	36,000,000	858
Tech Ventures III	9.99%	–	39
Export and Industry Bank	N/A	16,000	–
Philippine Long Distance Telephone Company - Communications and Energy Ventures, Inc.	N/A	8,000	2
Tech Ventures II	10.74%	–	–
TuneIn, Inc.	–	–	–
ICCP SBI Pacific Synergies, L.P.	8.16%	–	137
			1,276
			US$1,295

The Group's quoted investments are valued at the latest market price available while unquoted investments are measured using significant unobservable inputs in accordance with PFRS 13.

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

The Group has no amount 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 lesser is owed in 2020.

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

Below is the schedule of receivable with related parties, which are eliminated in the consolidated financial statements as of December 31, 2020:

Debtor	Volume of Transactions		Receivables	
Iomni Precision, Inc	Sale of goods	US$558	US$88	Non-interest bearing No impairment
Iomni Precision, Inc	Rental fee	111	–	Non-interest bearing No impairment
Ioncics Properties, Inc.	Renta fee	143	–	Non-interest bearing No impairment
Ionics EMS, Inc.	Intercompany advances	(100)	14,864	Non-interest bearing No impairment
Ionics, Inc.	Rental fee	454	–	Non-interest bearing No impairment
		US$1,116	US$14,952	

The rollforward of receivables with related parties is as follows:

Debtor	Beginning Balance	Additions	Collection/ Impairment	Current	Noncurrent	Ending Balance
Trade receivables						
Iomni Precision, Inc.	US$66	US$558	(US$536)	US$88	US$–	US$88
Advances to related parties						
Ionics EMS, Inc.	14,964	–	(100)	14,864	–	14,864
Ionics, Inc	2	–	(2)	–	–	–
	US$15,032	US$558	(US$638)	US$14,952	US$–	US$14,952

Intercompany transactions pertain to advances made by Ionics, Inc. to its subsidiaries in support for their working capital requirements.

Schedule E. Long-term Debt

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

Type of Obligation	Amount authorized by indenture	Current	Noncurrent	Total
Bank loans	Not applicable	US$79	US$1,655	US$1,734
Long-term debt	Not applicable	778	814	1,592
Lease liabilities	Not applicable	1,123	1,272	2,395
		US$2,378	US$3,741	US$5,721

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

As of December 31, 2020, the Group has no long-term loans from related companies.

Schedule G. Guarantees of Securities of Other Issuers

As of December 31, 2020, the Group has no guaranteed securities by other issuers.

Schedule H. Capital Stock

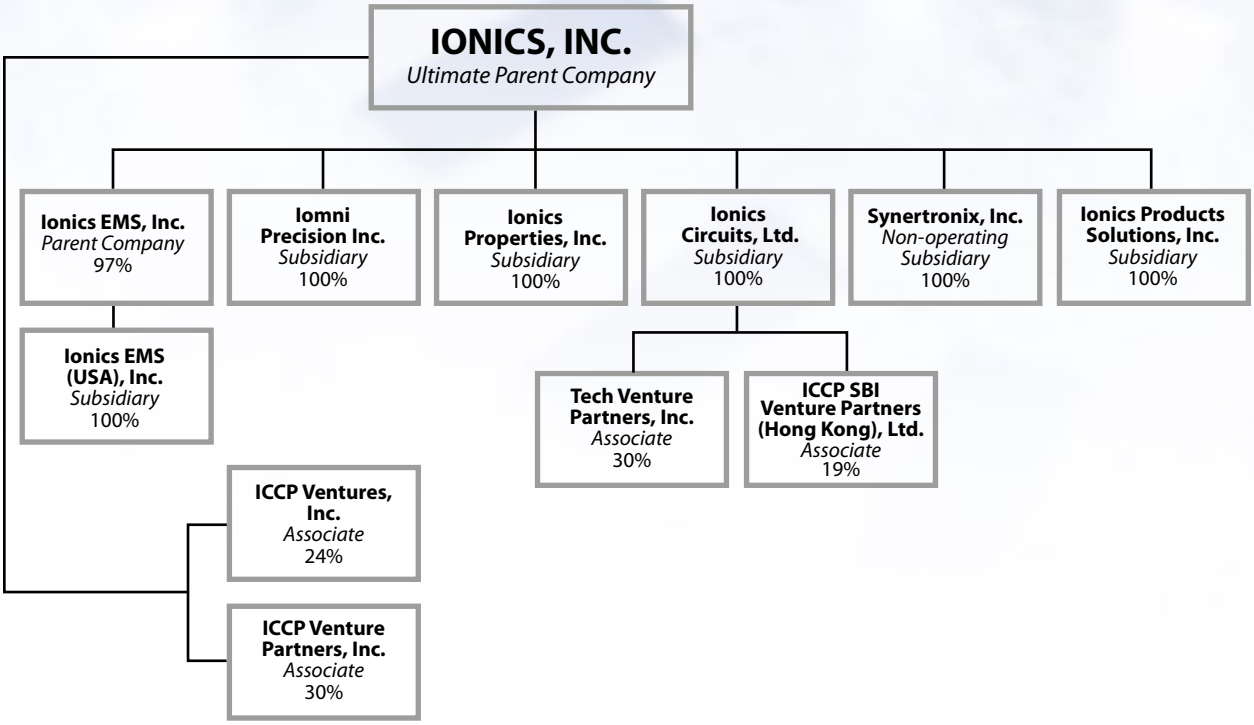
				Number of shares held by*		
Title of issue	Number of shares authorized*	Number of shares issued and outstanding*	Number of shares reserved for options, warrants, conversion and other rights	Affiliates	Directors, Officers and Employees	Others
Common Stock	1,000,000	837,131	–	349,212	75,828	412,091

**In thousands*

IONICS, INC. AND SUBSIDIARIES

GROUP STRUCTURE

Below is a map showing the relationship between and among the Group, ultimate parent company and subsidiaries as of December 31, 2020:



IONICS, INC. AND SUBSIDIARIES

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020 and 2019:

Financial ratios		**2020**	2019
Liquidity ratios:			
Current ratio	Current assets / Current liabilities	**1.88:1**	2.43:1
Acid test ratio	Cash and cash equivalents and receivables / Current liabilities	**1.11:1**	1.54:1
Leverage ratio	Net debt / Net debt and equity	**0.17:1**	0.37:1
Debt-to-equity ratio	Total debt / Total equity	**0.67:1**	0.48:1
Asset-to-equity ratio	Total assets / Total equity	**1.67:1**	1.48:1
Profitability ratios:			
Interest rate coverage ratio	Income before income tax and finance costs / Finance Costs	**2.64:1**	13.66:1
Revenue Growth	*CY revenue - **PY revenue / **PY revenue	**(10.60%)**	4.88%
Gross Profit Margins	Gross profit / ***Revenue	**8.36%**	13.52%
Profit Margins	Gross profit - operating expenses / ***Revenue	**2.34%**	7.66%
Net Income Margins	Net income / ***Revenue	**0.86%**	6.49%
Return on Equity	Net income / Total stockholder's equity	**0.87%**	7.30%

**CY - current year*
***PY - prior year*
****Revenue includes sales and rental income*

IONICS, INC. AND SUBSIDIARIES

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS

AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020 (Amount in Thousands)

Unappropriated retained earnings, beginning	US$11,430
Less deferred tax assets that reduced the amount of income tax expense of prior periods	–
Unappropriated retained earnings, as adjusted, beginning	US$11,430
Net income based on the face of the audited financial statements	(142)
Less: Non-actual/unrealized income, net of tax	
Equity in net income of associate and subsidiaries	–
Unrealized foreign exchange gain - net (except attributable to cash)	–
Unrealized actuarial gain	–
Fair value adjustments (M2M gains)	–
Fair value adjustment of investment property	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Other unrealized gains or adjustments to retained earnings	
Gain from recovery of impairment	–
Add: Non-actual losses	
Depreciation on revaluation increment, after tax	–
Change in deferred tax assets	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property	–
Net loss actual/realized	(142)
Add (less):	
Dividend declarations during the period	–
Treasury shares	–
Unappropriated retained earnings, as adjusted, ending	**US$11,288**

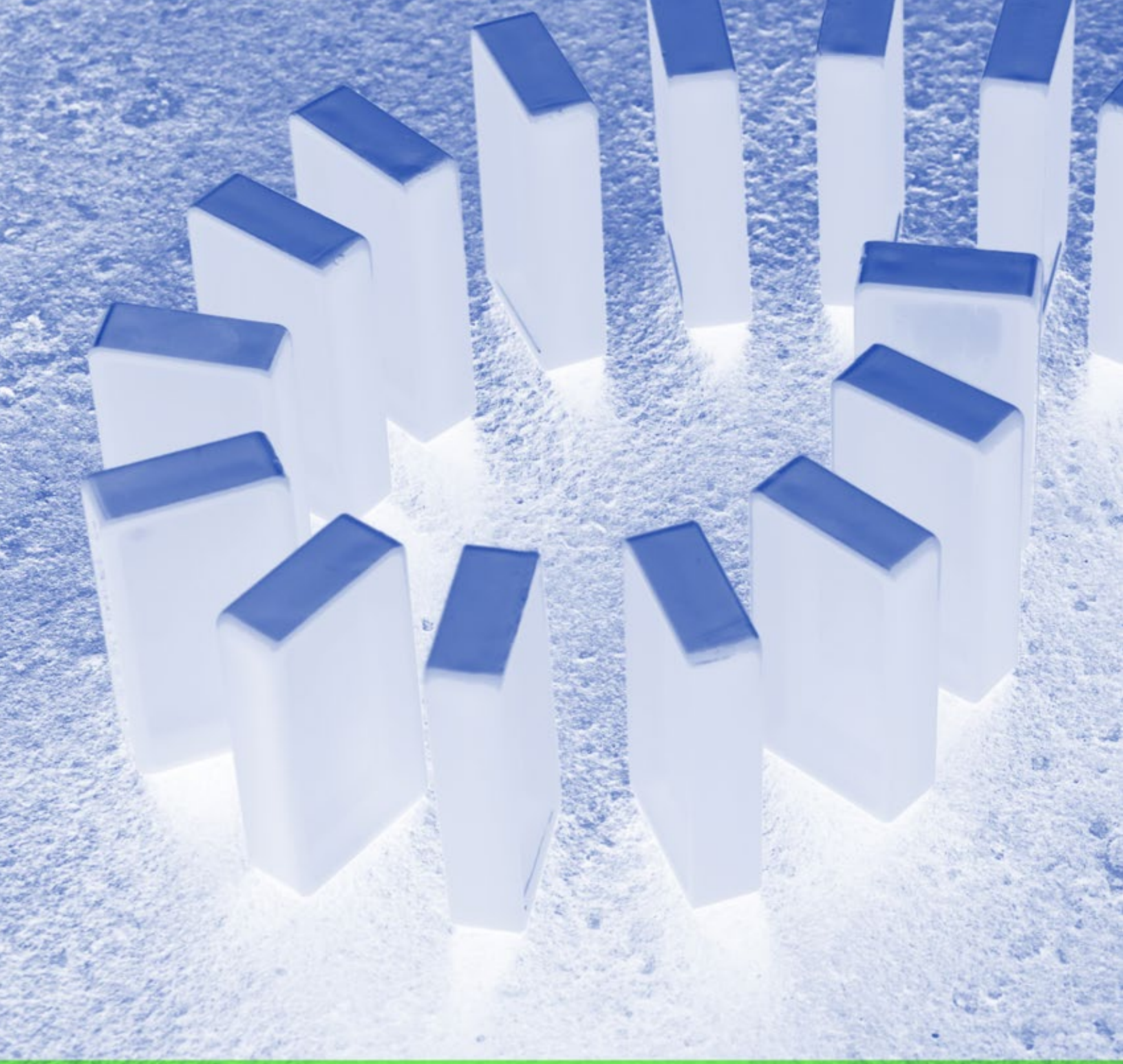
IONICS, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES



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