COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	0	7	4	3	2						

COMPANY NAME

IONICS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Circuit Street, Light Industry and Science Park of the Philippines-I, Bo. Diezmo, Cabuyao City, Laguna, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	**CRMD**	**N/A**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
ronan.andrade@ionics-ems.com	**(049) 508-1111**	**0917-869-5688**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
841	**06/14**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RONAN R. ANDRADE	**ronan.andrade@ionics-ems.com**	**(049) 508-1111**	**0917-869-5688**

CONTACT PERSON's ADDRESS

No.14 Mountain Drive, Light Industry and Science Park II Brgy. La Mesa, Calamba, Laguna

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

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

IONICS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS
SEC FORM 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2023

2. SEC Identification Number 107432

3. BIR Tax Identification No. 000-124-671-000

4. Exact name of issuer as specified in its charter **IONICS, INC.**

5. Province, Country or other jurisdiction of incorporation or organization
   Laguna, Philippines
6. Industry Classification Code: (SEC Use Only)

7. Circuit Street, Light Industry and Science Park of the Philippines-I, 4025
   Bo. Diezmo, Cabuyao City, Laguna, Philippines
   Address of principal office Postal Code

   (049) 508-1111 and Fax Number (049) 508-1111 loc. 309
   Issuer's telephone number, including area code

9. In 1996, the Company changed its principal place of business from Makati, Metro Manila to Cabuyao, Laguna.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	₱1.00 par value per share, with 857,974,992 issued shares and 837,130,992 outstanding shares (net of 20,844,000 shares of treasury stock)

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

    Yes [x] No [ ]

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

12. Check whether the issuer:

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

Yes [x]   No [ ]

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

Yes [x]   No [ ]

13. Based on the closing price at the Philippine Stock Exchange on December 31, 2023 at US$0.018 per share, the Company's common shares held by non-affiliates as of December 31, 2023 would have a current market price of US$8,988,211.

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [x]   No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Ionics, Inc. and Subsidiaries (The Group)

Ionics, Inc. (the Parent Company)
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). Net assets with a book value of ₱530 million as of April 30, 1999 were transferred to IEMS under a tax-free exchange for shares of stock of 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.

In relation to the voluntary delisting of IEMS from the official list of Singapore Exchange Securities Trading Limited (Singapore Exchange), the Parent Company acquired an additional 104,801,455 shares or 6.72% ownership over IEMS.

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 a public company listed in the Singapore Exchange. In accordance with the Singapore Exchange Listing Rule 1311, IEMS gave notice to the Singapore Exchange on March 4, 2008 that it has recorded: (a) pre-tax losses for the three most recently completed consecutive financial years; and (b) an average daily market capitalization of less than SGD$40.00 million over the last 120 days on which trading was not suspended for a full market day. Pursuant to the said listing rule, IEMS was notified of inclusion on the Watch-list effective March 5, 2008. On March 2, 2010, IEMS and the Parent Company jointly announced the proposed voluntary delisting of IEMS from the official list of Singapore Exchange pursuant to Rules 1307 and 1309 of the Listing Manual of the SGX-ST. Subsequently, SGX-ST confirmed that the last day of trading was June 8, 2010 and the closing date was June 15, 2010. On June 23, 2010, the Company was officially delisted from the SGX-ST.

EMS-USA (the wholly owned subsidiary), incorporated in the United States of America, primarily engaged in designing and new product introduction, was organized and duly approved by the Board of Directors (BOD) on August 12, 2010.

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 the Ionics Group of Companies. IPI started commercial operations on 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 address is 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

The Group is a total one-stop shop Electronics Manufacturing Services (EMS) provider. It has been the EMS solutions provider to some of the world's biggest Original Equipment Manufacturers (OEM) for over 41 years.

There are basically 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, Automotive, Industrial and Medical Equipment.

On the other hand, CEMs are firms involved in the production of electronic items similar to those produced by OEMs. These firms are basically independent, third party manufacturers or assemblers which do not have any corporate affiliations with their respective customers. CEMs therefore undertake subcontracting work only, and generally provide labor and manufacturing overhead as their basic inputs in the assembly of electronic products.

The Group is essentially a CEM. Most of the Group's "end" products, therefore, are components and sub-assembly which are eventually used as inputs for the finished products of its customers. The Group can accommodate 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 the Group delivers the finished item.

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

In 2002, one of the Group's subsidiaries had successfully offered design services to its customer and also added an Original Design Manufacturer (ODM) component to its business line.

Products

The following is a brief description of the primary products produced by the Group:

- Telecommunication Products
    - Wireless broadband products
    - Wired telecom products
    - Fiber Optics - Synchronous Optical Networks
    - Infrastructure and Backplanes
    - WiFi based RFID Tags
    - Satellite Receivers and LNB's
    - Satellite Modems (VSAT)
    - Service Gateways and Switch
    - Optical Network Pole Cabinets
    - Two-way handheld Radio Transceivers
    - Mobile Radio (LMR)
    - WiFi Modules
    - GPS tracking and monitoring device
    - GPS module
    - Blue tooth module

- Automotive Products
    - GPS Navigation System
    - RF Tuners
    - Vehicle Security Systems
    - Electronic Dashboards
    - Engine Sensors
    - Engine Starters
    - Car Antenna Control System
    - Automotive Multi-Media Device
    - Automotive Headline cooling systems

- Computer Products / Peripherals
    - Micro Drives
    - Motherboards
    - PCBA for HDD and Optical Drives
    - Flip Chip on Flex for HDD
    - Adaptive PFC Power Supplies
    - Headless Computers
    - Radio Repeaters
    - Main Boards for Projectors
    - Power Supplies for Projectors
    - Sub-Assemblies for Printers
    - Bluetooth module

- Consumer Products
    - USB Drives
    - DVD Players and Recorders
    - Recorder / One Touch Media Upload Converter
    - Home Speaker Systems
    - IPOD Docking Units
    - GPS for SLR Cameras and Golf
    - Electronic Ballasts
    - Electronics Fishing Devices
    - Digipass Security Tool
    - Display Signages
    - Electronically Controlled Chemical Dispensers
    - High Fidelity Sound Systems
    - TV Tuners for Tablets
    - Gaming Assemblies
    - Overhead Projector
    - Home Automation Controllers
    - Cellphone Security
    - Electronic Keylocks
    - RFID Systems for petroleum distribution
    - Tap payment devices for gas stations
    - Label writers
    - Cellphone sub-assemblies
    - Smart Plugs
    - Smart Home IoT controls

- PCBA for Inkjet Printer
- Mother board for Refrigerator Inverter
- Iphone Enclosure w/ safety Encription
- PCBA for Refrigerator and Freezer

- Industrial Products
  - Agricultural Tags
  - IoT based Building and Street Lighting Controls

- Medical Products
  - Telehealth devices
  - Hair growth enhancing helmet
  - RFID tags for infants
  - IoT based medicine bottle cap monitor
  - IoT based transformer monitoring device
  - Thermometer
  - Gynescope device for Women's health
  - Medical diagnostic device

- Plastic Products
  - Enclosures
  - Sub-assemblies for Printers, Copiers and Optical Drives
  - Concentrators for Solar Cells
  - High Voltage Connectors for X-Ray
  - Automotive Plastics - Air Intake manifold & Fuel Delivery Modules
  - Air Tight Wi-Fi Antenna Cover
  - Wiring Harness Protectors
  - Hayabusa

Information on export sales and the relative contribution of each segment (based on product line) to total sales are fully disclosed in Note 29 to Audited Consolidated Financial Statements.

Significant Customers

The top five customers collectively account for 45.25%, 47.78% and 56.56% of the Group's total revenue from contracts with customers in 2023, 2022 and 2021, respectively. The Group anticipates that concentration of business in major customers will continue in the foreseeable future, although the Group's management started new relationships with other customers.

One customer accounted for approximately 10.63%, 13.56% and 16.62% of its total revenue from contracts with customers in 2023, 2022 and 2021, respectively. Contracts with the customers are on a continuing basis and the Group has been in business with them for many years.

Distribution Method

The bulk of the Group's products are intermediate products which are shipped to the customers' manufacturing plants in Asia, North America and Europe for incorporation or further assembly into the final finished products.

Competition, Status of New Products and Business Risk

The Group competes with other electronic manufacturers both domestic and foreign. The market for PCBA and the other product lines of the Group are subject to normal price, service, and quality competition. Among the Group's top competition are from the following:

- Flextronics
- Jabil
- Sanmina-SCI
- Venture
- IMI
- EMS
- Calcomp
- Tsukiden
- Kaifa
- P-Imes
- Automated Technology Phil Inc

While the traditional PC peripheral business has driven to build IEMS' strength in the telecommunications, automotive, electronics and medical and consumer product lines, IEMS has shifted its resources and established more flexible and adaptable manufacturing platforms so it can readily shift production into various products and components on the same production floor. IEMS will continue its profitable growth path; it plans to grow more in global sales and marketing, to focus on telecommunication, automotive, medical and Internet of Things (IoT). There is no publicly-announced new product that will require material amount of the resources of the Group.

The following are the major risks that the Group has:

1. Credit Risk
2. Liquidity Risk
3. Market Risk

Details of the above risks were fully discussed in Note 4 of the Audited Consolidated Financial Statements.

The Group has a Risk Management Committee which conducts meetings on a quarterly basis to discuss and analyze these major risks and decide on the measures on how to manage these risks.

Sources and Availability of Raw Materials

The customers under a consignment arrangement supply the bulk of raw material components needed in the manufacturing of their products. However, in response to global competition, the Group started building up its raw materials inventory for turnkey transactions. Among the principal suppliers of the Group are the following:

- Arrow Electronics Asia(S) Pte. Ltd
- Arrow/Rapac Ltd.
- CERAGON Networks Ltd.
- ST Engineering iDirect Europe CY NV
- BATM Advanced Communications LTD.
- AEROSCOUT
- Tyto Care Ltd.
- Future Electronics Inc.
- Beijing True-Tec Co., Ltd.
- Senju Solder (Phils.) Inc.

The Group has entered into non-cancellable purchase commitments with its suppliers. Purchases of raw materials and supplies are based on ordinary purchase transactions covered by a purchase order.

Sales

The Group's revenue is purely from export sales except for IPI which derives its revenue from the lease of properties. Amounts of revenue, profitability, and identifiable assets attributable to the Group's operations for 2023, 2022, and 2021 are as follows:

	(In '000 US Dollars)		
	2023	2022	2021
Export sales	**95,116**	75,262	60,281
Income from Operation	**7,292**	5,399	3,434
Total Assets	**121,974**	120,661	100,749

The following tables below show the percentage of sales and net assets per geographical area for the last three years:

a. Revenue

	2023	2022	2021
Asia	**87.41%**	84.44%	77.42%
Europe	**7.26%**	4.99%	6.02%
North America	**5.33%**	10.57%	16.56%
	100.00%	100.00%	100.00%

b. Net Assets

	2023	2022	2021
Asia	**96.85%**	96.62%	96.73%
North America	**0.17%**	3.16%	3.67%
Europe	**2.98%**	0.22%	0.40%
	100.00%	100.00%	100.00%

See related discussion on Note 29 of the Audited Consolidated Financial Statements.

Transaction with and/or Dependence on Related Parties

The Group has no significant transactions that are dependent on related parties except for the transactions discussed in Item 12 of this report and in Note 23 of the Audited Consolidated Financial Statements.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements, or Labor Contracts, including Duration

On June 01, 2023, Intellectual Property Office of the Philippines grant Ionics EMS, Inc. the right to restrain, prohibit any unauthorized person or entity from making, using, offering for sale, selling or importing a product and importing any product obtained directly or indirectly from such process of Automatic Voltage Regulations for Distribution Transformer.

Need for Any Governmental Approval of Principal Products or Services

None

Effect of Existing or Probable Governmental Regulations on the Business

None

Estimate of Amount Spent for Research and Development Activities of the Last Completed Fiscal Year

None

Cost and Effects of Compliance with Environmental Laws

IEMS' plants are located in industrial parks with a centralized water treatment system.

Employees

As of December 31, 2023, the Group has a total of two thousand seven hundred ninety seven (2,797) employees consisting of seventy seven (77) managers, nine hundred fifty nine (959) administrative personnel and one thousand seven hundred sixty one (1,761) factory workers.

Aside from basic salaries, employees receive vacation and sick leave credits, transportation allowance, free medical and dental benefits, group insurance benefits and funeral assistance.

There is no existing collective bargaining agreement or labor union in the Group.

Debt Issues

Not applicable to the Group.

Investment Company Securities

Not applicable to the Group.

Item 2. Properties

As of December 31, 2023 the Group's manufacturing, design and prototyping operations are conducted in the following plants:

The EMS-HO Plant is located at the Light Industry Science Park of the Philippines (LISPP II) in Calamba, Laguna and has an area of 1,500 square meters with rental rate of $6.815 per square meters. The property is leased from IOMNI Precision, Inc. for a period of one (1) year from January 16, 2024 to January 15, 2025.

The EMS-5 and EMS-6 Plants are located at the LISPP in Cabuyao, Laguna and have an aggregate area of 11,557 square meters. The land and the building thereon are owned by the Parent Company. The plants are leased to EMS for a period of one (1) year from July 01, 2023 to June 30, 2024(EMS-5) and from January 01, 2024 to December 31, 2024(EMS-6). The new lease agreement is subject to yearly renewal at the rate of $6.03 and $6.33 per square meter for EMS-5 and EMS-6, respectively.

The EMS-2 Plant is located at the Carmelray Industrial Park II (CIP II) in Calamba, Laguna and has an area of 7,470 square meters with rental rate of $6.34 per square meters from May 01, 2023 to April 30, 2024. The property is leased from Ionics Properties, Inc. for a period of one (1) year, subject to the extension or renewal upon mutual agreement of the parties.

The EMS -4 Plant is located at Mountain Drive, Light Industry and Science Park II, Brgy. Lamesa, Calamba City, Laguna and lease a portion of the 2nd floor with an area of 798 square meters with rental rate of $6.00 per square meters from November 01, 2023 to April 30, 2024 afterwhich, additional area for a total of 1,300 square meters with rental rate of $6.00 per square meters for another six months from May 01, 2024 to October 31, 2024. The property is leased from Ionics Properties, Inc. for a period of (1) year, subject to extension or renewal upon mutual agreement of the parties.

The EMS SCM Hub and warehouse facility is located inside the Light Industry and Science Park I, Cabuyao City, Laguna with an area of 1,332.84 square meters with rental rate of ₱230.00 per square meters from May 01, 2021 to April 30, 2026. The property is leased from third party subject to automatic escalation of 5% per annum for each subsequent year starting on the second year until the expiration of the contract.

The EMS warehouse extension facility is located inside the Light Industry and Science Park I, Cabuyao City, Laguna with an area of 5,331.36 square meters with rental rate of ₱215.00 per square meters from September 15, 2022 to September 14, 2027. The property is leased from third party subject to automatic escalation of 5% per annum for each subsequent year starting on the second year until the expiration of the contract.

The EMS Plant 2 factory warehouse facilities is located at Carmelray Industrial Park II, Calamba City, Laguna with an area of 4,299 square meters with rental rate of ₱230.00 per square meters from September 01, 2022 to August 31, 2025. The property is leased from third party subject to automatic escalation of 6% per annum for each subsequent year starting on the second year until the expiration of the contract.

The plant of Iomni is also located in LISP-II in Calamba City, Laguna. It has an aggregate total area of 10,893.15 square meters of covered factory building and paved open space.
The land is leased from a third party from February 01, 2021 to January 31, 2026.

Ionics EMS (USA), Inc. is located at 3215 La Mesa Dr. San Carlos, CA 94070, USA.

Item 3. Legal Proceedings

As of December 31, 2023, there are no materials pending legal proceedings to which the Parent Company or any of its subsidiaries is a party or of which any of their properties is a subject.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders for the fourth quarter of 2023.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matter

	(Amounts in US Dollar)		(Amounts in PhP)	
	HIGH	LOW	HIGH	LOW
Latest price as of March 31, 2024	0.02	0.02	1.3	1.3
2023				
First Quarter	0.01	0.01	0.62	0.58
Second Quarter	0.02	0.02	1.33	1.24
Third Quarter	0.02	0.02	1.20	1.14
Fourth Quarter	0.02	0.02	1.02	0.99
2022				
First Quarter	0.01	0.01	0.70	0.68
Second Quarter	0.01	0.01	0.59	0.54
Third Quarter	0.01	0.01	0.55	0.50
Fourth Quarter	0.01	0.01	0.56	0.54
2021				
First Quarter	0.02	0.02	1.11	1.09
Second Quarter	0.02	0.02	1.13	1.08
Third Quarter	0.02	0.02	0.88	0.86
Fourth Quarter	0.01	0.01	0.72	0.69

The Parent Company's common stock is listed in the Philippine Stock Exchange.

The number of shareholders of record as of December 31, 2023 is 841 holding a total of 837,130,994 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 December 31, 2023:

Class of Securities	Name	No. of Shares	%
Common	AQUA HOLDINGS, INC.	335,153,100.00	40.04
Common	PCD NOMINEE CORP - FILIPINO	330,988,355.00	39.54
Common	SIGUION REYNA, LEONARDO.*	75,006,000.00	8.96
Common	PCD NOMINEE CORP - NON FILIPINO	29,397,796.00	3.51
Common	QUA, LAWRENCE C..*	20,102,760.00	2.40
Common	IONICS PROPERTIES, INC.	14,059,000.00	1.68
Common	QUA, RAYMOND C..	8,562,350.00	1.02
Common	QUA, MELITON C..	6,497,362.00	0.78
Common	CHUA, CECILIA Q.	5,584,412.00	0.67
Common	CEDILLA, MA. ASUNCION Q..	4,640,616.00	0.55
Common	DY, VIRGINIA JUDY Q.	1,033,603.00	0.12
Common	GELI, BENJAMIN S.	470,000.00	0.06
Common	YANG, TEH MIN.	466,000.00	0.06
Common	TELENGTAN BROTHERS & SONS INC.	400,000.00	0.05
Common	UY, ABETO A..	250,000.00	0.03
Common	LIONG HEE, QUE.	100,000.00	0.01
Common	EPIFANIA FELIX QUA	100,000.00	0.01
Common	VILLONCO &/OR THELMA V. MABANTA, ROMEO.	100,000.00	0.01
Common	DY, ARSENIA C..	99,000.00	0.01
Common	YU-FEI, LAI.	84,000.00	0.01

**deceased*

Dividends per Share

On March 13, 2023, the BOD during its Special Board meeting approved the declaration of ₱0.10 per share cash dividend amounting to US$1.54 million to all stockholders of record as of March 28, 2023, with payment not later than April 25, 2023.

2022 None

2021 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 are 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 par value of PhP1.00 per share. The issued and outstanding shares as of December 31, 2023 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 is no material information relating to securities other than the Parent Company's common equity.

Other Securities

There are no issuances of other securities.

Item 6. Management Discussion and Analysis or Plan of Operation

Management Plan for the Year 2024

Ionics EMS, Inc. (IEMS)

Ionics EMS, Inc. is committed to navigating the complexities of the current global political and economic landscape with a strategic and cautious approach. Amid these challenges, we continue our pursuit of advancements in the Fourth Industrial Revolution (IR4.0), leveraging our existing strengths in the Industrial Internet of Things (IIoT), medical devices, telecommunications, and automotive products. These core areas of expertise not only underscore our commitment to innovation but also position us to capitalize on emerging opportunities and maintain our competitive edge in a rapidly evolving market.

In line with this commitment, a significant focus for the upcoming year is to enhance our manufacturing processes through increased box build automation. This initiative is expected to drive improvements in efficiency and output quality, aligning with our goal to maximize productivity and operational excellence. By prioritizing automation, we aim to achieve a notable increase in revenue per headcount, demonstrating our ability to do more with less and reflecting our strategic focus on sustainable growth and profitability.

Furthermore, to amplify our market presence and reach, Ionics EMS, Inc. plans to expand its sales network by forming partnerships with sales representatives across different continents. These strategic collaborations are instrumental in tapping into new markets, diversifying our customer base, and ensuring that our innovative products and solutions reach a wider audience. Through these carefully crafted strategies—embracing caution, advancing technological innovation, improving operational efficiency, and expanding our global footprint—Ionics EMS, Inc. is dedicated to becoming a leader in the electronics manufacturing industry, committed to excellence and innovation in all facets of our operations.

Iomni Precision, Inc. (Iomni)

The year 2023 started bullishly and kept up in the first half.

However the market demand of two anchor customers softened as to derail the growth momentum and dampened the second half. Still the year ended positively.

For 2024, the market weakness and the slow demand of a number of customers are seen to persist as to blur the growth trajectory.

While the pipeline has a number of prospects, the development process from mold design for the parts to mass production would take a year to three to materialize.

Moreover, the Philippine electronics industry has projected a “flat” growth scenario this year. The bulk of Iomni’s high-engineered, precision plastic parts services the various segments of the electronics field.

As such, there is a proactive strategic visioning being undertaken for a business shift to what is more sustainable.

Ionics Properties, Inc. (IPI)

The Company acquired industrial lot within Philippine Export Zone Authority (PEZA) located in Science Park of the Philippines, Inc. (SPPI), Malvar, Batangas. Management plan for 2024 is to build manufacturing facilities and warehouses for lease. The property consists of (3) lots at an aggregate of 3.8 hectares. The design of the first lot is to accommodate at least six (6) warehouses type high ceiling and with mezzanine. The other two (2) lots are open for a build to suit facilities.

The Company’s application for increase of authorized capital stock is still with the regulatory commission for approval.

As of filing date, the management of the Group is not aware of:

a) any significant expenditures for product research and development;
b) any expected significant change in number of employees;
c) any known trends, events or uncertainties that have or are reasonably likely to have a material impact on the registrant’s short term or long term liquidity;

d) any event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
e) any 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;
f) any known trends, events or uncertainties that have or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations; and
g) any seasonal aspects that had a material effect on the financial condition or results of operations.

Sources of liquidity are expected from the Group's internal cash flow from the results of operations and from the Group's external borrowings.

Below are the consolidated key financial ratios for the years ended December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Revenue Growth	**25.17%**	25.43%
Gross Profit Margins	**12.69%**	12.47%
Net Income Margins	**4.75%**	5.77%
Return on Equity	**7.22%**	7.44%
Current Ratio	**1.65:1**	1.69:1
Leverage Ratio	**0.41:1**	0.38:1
Debt-to-Equity Ratio	**0.89:1**	0.99:1
Asset-to-Equity Ratio	**1.89:1**	1.99:1
Interest Coverage Ratio	**3.96:1**	5.77:1

- **Revenue Growth (Decline)**
  The revenue growth (decline) is the Group's increase/decrease in revenue for a given period. Revenue growth (decline) 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.

- **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.

- **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.

- **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.

- **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.

- **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.

- **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.

- **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.

- **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.

As of filing date, the management of the Group 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 18 to 24 of this report.

Financial Performance

2023

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated sales increased by 25% from US$75.26 million in 2022 to US$95.12 million in 2023, due to increasing customer demand. With the increase in sales, gross profit increased by 28% from US$9.77 million in 2022 to US$12.45 million in 2023.

Operating expenses increased from US$4.37 million in 2022 to US$5.16 million in 2023 due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US$1.80 million in 2023 from US$1.07 million in 2022 due to higher bank loans to finance the working capital and capital expenditures and increase in interest rates. Others expenses decrease due to net foreign exchange loss of in 2023 due to the impact of depreciation on Peso against US dollar.

With the foregoing, the Group reported a consolidated net income attributable to equity holders of the Parent Company amounting to US$4.58 million and US$4.45 million for year ended December 31, 2023 and 2022, respectively.

The summarized revenues and net income (losses) of the Group for the year ended December 31, 2023 are as follows:

	(In US Dollars)	
COMPANY	**REVENUE**	**NET INCOME (LOSS)**
Parent Company	689,384	33,091
IEMS	92,576,975	2,481,740
IPI	3,525,566	2,147,823
ICL	30	(12,385)
Iomni	3,428,841	41,479
Synertronix	–	(9)
IPSI	277	(100)
TOTAL	100,177,730	4,691,190
Reclass/Eliminating entries	(2,096,271)	(28,169)
Consolidated	**98,081,458**	**4,663,021**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2023, the consolidated assets of the Group amounted to US$121.97 million which is US$01.13 million higher than the December 31, 2022 figure of US$120.66 million. The increase in the Group's total assets was mainly due to the increase in receivables, contract assets, property plant and equipment and investment property.

Current ratio decreased to 1.65:1 in 2023 from 1.69:1 in 2022 due to increase in contract liabilities, while debt-to-equity ratio increased from 0.99:1 in 2022 to 0.89:1 in 2023.

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

The Parent Company reported a net income of US$0.03 million and a net loss US$0.04 million in December 31, 2023 and 2022, respectively.

The individual performance of the subsidiaries for the year ended December 31, 2023 is as follows:

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

IEMS revenue increased by 27% from US$72.69 million in 2022 to US$92.58 million in 2023, due to increasing customer demands. With the increase in sales, gross profit increased by 47% or US$2.856 million from US$6.14 million in 2022 to US$9.0 million in 2023.

Operating expenses increased by US$0.98 million from US$3.43 million in 2022 to US$4.41 million in 2023 primarily due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US$1.49 million in 2023 from US$0.77 million in 2022 due to higher bank loans to finance the working capital and capital expenditures and increase in interest rates. From net foreign exchange gain of US$0.71 million in 2022, the Company reported net foreign exchange loss of US$0.14 million in 2023 due to the impact of depreciation on Peso against US dollar.

With the foregoing, IEMS reported net income of US$2.48 million in 2023, from US$2.15 million in 2022.

Ionics Properties, Inc. ("IPI")

IPI, the subsidiary engaged in real estate holdings decreased net income to US$2.15 million in 2023 from US$2.28 million in 2022, due to no renewal of one existing lessee.

Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2023 decrease to US$3.30 million from US$3.57 million in 2022. Iomni reported a gross income of US$0.30 million in 2023 and 2022.

Operating expenses amounted to US$0.16 million and US$0.18 million in 2023 and 2022, respectively.

With the foregoing, the Company's performance resulted to a net income of US$0.42 million and US$0.12 million in 2023 and 2022, respectively.

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported a net loss amounting to US$0.01 million and US$0.02 million in 2023 and 2022, respectively. This is due to the increase in the share in net loss of investees.

Synertronix, Inc. ("SI")

SI reported a net loss of US$0.001 million in 2023 and 2022, respectively.

2022

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated sales increased by 25% from US$60.28 million in 2021 to US$75.26 million in 2022, due to increasing customer demand. With the increase in sales, gross profit increased by 31% from US$7.28 million in 2021 to US$9.77 million in 2022.

Operating expenses increased from US$3.85 million in 2021 to US$4.37 million in 2022 due to increase in commission expenses resulting from higher sales subject to commission.

With the foregoing, the Group reported a consolidated net income attributable to equity holders of the Parent Company amounting to US$4.45 million and US$2.63 million for year ended December 31, 2022 and 2021, respectively.

The summarized revenues and net income (losses) of the Group for the year ended December 31, 2022 are as follows:

(In US Dollars)

COMPANY	REVENUE	NET INCOME (LOSS)
Parent Company	616,395	(38,011)
IEMS	72,685,611	2,149,092
IPI	3,556,293	2,276,647
ICL	30	(16,573)
Iomni	3,753,810	122,654
Synertronix	–	(9)
IPSI	–	(4,763)
TOTAL	80,612,108	4,489,037
Reclass/Eliminating entries	(2,256,347)	30,500
Consolidated	**78,355,761**	**4,519,537**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2022, the consolidated assets of the Group amounted to US$120.66 million which is US$19.68 million higher than the December 31, 2021 figure of US$100.93 million. The increase in the Group's total assets was mainly due to the increase in receivables, inventories, prepayments and other current assets and contract assets.

Current ratio decreased to 1.69:1 in 2022 from 1.84:1 in 2021 due to increase in bank loan payable and accounts payable and accrued expenses, while debt-to-equity ratio increased from 0.79:1 in 2021 to 0.99:1 in 2022.

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

The Parent Company reported a net loss of US$0.04 million and US$0.45 million in December 31, 2022 and 2021, respectively. Impairment loss amounting US$0.04 million and US$0.52 million on the investment and advances in Iomni Precision, Inc. was recognized in 2022 and 2021, respectively.

The individual performance of the subsidiaries for the year ended December 31, 2022 is as follows:

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

IEMS revenue increased by 27% from US$57.46 million in 2021 to US$72.69 million in 2022, due to increasing demands of existing customers and new customers. As a result of the increase in sales, gross profit increased by 32% or US$1.50 million from US$4.65 million in 2021 to US$6.14 million in 2022.

Operating expenses increased by US$0.41 million from US$3.02 million in 2021 to US$3.43 million in 2022 primarily due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US$0.77 million in 2022 from US$0.60 million in 2021 due to increase in bank loans for working capital requirements. Net foreign exchange gain increased from US$0.082 million in 2021 to US$0.71 million in 2022 due to the impact of depreciation on Peso against US dollar.

With the foregoing, IEMS reported net income of US$2.15 million in 2022, from US$0.83 million in 2021.

Ionics Properties, Inc. ("IPI")

IPI, the subsidiary engaged in real estate holdings remained profitable with increased net income of US$2.28 million in 2022 from US$1.88 million in 2021, due to additional lease contract with an existing Lessee.

Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2022 increased to US$3.57 million from US$3.54 million in 2021. Iomni reported a gross income of US$0.30 million and US$0.05 million in 2022 and 2021, respectively.

Operating expenses amounted to US$0.18 million and US$0.17 million in 2022 and 2021, respectively.

With the foregoing, the Company's performance resulted to a net income of US$0.12 million and and a net loss of US$0.15 million in 2022 and 2021, respectively.

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported a net loss amounting to S$0.02 million in 2022 and 2021. This is due to the increase in the share in net loss of investees.

Synertronix, Inc. ("SI")

SI reported a net loss of US$0.001 million in 2022 and 2021, respectively.

2021

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated sales increased by 16% from US$52.10 million in 2020 to US$60.28 million in 2021, due to increasing customer demand. With the increase in sales, gross profit increased by US$2.74 million from US$4.49 million or 61% in 2020 to US$7.23 million in 2021.

Operating expenses increased from US$3.23 million in 2020 to US$3.81 million in 2021 due to increase in commission expenses resulting from higher sales subject to commission.

With the foregoing, the Group reported a consolidated net income attributable to equity holders of the Parent Company amounting to US$2.66 million and US$0.48 million for year ended December 31, 2021 and 2020, respectively.

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

	(In US Dollars)	
COMPANY	**REVENUE**	**NET INCOME (LOSS)**
Parent Company	587,141	(475,075)
IEMS	57,455,439	831,326
IPI	2,588,518	1,884,719
ICL	–	(19,894)
Iomni	3,714,563	(147,319)
Synertronix	–	(9)
IPSI	–	(2,378)
TOTAL	64,355,281	2,071,420
Reclass/Eliminating entries	(1,887,448)	560,740
Consolidated	**62,467,833**	**2,632,160**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2021, the consolidated assets of the Group amounted to US$100.93 million which is US$12.91 million higher than the December 31, 2020 figure of US$88.02 million. The increase in the Group's total assets was mainly due to the increase in receivables, inventories, advances to suppliers, investment properties and right-of-use of asset.

Current ratio decreased to 1.84:1 in 2021 from 1.88:1 in 2020 due to increase in bank loan payable and accounts payable and accrued expenses, while debt-to-equity ratio increased from 0.67:1 in 2020 to 0.79:1 in 2021.

At the end of December 31, 2021, the Group's long-term debt increased to US$12.98 million from US$8.18 million in 2020.

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

The Parent Company reported a net loss of US$0.45 million and US$0.14 million in December 31, 2021 and 2020, respectively. Impairment loss amounting US$0.52 million on the investment in Iomni Precision, Inc. was recognized in 2021.

The individual performance of the subsidiaries for the year ended December 31, 2021 is as follows:

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

IEMS revenue increased by 14% from US$50.37 million in 2020 to US$57.45 million in 2021, due to increasing customer demands. As a result of the increase in sales, gross profit increased by 53% or US$1.61 million from US$3.04 million in 2020 to US$4.65 million in 2021.

Operating expenses increased by US$0.36 million from US$2.66 million in 2020 to US$3.02 million in 2021 primarily due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US$0.04 million in 2021 from US$0.55 million in 2020 due to increase in bank loans for working capital requirements. Net foreign exchange gain at US$0.08 million in 2021 due to the impact of depreciation on Peso against US dollar, from a net foreign exchange losses of US$0.26 million in 2020.

With the foregoing, IEMS reported net income of US$0.83 million in 2021, from net loss of US$0.55 million in 2020.

Ionics Properties, Inc. ("IPI")

IPI, the subsidiary engaged in real estate holdings remained profitable with increased net income of US$1.88 million in 2021 from US$1.04 million in 2020, due to additional lease contract with an existing Lessee.

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported a net loss amounting US$0.02 million and S$0.04 million in 2021 and 2020, 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 2021 and 2020, respectively.

Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2021 increased to US$3.54 million from US$2.26 million in 2020. Iomni reported a gross income of US$0.05 million in 2021 and 2020.

Operating expenses amounted to US$0.17 million and US$0.16 million in 2021 and 2020, respectively.

With the foregoing, the Company's performance resulted to a net loss of US$0.15 million and US$0.13 million in 2021 and 2020, respectively.

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

	December 31	
	2023	2022
	%	%
ASSETS		
Cash and cash equivalents	**(60)**	16
Receivables	**14**	17
Contract assets	**46**	58
Inventories	**N/A**	70
Advances to suppliers	**(49)**	(37)
Prepayments and other current assets	**25**	110
Financial assets at FVOCI	**71**	(16)
Investment in associate	**N/A**	(29)
Property, plant and equipment – net	**21**	N/A
Investment properties	**38**	N/A
Right-of-use assets	**(51)**	N/A
LIABILITIES		
Accounts payable and other liabilities	**(20)**	50
Contract liabilities	**302**	42
Bank loans and long-term debt	**(9)**	36
Lease liabilities	**(28)**	9
Income tax payable	**(30)**	83
Net pension liabilities	**27**	(8)

2023

Cash decreased due to net cash used in payment of bank loans, payment of dividends to stockholders and acquisition of land. Receivables increased due to higher sales. Contract assets increased due to higher level of work in process and finished goods. The decrease in advances to suppliers was attributable to the delivery of materials covered by advanced payments and controlled material ordering for the year. The increase in prepayments and other current assets is due to payment for VAT input tax to BOC and prepayment for health insurance plan of employees. Financial Assets at FVOCI increased due to fair value income recognized as of December 31, 2023. Property and equipment and investment properties increased due to acquisitions made during the year. Right-of-use assets (ROU) decreased due to amortization for the period. The decrease in accounts payable and accrued expenses is attributable to the payment made to suppliers and controlled material ordering. Contract liabilities increased due to payment received from customer for advance ordering of materials. Bank loans and long-term debt decreased due to payments made during the period. Lease liabilities decreased due to payment of leased amortization for the period. Income taxes decreased due to payment of income tax during the period. Net pension liability increased due to accrual of pension expense during the period.

2022

Cash increased due to net positive cash flows financing activities. Receivables increased due to higher sales. Contract assets increased due to higher level of work in process and finished goods recognized as contract assets under PFRS 15. Inventories increased due to inventory build up resulting from longer material lead time of critical components due to global material shortage impacting the industry and the materials intended for new turnkey customers. Advances to suppliers decreased due to the decrease in advanced payment made to suppliers for material ordering. The increase in prepayments and other current assets is due to the annual renewal of insurance of machine and equipment, healthcare and prepayments of factory rental. Financial Assets at FVOCI and investment in associates decreased due to fair value loss recognized as of December 31, 2022. The increase in accounts payable and accrued expenses was attributable to the increase in materials and sales for the first three quarters of 2022. Contract liabilities increased due to payment received from customer for advance ordering of materials. Banks loans and long-term debt increased due to the additional loan drawdown for the construction of new building of IPI and working capital loan during the year. Net pension liability decreased due to the number of eligible employees who reached the normal retirement age. Deferred tax liabilities - net decreased due to the decrease on fair value of financial assets at FVOCI.

2021

Cash and cash equivalents decreased due to net cash flows used in operations to finance the increase in raw materials. Receivables increased due to receivable for materials bought back by customer towards the end of Q4 2021. Contract assets decreased due to lower level of work in process and finished goods accounted under PFRS 15. Inventories increased due to push out of production activity resulting from longer material lead time of critical components due to global material shortage impacting the industry. The increase in advances to suppliers was attributable to the advance payment made for material ordering. The increase in prepayments and other current assets is due to the annual renewal of insurance of machine and equipment, healthcare and prepayments of factory rental. The increase in financial assets at FVOCI is due to additional investments. Property and equipment decreased due to depreciation for the for the first quarters of 2021. Investment properties increased due recognized in-progress costs on the construction of build-to-suit factory building of the subsidiary, Ionics Properties, Inc (IPI). Right-of-use assets and lease liabilities increased due to a renewal of lease agreement entered scoped-in under PFRS 16 during the quarter for the lease of factory building of Iomni Precision, Inc.. The increase in accounts payable and accrued expenses was attributable to the increase in materials and sales for the first three quarters of 2021. Contract liabilities decreased due to return of customers advance payment and application against receivables. Banks loans and long-term debt increased due to the additional loan drawdown for the construction of new building of IPI during the period. Net pension liability decreased due to the number of eligible employees who reached the normal retirement age. Deferred tax liabilities - net 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.

Item 7. Financial Statements

The Group's consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A

1. <u>General Notes to Financial Statements:</u>

   See Audited Consolidated Financial Statements.

   <u>Assets subject to lien and restriction on sales of assets:</u>

Not applicable to the Group.

Restriction which limits the availability of Retained Earnings for dividend declaration:

See related discussion on Note 2 of the Audited Consolidated Financial Statements.

Commitments and Contingent Liabilities:

See related discussion on Leases under Note 24 of the Audited Consolidated Financial Statements.

Material Related Party Transactions which affect the Financial Statements:

The Parent Company has no significant related party transactions with its subsidiaries, affiliates and stockholders that affect the Financial Statements except for the matters discussed in Note 23 to the Audited Consolidated Financial Statements.

Bonus, Profit Sharing and Other Similar Plans:

The Group has car plan for the employees and profit sharing for its BOD and Management.

Interest Cost

IEMS paid interest on bank loans and financial institution.

2. Subsidiaries

As of December 31, 2023, the details of investments and advances to subsidiaries are as follows:

Subsidiaries	**% owned**	**Investment**	**Advances**
ICL	100	US$2,579,265	-
Iomni	100	1,321,445	1,050,000
IPI	100	1,535,578	-
IPSI	100	99,416	-
IEMS	97	36,969,459	11,400,000

3. Cash and Cash Equivalents

Out of the total cash and cash equivalents of US$6,763,808 as of December 31 2023, US$1,241,186 is peso-denominated. This represents savings deposit and current accounts in local banks.

4. Accounts Receivable - Others

Receivable from customers other than sales	US$3,064,355
Rent receivable	206,216
Advances to officers and employees	85,446
Claims against SSS and other government agencies	48,227
Others	412,439

5. Inventories

   No significant increased or decreased in inventories.

6. Property, Plant and Equipment

   As of December 31, 2023, the Group has no equipment that is still under installation as discussed in Note 13 to the Audited Consolidated Financial Statements.

7. Investment Properties

   There was no significant movement in investment properties as of December 31, 2023.

8. General and Administrative Expenses - Please see schedule in page 46.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

1. External Audit Fees and Services

   (a) Audit and Audit - Related Fees

   The Auditing firm of Sycip Gorres Velayo & Co. (SGV) has been the external auditor of the Company since 1992. The Auditing partner-in-charge of the accounts of the Company for the financial year ended December 31, 2023 is Ms. Maria Antoniette L. Aldea who took office after her appointment at the June 17, 2022 stockholders' meeting of the Company. Audit fee including Out-of-Pocket Expenses (OPE) in 2023 is one hundred sixty nine thousand eight hundred nineteen dollars (US$169,819) and one hundred thirty-three thousand four hundred five dollars (US$133,405) in 2022. 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.

   (b) There are no assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements.

   (c) All Other Fees such as Corporate Governance Seminar conducted on December 15, 2023 amounting to US$3,660.

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

   (e) The Audit Committee approved policies and procedures for the above services.

   The Audit Committee heard the reports of the External Auditor and validated the financial reports prepared by Management.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Position	Name	Term	Period Served	Age	Citizenship
Director -Chairman of the Board	Alfredo de R. Borja	1 year	20	80	Filipino
Director – Independent	Medel T. Nera	1 year	4	68	Filipino
Director	Meliton C. Qua	1 year	30	82	Filipino
Director	Earl Lawrence S. Qua				Filipino
Director-President and Chief Executive Officer	Raymond Maria C. Qua	1 year	35	73	Filipino
Director	Virginia Judy Q. Dy	1 year	29	83	Filipino
Director-Treasurer	Cecilia Q. Chua	1 year	16	71	Filipino
Director	Monica Siguion Reyna Villonco	1 year	13	70	Filipino
Director	Guillermo D. Luchangco	1 year	30	84	Filipino
Director– Independent	Lilia B. De Lima	1 year	7	83	Filipino
Director	Jay A. Chavez				Filipino
Corporate Secretary	Manuel R. Roxas	1 year	31	74	Filipino
Asst. Corporate Secretary	Krisha F. Villanueva		4	31	Filipino
Senior Vice President for Corporate Affairs and Human Resources	Judy C. Qua			73	Filipino
Vice President for Finance	Ronan R. Andrade			53	Filipino
Vice President Internal Audit and Assistant Compliance Officer	Cesar G. Caubalejo			57	Filipino

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

The following are the Chairman and members of the Corporate Governance Committee as of December 31, 2023:

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

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 de Borja has served the maximum cumulative term of nine years. The Board resolved to approve the re-nomination of Mr.

Alfredo de Borja for the position of independent director for the term 2022-2023. The Board considered Mr. Alfredo 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.

Profile of Incumbent Directors, Nominees, and Officers:

Alfredo De Borja, 80, has been an independent director of Ionics, Inc. since 2004, Chairman of the Board since October 2023 and an independent director of Ionics EMS, Inc. since 2007. He is the incumbent President and Director of Makiling Ventures, Inc., a real estate development company, and President and Director of E. Murio, Inc., a furniture manufacturer and exporter. He is also a director of Investment Capital Corp. of the Phil. (ICCP), ICCP Venture Partners, Inc. (where he is Chairman of the Investment Company), ICCP Management Corp, Pueblo de Oro Development Corp., Regatta Properties, Inc., Science Park of the Philippines (SPPI), Cebu Light Industrial Park, Inc., Ionics, Inc., Ionics EMS, Inc., and Araneta Properties, Inc., both listed companies with the Philippine Stock Exchange; and Philippine Coastal Storage & Pipeline Corp. He has also served as board director of a number of companies including First Metro Investment Corp., SPI, Alsons Power, Alsons Cement, Iligan Cement, Manila Memorial Park, Philcom, Shopwise, and Republic Glass. 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 Philippine Long Distance Telephone Co. from 1970 to 1973; and Executive Assistant to the Vice President of Investment Manager, 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.

Medel T. Nera, 68, 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.

Meliton C. Qua, 82, held key positions in several companies which included the Philippine Bank of Communications as Senior Vice President; Citibank N.A., as Vice President; Bancnet as Director and Aqua Holdings, Inc. as Director. Mr. Qua has been a director of Ionics, Inc. since 1985. He received his Bachelor of Science degree in Business Administration from De La Salle University, Philippines.

Lilia B. De Lima 83, Filipino, is an independent director of Ionics, Inc. and Ionics EMS, Inc. She is currently a director of AC Industrial Technology Holdings, 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. Since 1981 until 2016, Atty. de Lima has been in government service, 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. Atty. de Lima was awarded the Ramon Magsaysay Laureat in 2017 for her service as Director General of the Philippine Economic Zone Authority for 21 years. She was also a recipient of other 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.

Raymond Ma. C. Qua, 73, 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.

Virginia Judy Q. Dy, 83, has been a member of the Board of Directors of Ionics, Inc. since 1991. In the last seven years, she is connected with Aqua Holdings, Inc. as director. She is also the Finance Director of DVPRO Solutions, Inc. from 2001 to the present. 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.

Cecilia Q. Chua, 71, was a director of Ionics, Inc. from 1997 to 2000 and from 2007 up to the present. She is the Treasurer of B-Pack Corporation, Vice President of CQ B-Pack Corporation and has been the Purchasing Manager of Ionics Ems, Inc. since 1985. Previous corporate affiliations include Complex Electronics Corporation, Interphase Development Corporation, Ladtek Corporation and Pimeco.

Monica Siguion-Reyna Villonco, 70, is the Chairman of Lowe Philippines, where she has served as a director since 2002. She also served as the editor-in-chief of Town & Country Philippines from 2007-2010. Ms. Villonco is the incumbent President of Whitespace, Inc. and Datascope Communications (Phils.), Inc. Ms. Villonco is a member of the Board of Governors of the Philippine National Red Cross. She is also a member of the board of directors of Provident Plans International Corp. and Sa Aklat Sisikat Foundation; She was a member of the Film Rating Board from 1998 to 2002; and a board member of CCP Tanghalang Pilipino from 1988-1990.

Guillermo D. Luchangco, 84, 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, Investment & Capital Corporation of the Philippines, whose principal activities are in investment banking; ICCP Venture Partners Inc., which is in venture capital; Science Park of the Philippines, Inc., a developer of industrial parks; and 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. 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, 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, Globe Telecom, Inc., Ionics, Inc, 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.

Earl Lawrence S. Qua, 45, has been a member of the Board of Directors of Ionics, Inc. since 2023, he is the Vice-President for Business Development of Ionics Ems, Inc.(EMS), a subsidiary of the Corporation. He also held the position of Vice President of the Original Design Manufacturing Group of EMS from 2010 until 2018. He is the Co-founder and Chief Operating Officer of VOXP Technologies, Inc., a software development services company and original equipment manufacturer that serves telecom, B2B business platforms, B2C service platforms and IOT infrastructure and analytics solutions. Since 2020, he has been a member of the Board of Directors of Communigate Technologies Inc., a distribution company with over 300,000 sari-sari store points of presence in NCR and NCR+. Furthermore, he is the President of the Electronics Industries Association of the Philippines, Inc. an industry organization supporting electronics design companies, since 2015. He is a member of the Board of Directors of Domingo AI Research Center Laboratory since 2016 and the Advisor of the Manufacturing Enterprise Solutions Association (MESA) International since 2018. He also served as Project Director at the Electronics Product Development Center, an electronics facility owned by the Department of Science and Technology – Advanced Science and Technology Institute which provides electronics design, PCB and PCBA prototyping and electronics product testing services. He worked at Marvell Technologies Inc. in Santa Clara, CA where he was Engineering Program Manager and Customer Service Manager. He graduated from Occidental College, CA, USA with BA in Economics and earned his MBA at Babson College, MA, USA. He completed the Owners and Presidents Management Program at the Harvard Business School in 2015.

Jay A. Chavez , 51, has been a member of the Board of Directors of Ionics, Inc. since 2023, he is the Executive Vice President & Chief Operating Officer of Ionics EMS, Inc. ("Ionics EMS"). He joined Ionics EMS in 1995 as a Quality Control and Quality Assurance (QC/QA) engineer. Since then, he went up the organizational ladder and became QC/QA Manager, Manufacturing Senior Manager/Deputy Plant Manager, Assistant Vice President for Manufacturing/Deputy for Operations, Assistant Vice President for Materials Management, and finally, Assistant Vice President for Supply

Chain Management. In May 2015, he represented the Philippines as speaker at the World Trade Organization ("WTO|") Information Technology Agreement ("ITA") Workshop on Non-Tariff Barriers Affecting Trade in Information Technology Products which was held at the WTO Headquarters in Geneva, Switzerland. In June 2017, he represented the Philippines as speaker at the WTO Symposium on the 20th Anniversary of the ITA held in Geneva, Switzerland. He finished his secondary education at the Philippine Science High School and holds an Electrical Engineering degree from Mapua Institute of Technology.

Manuel R. Roxas, 74, Filipino, has been the Company's Corporate Secretary for the past seventeen (17) years. His professional experience covers general corporate law practice as counsel to various companies engaged in banking, investments, pharmaceuticals, shipping, and manufacturing. Atty. Roxas received his Bachelor of Science degree in Economics from the University of Pennsylvania in 1970 and Bachelor of Laws degree from the University of the Philippines in 1975. His other professional affiliations include: Roxas de los Reyes Laurel Rosario & Gonzales as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc., Mother Rosa Memorial Foundation, Inc. as Secretary, the Integrated Bar of the Philippines, Philippine Bar Association, and the Wharton Club of the Philippines as member.

Krisha F. Villanueva, 31, Filipino, is the Corporation'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.

Judy C. Qua, 73, Filipino, is the Company's Senior Vice President for Corporate Affairs and Human Resources. She is also the Executive. 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 neurodynamics 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, 53, 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 SGV in audit division from 1992 to 1998, starting as an audit staff member until he became audit supervisor. He joined Ionics in 1999 as Senior Manager for Finance and became Assistant Vice President and Acting Finance Head of the Company, prior to his transfer to Internal Audit as Vice President. In 2007, Mr. Andrade was appointed as Vice President for Finance.

Cesar G. Caubalejo, 57, is the Vice President for Internal Audit 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 a Certified Fraud Examiner. He worked and started his career with 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, Cambodia, Laos, Malaysia and Kingdom of Saudi Arabia. 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 Philippine Institute of Certified Public Accountants, and Philippine Chapters of Association of Certified Fraud Examiners and Institute of Internal Auditors. He joined Ionics EMS, Inc. on January 5, 2009.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected.

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

No director has transacted with the Group in his/her personal capacity.

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.

None of the directors has informed the Group that he/she intends to oppose any action to be taken by the Group at the meeting.

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

Item 10. Executive Compensation

The following table summarizes the compensation of the five (5) highest paid executive officers of the Group and the aggregate compensation of all officers and directors as a group for the last two completed calendar years, and the estimated aggregate compensation of the said officers and directors for the present calendar year.

SUMMARY COMPENSATION TABLE
Annual Compensation

	Year	Salary	Others*
Chief Executive Officer and four (4) most highly compensated executive officers	2024 (estimate)	$ 556,923	$ 99,449
	2023	$ 506,294	$ 77,421
	2022	$ 509,111	$ 57,963
All officers and directors as a group unnamed	2024 (estimate)	$ 1,079,427	$ 261,893
	2023	$ 981,297	$ 238,085
	2022	$ 876,774	$ 139,556

**Others -includes per diem of directors*

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

1. Mr. Lawrence C. Qua – deceased October 5, 2023
2. Raymond Maria C. Qua is President and Chief Executive Officer
3. Jay A. Chavez is the Executive Vice President for Operations and Chief Operating Officer
4. Ms. Judy C. Qua is the Senior Vice President for Corporate Affairs and Human Resources.
5. Mr. Ronan R. Andrade is the Vice President for Finance.
6. Mr. Cesar G. Caubalejo is the Vice President of Internal Audit and Assistant Compliance Officer

Directors who are not officers of the Company are entitled to a per diem of Fifteen Thousand Pesos (₱15,000.00) per regular meeting attended.

The President of both Ionics, Inc. and IEMS, receives compensation 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.

As of December 31, 2023, no executive officer of the Registrant is under employment contract.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

As of December 31, 2023

(a) Security Ownership of Certain Record and Beneficial Owner

Title of class	**Name and address Of owner**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Number of Shares Held**	**Percent of class**
Common	**Aqua Holdings, Inc.** *c/o Ionics EMS, Inc. Carmelray Industrial Park II, Bgy. Tulo, Calamba, Laguna* *Shareholder*	Lawrence C. Qua (*deceased*), Meliton C. Qua, Raymond C. Qua, Virginia Judy Q. Dy, Cecilia Q. Chua*(stockholders of Aqua Holdings, Inc.)*	Filipino	335,153,100 (R)	40.03 %
Common	**Social Security System** *SSS Bldg., East Ave.,Diliman, Quezon CityShareholder*	Republic of the Philippines *(represented by Mr Robert Joseph M. de Claro.)*	Filipino	54,874,198 (R)	6.56 %
Common	**Leonardo T. Siguion Reyna*** *7 Tanguile Road, North Forbes Park Makati City* *Director*	N/A	Filipino	75,006,000 (R)	8.96 %

**deceased*

(b) Security Ownership of Management

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent of Class**
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 *Chairman of the Board*	14,000 Direct	Filipino	nil

Common	Earl Lawrence S. Qua *Director*	610,000 Indirect	Filipino	0.07%
Common	Virginia Judy Q. Dy *Director*	1,033,603 Direct 4,887,140 Indirect	Filipino	0.12% 0.58%
Common	Raymond C. Qua *Director/President/CEO*	8,562,350 Direct	Filipino	1.02%
Common	Cecilia Q. Chua *Treasurer*	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*	1,000 Indirect	Filipino	nil
Common	Lilia B. De Lima *Director*	50,000 Indirect	Filipino	0.01%
Common	Judy C. Qua *SVP- Business Development & Corporate Affairs*	-0-	Filipino	-0-
Common	Manuel R. Roxas *Corporate Secretary*	14,500 Direct	Filipino	nil
Common	Krisha F. Villanueva	-0-	Filipino	-0-

	Assistant Corporate Secretary			
Common	Ronan R. Andrade *VP - Finance*	-0-	Filipino	-0-
Common	Cesar G. Caubalejo *VP- Internal Audit/Assistant Compliance Officer*	-0-	Filipino	-0-
	TOTAL	47,029,367		5.62%

(c) Voting Trust Holders of 5% or More

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

(d) Changes in control

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

Item 12. Certain Relationships and Related Transactions

The Group has no significant related party transactions with its stockholders, directors, officers and affiliated companies except for the following:

(a) 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 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 1,500 square meters from January 16, 2023 to January 15, 2024, subject to renewal annually. The rental rates 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 Properties, Inc. with an area of 7,470 square meters from 01 May 2023 to 30 April 2024.
- Ionics EMS, Inc. also leased another factory, Plant 4, from Ionics Properties, Inc. with an area of 798 square meters from Nover 1, 2023 to April 30, 2024 and 1,300 square meters from May 1, 2024 to October 31, 2024.

(b) legal services

Roxas de los Reyes Laurel Rosario & Gonzales Law Offices where the Corporate Secretary, Manuel R. Roxas, and the Assistant Corporate Secretary, Krisha F. Villanueva, are partner and associate lawyer, respectively. The Company believes that legal fees are reasonable for the services rendered.

(c) 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.

PART IV – CORPORATE GOVERNANCE REPORT

This portion has been deleted pursuant to SEC Memorandum Circular No.5, Series of 2013.

Item 13. Corporate Governance

a) **Evaluation 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. The implementation of the Corporate Governance Scorecard allows Ionics, Inc. to properly evaluate compliance with the Manual.

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. 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. The Company submitted its Amended Manual on Corporate Governance on 09 July 2020.

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.

PART V – SUSTAINABILITY REPORT

In compliance with SEC Memorandum Circular No. 4, issued on February 15, 2019, with subject Sustainability Reporting Guidelines for Publicly-Listed Companies, kindly refer to attached Sustainability Report of Ionics, Inc.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

(b) Reports to SEC via Form 17-C

1. June 15, 2023 – Announced the Results of the Annual Stockholders' Meeting and Results of Organizational Meeting.

2. October 5, 2023 –The board and management of Ionics, Inc. and its subsidiaries announced the passing of its beloved Chairman, President and Chief Executive Officer, Mr. Lawrence C. Qua.

3. October 10, 2023 –Announced the results of the special meeting of the Board of Directors of Ionics Inc. and its subsidiary, Ionics EMS Inc.

4. October 31, 2023- Ionics Inc. (the "Corporation") was advised that the Social Security Commission (the "SSC") has divested all its shares in the Corporation, including the qualifying share held by the SSC's nominee director.

5. November 29, 2023- Election of Mr. Jay Chavez as a Director of the Corporation.

6. November 30, 2023- As part of an internal reorganization of Rizal Commercial Banking Corporation ("RCBC"), it has informed Ionics Inc. that it will terminate services of its Stock Transfer Department effective December 31, 2023 and has requested Ionics Inc. to engage RCBC Trust Corporation as stock transfer agent effective January 1, 2024.

S I G N A T U R E S

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the city of ____________________ on __________.

By:

Ronan R. Andrade
Chief Finance Officer

Manuel R. Roxas
Corporate Secretary

Raymond Maria C. Qua
President & Chief Executive Officer

APR 12 2024

SUBSCRIBED AND SWORN to before me this ______ day of __________ 2024 affiant(s) exhibiting to me their Passport Numbers, as follows:

NAMES	PASSPORT/ SENIOR NO.	DATE OF ISSUE	PLACE OF ISSUE
Ronan R. Andrade	P6019614A	February 13,2018	DFA Lucena
Manuel R. Roxas	P7678659B	September 23, 2021	DFA Manila
Raymond Maria C. Qua	P5737906A	January 24, 2018	DFA Manila

Doc. No. 274
Page No. 57
Book No. XXX
Series of 20 24

ATTY. FERNANDO M. ALONZO
Notary Public
Not. Com. 40-2023-C, Until December 31, 2024
For Calamba City, Bay, Calauan and Los Baños, Laguna
Lifetime IBP No. 018040-Laguna Chapter
PTR No. CC 8376019/Jan. 02, 2024 at Calamba City
Atty's Roll No. 36298-MCLE Comp. No. VII-0029272

IONICS, INC.

2023 SUSTAINABILITY REPORT

CONTENTS

2023 – The year that was

As we embark on the next phase in our company's journey, I am honored to be the new Chief Executive Officer following the unfortunate passing of our beloved Larry Qua.

While our hearts remain heavy with the loss of a visionary leader, we are committed to preserving and advancing the legacy of sustainability that he so passionately championed for decades.

Larry Qua's dedication to sustainability laid the foundation for our company's commitment to Environmental, Social, and Governance principles. It is with humility and determination that I assure of our continuing collective effort towards a sustainable future.

Raymond Ma Qua
President/CEO

Our team of dedicated professionals share a common goal: to build on the achievements of the past and drive our sustainability thrust to new heights and create a lasting positive impact on the world.

New initiatives, partnerships, and innovations are in place to demonstrate our dedication to sustainability. We will uphold our responsibility to our shareholders, ensuring that our actions align with the highest ethical standards.

THE COMPANY

Ionics Inc. is a leading technology group of companies engaged in product design cum electronics manufacturing, precision-engineered plastic injection molding, core-technology venture capital investment, property holdings and management.

The company traces its beginning in semiconductor and hybrid assembly as one of the pioneers and the only firm to remain standing for more than three decades.

It has the distinction of being named one of the best 300 and the best 200 global firms by Forbes for two consecutive years. It is listed in the Philippine Stock Exchange under the ticker of ION since 1995.

Ionics Inc. was incorporated in 1982 as Ionics Circuits, Inc. which commenced its consignment manufacturing in 1987. Since then, the company has diversified to printed circuit board assembly and packaging of finished products or box-build and eventually to electronics manufacturing services (EMS).

In 1999, Ionics Circuits spun off its EMS to a wholly owned subsidiary, Ionics EMS Inc. which listed in the Singapore Stock Exchange the following year, in 2000.

Accordingly, Ionics Circuits amended its primary purpose to become a holding company as Ionics, Inc.

Ionics, Inc. subsidiaries includes Ionics Properties Inc., Ionics EMS. Inc., iOmni Precision Inc., Ionics Circuits, Ltd., Ionics Product Solutions Inc.

THE COMPANY

SUBSIDIARIES

IONICS EMS, INC.

The oldest and most experienced electronics manufacturing services provider in the Philippines with many pioneering "firsts."

Among these are being the first to shift to the printed circuit board assembly or PCBA and the first to start the flip chip technology in the country.

Its services range from original design manufacturing, engineering, supply chain management and reverse logistics in the fields of computer and peripherals, telecommunications, automotive, consumer, medical and industrial.

IOMNI PRECISION, INC.

Molds engineered plastic products and parts through injection with high degrees of complexity and precision. Its nitrogen gas-assist is a technology first in the country.

IONICS PROPERTY, INC.

Owns and manages land and buildings and other structures for the group.

IONICS CIRCUIT, LIMITED

Engages in venture capital investment in core technologies globally for glimpses of future techscapes.

IONICS PRODUCTS SOLUTION

Engages in system integration.

What we can provide…

Ionics EMS, Inc. addresses any project to the Manufacturing Process regardless of its stage of development.

- Consultancy: Our in-house ODM capability can start from project concept.
- Specification: We can build to print once all documents needed are given by the customer
- NPI: Ionics EMS, Inc. can work directly with your prototype house for a quick turnaround from NPI through full Mass Production.
- Existing Product: Our team can pick up and continue an ongoing production.
- Product Design Customization
- New Product Development Consultation

Mass Production

- Full solutions with an extensive set of tools for PCBA and Box Build
- Skilled engineering and production teams
- Cutting-edge equipment with advanced technology capabilities

Lifecycle Management Solutions

- Design stage
- Quotation or looking for assistance in next-generation production
- Program Management

Ionics EMS offers the following design services:

1. Scoping (Product Specifications, Estimated Project Timeline, Estimated Unit Cost)
2. New Product Development (from product concept to mass production)
3. Value Engineering (for customers with existing product design)
4. Schematic Drawing & PCB Design Layout Services
5. Industrial Design Services
6. Software Development Services
7. Test Development Services
8. Product Regulatory Compliance

Ionics EMS offers the following supply chain services:

Smart Supply Chain

- Strategic Sourcing and Procurement Program
- Supplier and Material Management Program
- Manufacturing Planning and Control
- Inventory Control
- In-bound and Out-bound Logistics
- RMA

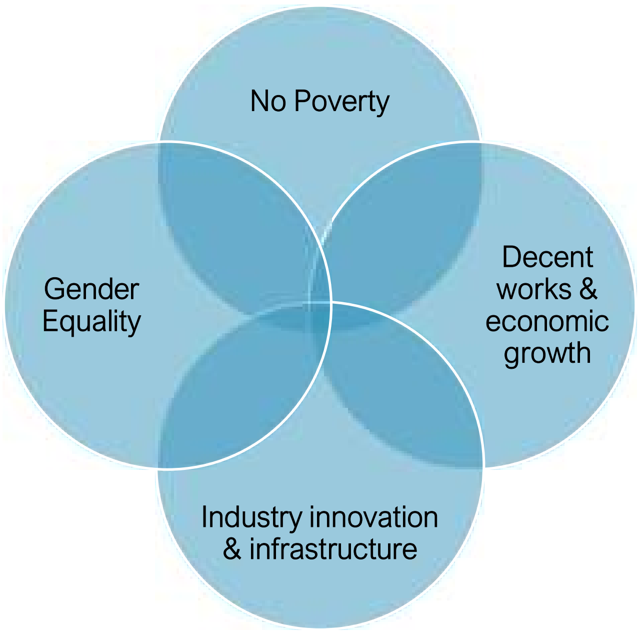
Kitting and Logistics

- Configuration
- Kitting
- Dropship to end customers
- Global Logistics Support

RMA

- Warranty Management
- Repair or Replacement
- Upgrading
- Technical Support

UN Sustainable Development Goals



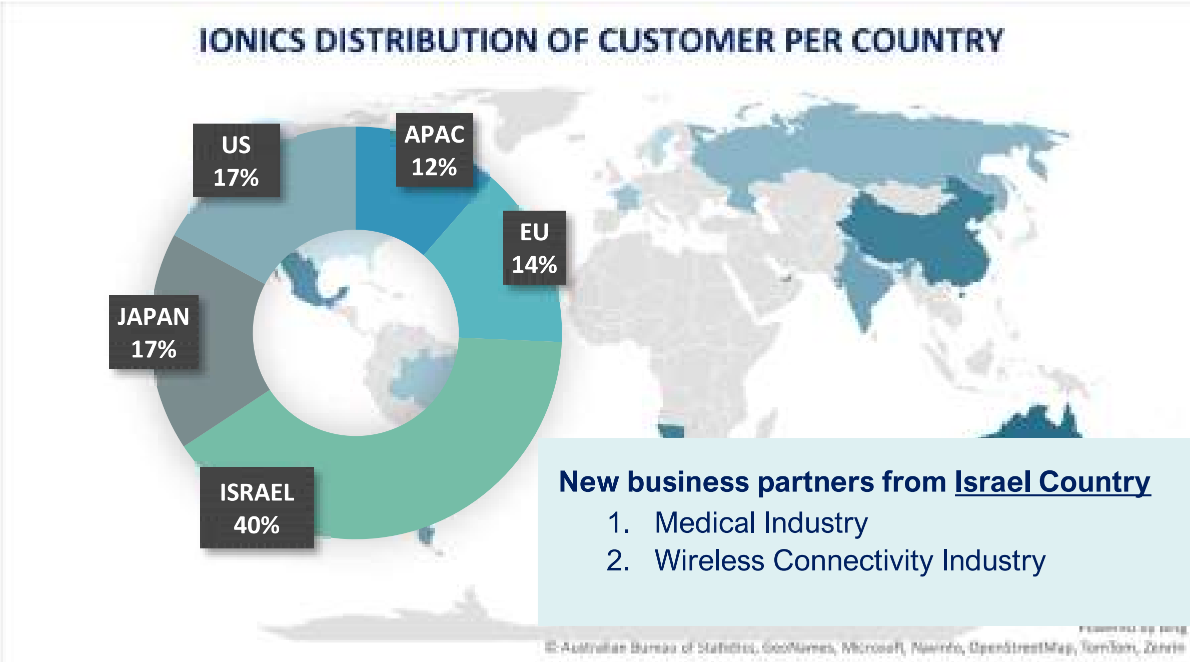
Ionics Inc. fully supports and promotes the UN Sustainable Development Goals.

It considers its workforce as one of the company's best assets thus, striving to provide a safe and healthy work environment for all.

Key performance indicators are developed with the aim to promote economic growth to its stakeholders and the economy as well. We encourage equality among the employees and deter discrimination. We value and respect everyone for who they are, whatever race or religion, gender or color.

2023 HIGHLIGHTS

NEW BUSINESS PARTNERS



New business partners from <u>Israel Country</u>

1. Medical Industry
2. Wireless Connectivity Industry

CERTIFICATION AND COMPLIANCE

<u>CERTIFICATION</u>

bsi ISO 9001 Quality Management Systems CERTIFIED

ISO 14001 Environmental Management CERTIFIED

bsi ISO 13485 Quality Management for Medical Devices CERTIFIED

bsi IATF 16949 Automotive Quality Management CERTIFIED

<u>COMPLIANCE</u>

IATA

Compliance in Dangerous Goods Air Transport "January 2023"

<u>REGISTRATION</u>

May 2023

CORPORATE SOCIAL RESPONSIBILITY

BRIGADA ESKWELA 2023

OUTREACH PROGRAM

COASTAL CLEAN UP DRIVE

Management approach to Health and Safety:

- The Ionics Health and Safety Team assessed work activities and consider Hierarchy of control measures in addressing its identified hazards and risks in workplace to mitigate its effects.

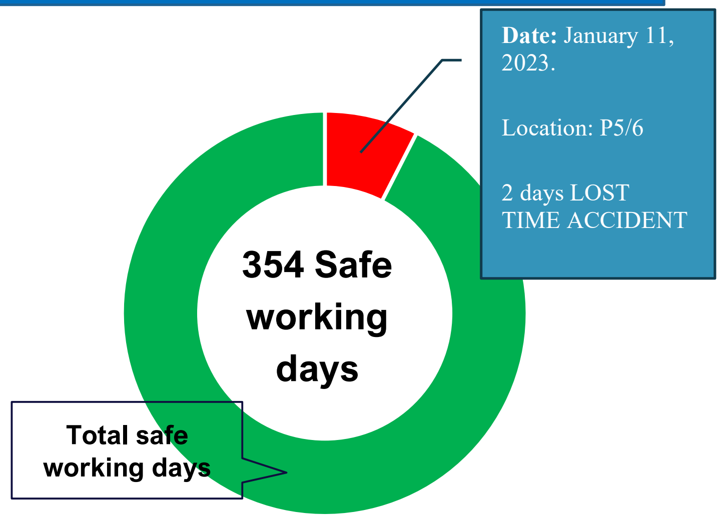
- Improvement / Enhancement of emergency peripherals and equipment such as FDAS including the installation of additional firefighting equipment and emergency lights to prevent injury in times of evacuation or disasters.

- Emergency Response Team competence was maximized through training, exercises, and simulations to keep Ionics ready in times of Disasters.

- Conduct Health and Safety orientation to all new employees including Mandatory Eight Hours Safety and Health (MESH) Training.

HEALTH & SAFETY

Goal: Zero – Accident / Incident occurrences



Emergency Response Team (ERT) Training

FIRE DRILL AND EARTHQUAKE DRILL

IONICS, Inc. protects its employees and external parties from harm and injuries by assessing, maintaining, analyzing the risks and continually improving. Our company implements health and safety programs and system such as ERT training, fire drill and earthquake drill to prepare in any natural disaster. Our objectives are zero lost time accident, safety first and maintain safe working environment that employees feel that this is really their second home.

ETHICS AND COMPLIANCE

IONICS Inc. intends to build a culture within the organization where we accentuate the importance of integrity, honesty, and business ethics. We are committed to spreading that sense of responsibility with respect to internal and external counterparts to build a strong connection within and in between organizations.

Our **code of conduct** highlights the value that IONICS Inc. pursues to instill to our people. We build an environment where we encourage ethical practices through policies that ensure our compliance such as **anti-bribery law and whistle-blowing policy.**

Our people are aware and actively participate to programs that prohibits corruption inside the organization, making it a significant place for fairness and impartiality. We uphold integrity in everything that we do and everything that we have.

LABOR MANAGEMENT

IONICS Inc. ensures that we comply with the Labor Code of the Philippines. Our workforce comprises of legal-aged individuals, all provided with the mandated benefits that a private employee must have.

Our hiring rate decreased 3%, with a total of 2,714 employees in 2023. This year we look forward to offering additional job opportunities, particularly for the local community.

TRAINING & DEVELOPMENT

Ionics believes that organizational skills and knowledge must be improved continually on the entire organization for the benefit of our customers and stakeholders. We've dedicated training programs designed to keep versed of new trends and enhanced competence.

In 2023, we completed 179 trainings base on plan which is doubled the result of 2022. Maintaining the focus on technical and industrial enhancements is an effort to improve overall performance.

This 2024, Ionics Training Group aims to design new programs that uplift team members' competence, performance, and morale which result in boosting competitiveness in the electronics industry.

CORPORATE SOCIAL RESPONSIBILITY

Here at IONICS EMS, Inc., we make it a habit to give back to the community by extending our hands and offering help.

We regard the society as our stakeholders, as it is the source of our manpower resources and, the expected end-user of our products.

In partnership with the Department of Education, **we supported Brigada Eskwela 2023** in their objective to promote learners' well-being, inclusive education, and a positive learning environment.

As IONICS EMS, Inc. addresses environmental challenges, **we collaborated with CENRO Calamba City** during the International Coastal Clean-up Day which aims to influence our employees to be champions who promote sustainability initiatives.

Because giving is caring, we devised programs that allow us to provide some of the immediate needs of the community. And we look forward to continuing the social responsibility of this organization.

RISK MANAGEMENT

With the aim of continuously improving the organization's business process, we make sure that we are compliant with international standards that governs our products. We identify risks and opportunities that IONICS, Inc. addresses to ensure streamlined procedures.

IONICS Inc. is a member of SEDEX, which means that we comply with policies on managements systems, labor, environment, health, and safety.

As part of our risk management, a 5-year Strategic Plan is provided and reviewed annually, along with our Enterprise Risk Management where we identify and analyze risks, provide countermeasures as necessary, and monitor and control to make sure that they will not pose threats to the organization.

We are looking forward to innovating our factories for better performance visibility and thus, act and react immediately to provide the resources needed to meet our targets. We continue to improve our ways to mitigate the risks and capitalize opportunities.

RISK MANAGEMENT

As part of our proactive improvement, we assess our business operations and identify risks and opportunities that we need to address. Which are as follows.

Risk	Affected Stakeholder	Management Action
Unmet compliance obligations	Management Employees Customers Suppliers Other external parties	Constant monitoring of compliance obligations. Proper implementation of requirements
Improper Waste Management	Management Employees	Waste Management Programs Promotion of organizational awareness
High Turnover Rate	Management Employees	Understand reason of employee separation Improvement in labor management
Delay Legal Compliance (Permits)	Employees Organization Management	Provision of Regulatory Program Provision of Regulatory Program Provision of Regulatory Program

Opportunity	Affected Stakeholder	Management Action
Expansion and new business ventures	Management Employee Customers Suppliers Other external parties	Investment allocation Feasibility study on new projects
Strong customer relations	Management Customers	Strengthening customer service thru open communication Continuous improvement in operations and quality

SUPPLY CHAIN MANAGEMENT

IONICS Inc. extends its quality management systems to the supply chain by introducing controls on externally provided products and services. Supplier management focuses on our aim to build healthy partnership that promotes smooth supply flow of quality components parts at the right time that we need them to meet customer requirements.

To make sure that our suppliers comply with our requirements, we conduct audits to check and monitor their management system's integrity. This also helps them initiate improvement and thus, work out on quality improvement, shorter lead times and cost reduction. As partners, we make sure that our communication lines are open to strengthen coordination, efficient information flow and promote on-time dissemination.

Equipped with the right people, we strengthen the supply chain through a robust procurement and sourcing program, manufacturing controls and responsive logistics system.

ENVIRONMENT

As an ISO 14001:2015 certified organization, we deliver programs that support a greener environment. It is part of our advocacy to establish an environment friendly business operation, maintained by our people through well-thought planning and effective execution of our environmental protection programs.

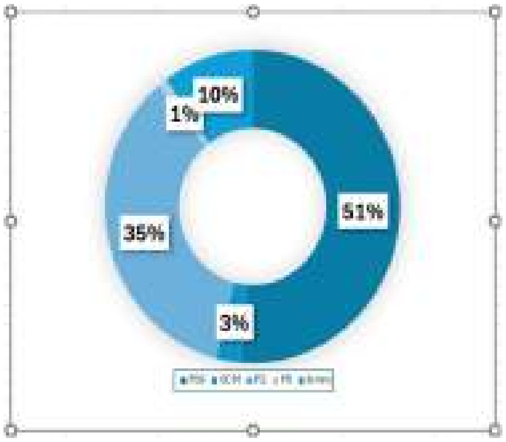
We create programs that are environmentally sensitive and are focused on minimizing our waste generation and proper waste management. We create our Objectives, Targets and Programs for the environment aligned with applicable compliance obligations and, of course, our internal commitments.

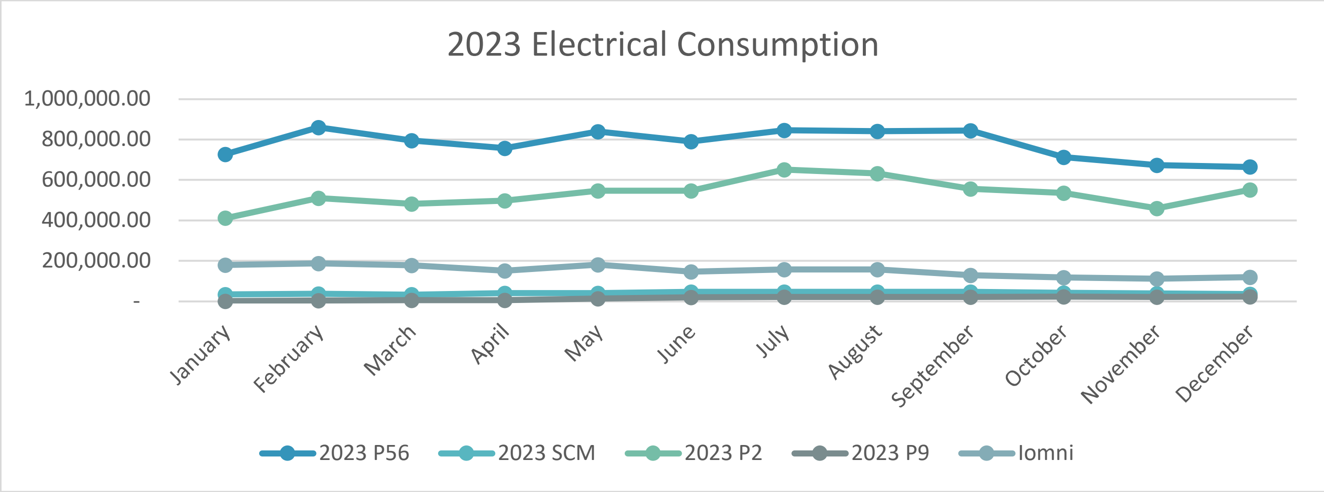
This OTP summarizes our policy, strategy and pledge adhering to environmental protection by reducing waste and emissions, decreasing our use of natural resources, prevention of pollution, and recycling waste materials while complying to applicable statutory and regulatory requirements. This environmental approach can be applied not only to our operations, but also to support functions.

Energy Conservation Committee proactively monitors our utility consumption and analyzes data to better improve our activities. With the help of the top management, we look forward that this initiative will soon bear positive results on our promotion of environmental protection and conservation.

ENVIRONMENT

ELECTRICAL CONSUMPTION



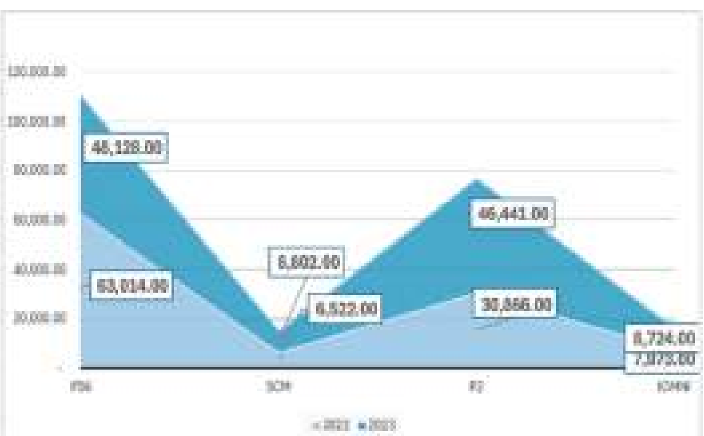


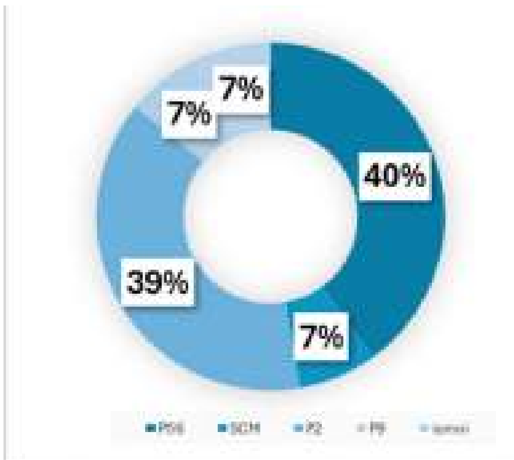
Summary:
Plant 5/6 and SCM Hub had decreased electrical consumption due to implementation of energy conservation activity example is turn off machine for non-running line.

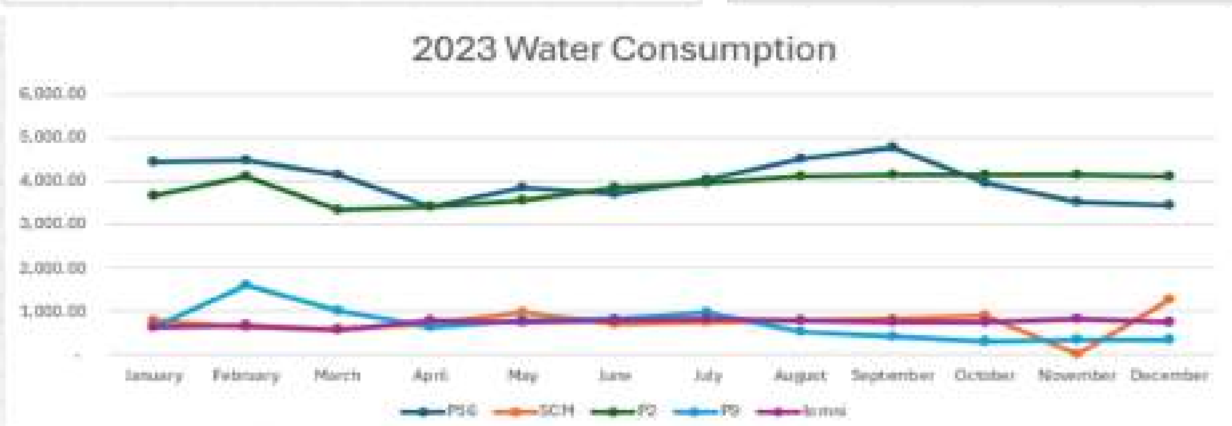
Plant 2 had minimal increase in electrical consumption due to the demand volume, setup lines and equipment.

Overall Electrical consumption increased due to acquisition of new customers and additional site (Plant 9 Hub).

WATER CONSUMPTION







WASTE MANAGEMENT

Summary:

Plant 5/6 and SCM Hub had minimal decrease of water consumption due to water conservation policy.

Plant 2 had a minimal increased water consumption due to the demand volume, setup lines and other projects for 2023.

Overall water consumption increased due to acquisition of new customers and additional site (Plant 9 Hub).

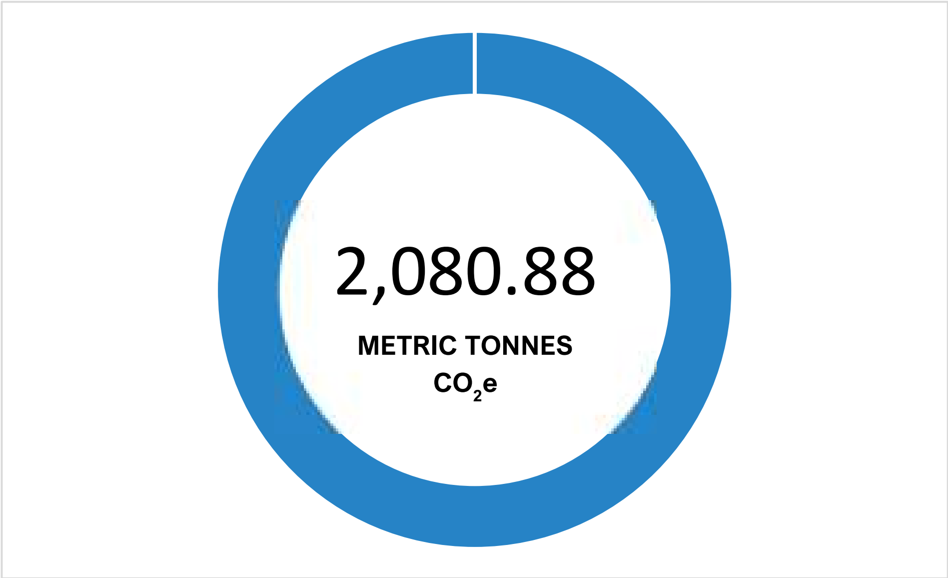
RESIDUAL WASTES

- **High waste generation by 2023 vs. 2022** due to increasing of production capacity.

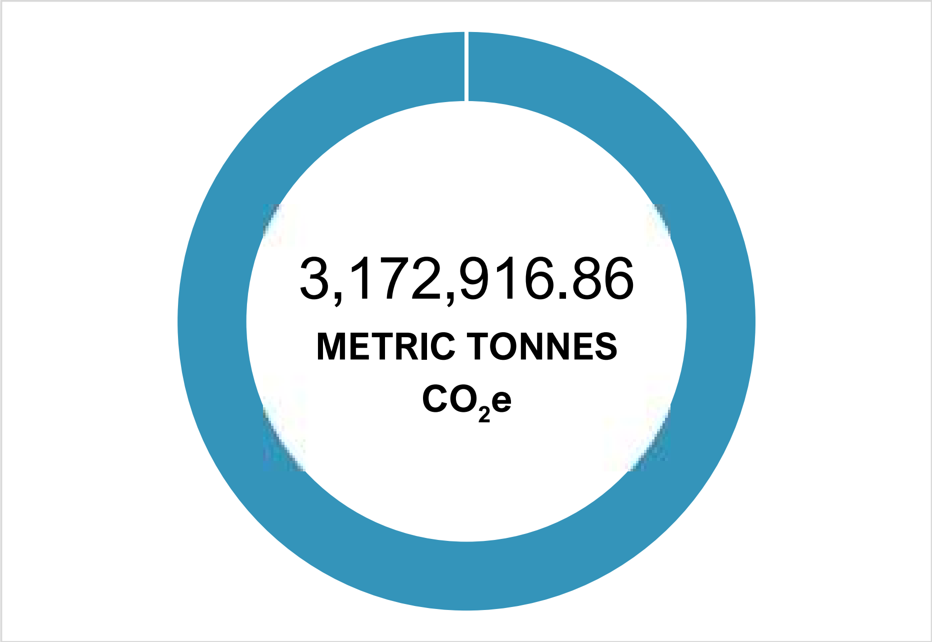
HAZARDOUS WASTES

- Ionics has a hazardous waste area for the storage of all hazardous materials for Plants 2, 5 and 6 & Iomni.
- Hazardous waste was collected by a DENR-accredited hauler for all manufacturing plant sites.
- We manage all hazardous waste as per applicable regulatory requirement (RA 6969). We ensure that all hazardous waste is treated in compliance with these requirements. Targets and programs are both in place to improve our hazardous waste disposal process & management.

SCOPE 1: GHG Direct Emission – fuel consumption of company -owned vehicles and generator sets .



SCOPE 2: GHG Indirect Emission – calculated from electricity consumption.



Ionics, Inc. and Subsidiaries

Amounts in Thousands (USD$)	2023	2022	2021
Direct economic value generated (revenue)	US$98,081	US$78,356	US$62,468
Direct economic value distributed:			
a. Operating costs	90,789	72,228	58,620
b. Employee wages and benefits	17,256	16,183	14,509
c. Payments to suppliers, other operating costs	64,219	63,716	37,742
d. Dividends given to stockholders and interest payments to loan providers	3,214	1,081	633
e. Taxes given to government	1,672	1,284	1,209
f. Investments to community (e.g. donations, CSR)	2	2	1

Welcome 2024

As before and for this 2024, sustainability is at the core of our values and the driving force in our decisions and actions.

Raymond Ma Qua
President/CEO

In the face of global challenges, from climate change to social inequality, we are committed to our corporate responsibility.

Our sustainability will reflect both our accomplishments and our aspirations. We will continue to innovate and invest in eco-friendly practices and engage with our stakeholders to create meaningful and lasting change. For us, a thriving business and a sustainable future are not mutually exclusive.

With shared vision, unity, and resilience, we face the challenges of the year embracing sustainability for a better governance of Ionics EMS Inc. and for the well-being of our planet.

ANNEX A:

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	IONICS EMS, INC.
Location of Headquarters	No. 14 Mountain Drive, Light Industry and Science Park II, Lamesa Barangay Road, Calamba, Laguna, 4027 Laguna
Location of Operations	1. Plant 5&6 Circuit Street, Light Industry and Science Park I, Bo. Diezmo, Cabuyao, Laguna, 4025 Philippines 2. Plant 2 Carmelray Industrial Park II, Calamba City, Philippines 3. Plant 4 No. 3 Mountain Drive, Light Industry and Science Park I, Brgy. La Mesa Calamba City
Report Boundary: Legal entities (e.g., subsidiaries) included in this report*	Ionics EMS, Inc. Plant 5&6, Supply Chain Management (SCM), Head Office (HO), Plant 9 Warehouse
Business Model, including Primary Activities, Brands, Products, and Services	Manufacture of Printed Circuit Board Assembly (PCBA), Box Build Assembly (BBA), FLEX Assembly
Reporting period	YEAR 2023
Highest Ranking Person responsible for this report	MR. RAYMOND QUA

MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
Ionics EMS Inc.' Sustainability Report enables the stakeholders to understand our organization's true value, improve our products and services with main-focus on the following key indicators: ➢ Economic ➢ Environmental ➢ Social ➢ Governance Performance Ionics EMS Inc. supports the mission of UN Developmental Goals. As such, the organization have developed goals and initiatives to protect the environment and its community (refer to the succeeding page foe the data). We value our economic growth thus we always believe that success is our only option in this business arena. We can only do such by providing the best and quality products to our customers – we did. Ionics EMS Inc. will continue to exceed the expectations or our customers and stakeholders through good governance. Year 2019 has been a great year for Ionics EMS Inc. We believe that the people are the best asset of the company thus we generate actions to safeguard our people. Our employees and contractors are the heart of the organization. Lastly, we safeguard our environment because to protect the environment is equivalent to protecting our lives and the lives of the next generation. The sustainability strategies have been set in place to improve these four facets – economic, environment, social and governance performance of Ionics EMS Inc.

ANNEX A:

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Amount in Thousands (USD$)	2023	Units
Direct economic value generated (revenue)	98,081	US$
Direct economic value distributed:		
a. Operating costs	90,789	
b. Employee wages and benefits	17,256	
c. Payments to suppliers, other operating costs	64,219	
d. Dividends given to stockholders and interest payments to loan providers	3,214	
e. Taxes given to government	1,672	
f. Investments to community (e.g. donations, CSR)	2	

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
1. Contribution on telecommunication technology on global market and home technology on national market. 2. Rationalization of local suppliers. 3. Promote fair business ethics and practices.	- Community - Employees - Government - Suppliers	The Company met the requirements designated under the following standard: - ISO 9001 Certified – Quality Management System - ISO 14001 Certified – Environmental Management System - ISO13485 Certified – Quality Management System – Medical Devices - IATF16949 International Automotive Task Force The Company is compliant with the Corporate Governance regulated by the Securities Exchange Commission (SEC), which includes policy on business ethics and anti-corruption practices. The Company is conducting Strategic Planning for five (5) years and being reviewed every year, and this was linked to Company mission and vision.

ANNEX A:

What are the Risk/s identified?	*Which stakeholders are affected?*	*Management Approach*
1. Production stoppage due to act of nature (e.g., volcanic eruption, forest fire, earthquake, storm, etc.) 2. Procurement fraud 3. Corruption activity	- Community - Employees	The Company regularly review the Corporate Governance and continuous certification on applicable ISO standards.
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
1. Retention of employees due to healthy working environment. 2. Community value due to effective Corporate Social Responsibility (CSR) activities. 3. Fraud free organization due to effective anti-corruption policy, program and awareness.	- Community - Employees	The Company regularly review the Corporate Governance and continuous certification on applicable ISO standards.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Governance	*Strategy*	*Risk Management*	*Metrics and Targets*
We are committed to conduct its business in accordance to the demands of world class electronics company, exercising the needed environmental care as embodied in its Environmental Management System (EMS), and involving its employees, business partners, and the community at large in its unrelenting efforts towards environmental improvement and sustainable development. We recognize environmental management as everybody's responsibility, as important as any other obligations of the company	Campaign Awareness Program Training Development Participation CSR activity	All Manufacturing Services Produce negative impacts to our Environment, majority of these are the land contamination, effluent discharge, Hazardous Waste Generation and Air quality degradation.	Comply with all laws and environmental regulations, including hazardous substances management regulations, applicable to our industry. Prevent pollution by minimizing the quality and degree of hazard of the waste generated by our operations, conserve resources, commit to recovery and recycling as opposed to disposal where feasible, and strive for continual improvement, Implement program to meet our environmental objectives and targets, review them as per defined frequency and require all concerned personnel to implement continual improvement.

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Ease on communication - Shorter Lead-time - Less logistics and handling cost	- Suppliers - Customers - Supply Chain	- Localization Strategy (Balanced Score Card)
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Raw material not available - Technology not yet ready - Difficulty in setting-up - Limited number of manufacturers	- Customers - Supply Chain	- Localization Strategy (Balanced Score Card)
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Ease of doing business - Increase job opportunities locally - Introduce suppliers to new technology	- Supply Chain - Suppliers	- Localization Strategy (Balanced Score Card)

ANTI-CORRUPTION

Training on Anti-Corruption Policies and Procedures

Disclosure	*Quantity*	*Units*
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
- Lost of money - Lost of materials	- Employees	- Provide Policy regarding Anti-Corruption
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
Dismissal of the employees - undisciplined employee	- Employees	- Implement the rules and regulations as stated in Code of Conduct
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
No issue on dismissal - discipline will be observed	- Employees	- Orientation of the employees

Incident of Corruption – Human Resource

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	Incident
Number of incidents in which employees were dismissed or disciplined for corruption	0	Incident
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	incident

Incident of Corruption – Customer Sales

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	Incident
Number of incidents in which employees were dismissed or disciplined for corruption	0	Incident
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	incident

ANNEX A:

Incident of Corruption – Non-Production Related

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	Incident
Number of incidents in which employees were dismissed or disciplined for corruption	0	Incident
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	Incident

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Losses, affects business operations, employment, and investment	- Employer & Employee	- This is included on Ionics Policy Manual
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Supplier price escalation to offset cost of corruption	- Employer & Employee	- Employee's dismissal
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Supplier price escalation to offset cost of corruption	- Business partner / employee	- Employee's dismissal

ENVIRONMENT

RESOURCE MANAGEMENT

Energy Consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	N/A
Energy consumption (gasoline)	995	liters
Energy consumption (LPG)	6,350	kilograms
Energy consumption (diesel)	826.46	liters
Energy consumption (electricity)	16, 407,678.45 KwH	Kilowatt / hour

	(Total Electricity Consumption)	

Reduction of Energy Consumption

Disclosure	***Quantity***	***Units***
Energy reduction (gasoline)	-	metric tons CO2
Energy reduction (LPG)	-	metric tons CO2
Energy reduction (diesel)	-	metric tons CO2
Energy reduction (electricity)	-	Kilowatt / hour

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
- Energy Conservation - Environmental impact is depletion of fossil fuels. It can occur in high electricity consumption. - Involvement in the impact are the production, offices and all the employee's and Management	- Community - Government - Employee - Top Management - Public and Private Sector	- Included in Ionics EMS, Inc. Environmental Policy - Organizational towards Environmental Concern - Training and Development - Included in Ionics Environmental Procedure in ISO 14001 (IEMSP432-01) - Legal Compliance > RA 11582 Energy Conservation Law > RA 9136 "Electric Power Industry Reform Act of 2001
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Variation of Consumption - Safety, reliability, efficiency, and energy costs must be weighed in conjunction with replacement costs and liability risk to formulate and prioritize recommissioning and retro-commissioning plans.	- Community - Employee	- Included in Ionics EMS, Inc. Environmental Policy - Organizational towards Environmental Concern - Included in Ionics Environmental Procedure IEMSP446-03
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***

- Creating an Energy and Water Conservation Team - Training Awareness for Employees	- Community - Employee	- Included in Ionics EMS, Inc. Environmental Policy - Included in Ionics Environmental Procedure (IEMSP 446-03)

Water Consumption within the Organization

Disclosure	*Quantity*	*Units*
Water Withdrawal	N/A	Cubic meters
Water Consumption	111,622.00	Cubic meters
Water recycled and reused	N/A	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Water Shortage - Water Pollution	- Community - Employee	- Water Usage Reduction - Included in Ionics EMS, Inc. Environmental Policy - Included in Ionics Environmental Procedure in ISO 14001 (IEMSP432-01) - Legal Compliance > DAO 2004-35 > RA 9275 (Clean Water Act of 2005)

What are the Risk/s identified?	*Which stakeholders are affected?*	*Management Approach*
- Water Pollution - Legal Compliance - Costs must be weighed in conjunction with replacement costs and liability risk to formulate and prioritize recommissioning and retro-commissioning plans.	- Community - Employee	- Water Usage Reduction - Included in Ionics EMS, Inc. Environmental Policy - Included in Ionics Environmental Procedure in ISO 14001 (IEMSP432-01) - Legal Compliance > DAO 2004-35 > RA 9275 (Clean Water Act of 2005)
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***

ANNEX A:

- Data Gathering, Effluent Standard	- Employee	- Included in Ionics EMS, Inc. Environmental Policy

Materials used by the Organization

Disclosure	***Quantity***	***Units***
Materials used by weight or volume		
• Renewable	N/A	Kg/liters
• non-renewable	N/A	Kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A

***Materials used in our manufacturing processes are not renewable or recyclable. They are made from natural indirect materials imported from other countries.**

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
- Business Operation	- Community	- Included in Ionics Environmental Procedure IEMSP432-01 - Participation in the activity for Environmental Concern
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Land Development Expansion Project	- Community - Supplier	- Included in Ionics Environmental Procedures IEMSP431-01

	- Employees	- Implementation of IEC (Information, Education, Communication)
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Increasing Job Opportunities	- Community	- Implementation of IEC (Information, Education, Communication)

*Mount Makiling is under a protected area system under the Biodiversity Bureau. It is classified as a Forest Reserve within 26km from Calamba. Our manufacturing site is already in operation for > 40 years but there have been no reported effects of the operation to the habitat of the species along the area.

ENVIRONMENTAL IMPACT MANAGEMENT

Air Emission (GHG)

Disclosure	*Quantity*	*Units*
Direct (Scope 1) GHG Emissions	2,080.88	Metric Tonnes CO2e

*Ionics EMS, Inc. shall comply to the relevant laws and regulations of “Montreal protocol of Substances that deplete the Ozone Layer Japan Law Act on the Protection of the Ozone Layer through the Control of Specified Substances and Other Measures” and shall ban the use of HFCFs before 2030.

What is the impact and where does it occur? What is the organization’s involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Climate Change - Fuel Burning - Higher Temperature	- Government - Community - Company	- Included in Ionics EMS, Inc. Environmental Policy - Included in Ionics Environmental Procedure IEMSP433-01 - Legal Compliance > RA 8749 Clean Air Act of 1999 > DAO 2000-81 > Emission Test Annual > Ambient Testing Every 5 Years
What are the Risk/s identified?	***Which are affected?***	***Management Approach***
- Air Quality Degradation - Climate Change - Global Warming	- Community - Government	- Included in Ionics Environmental Procedure IEMSP451-01 - Gather Data in Climate Change Commission for Possible alternative

		solutions in reducing the effect of GHG - Implement IEC
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Data Gathering, Monitoring	- Community	- Included in Ionics Environmental Procedure IEMSP451-01

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
- Business Operation - Customer Audit - Air Quality Degradation	- Community - Management	- Included in Ionics EMS, Inc. Environmental Policy - Legal Compliance > RA 8749 Clean Air Act of 1999 > DAO 2000-81 > Emission Test Annual > Ambient Testing Every 5 Years

What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Air Pollution	- Community	- Included in Ionics EMS, Inc. Environmental Policy - Legal Compliance > RA 8749 Clean Air Act of 1999 > DAO 2000-81 > Emission Test Annual > Ambient Testing Every 5 Years
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Data Gathering, Ambient and Emission Test Result	- Community	- Included in Ionics EMS, Inc. Environmental Policy

*Supply Chain Management building and Head Office building do not use standby generators that emit air pollutants
*There is no significant air pollutant Ionics EMS, Inc emits in the environment. This is part of our objective and method to protect the environment

SOLID AND HAZARDOUS WASTES

Solid Wastes

Disclosure	Quantity	Units
Total solid waste generated	350,922.00	Kg
Reusable	N/A	Kg
Recyclable	206,115.00	Kg
Composted	N/A	Kg
Incinerated	N/A	Kg
Residuals/Landfilled	103,057.00	Kg

Hazardous Wastes

Disclosure	Quantity	Units
Total weight of hazardous waste generated	34,345.76	Kg
Total weight of hazardous waste transported	34,345.76	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
- Land Pollution - Water Pollution - Air Pollution - Health Hazard - Flooding	- Employee - Community	- Included in Ionics EMS, Inc. Environmental Policy - Legal Compliance > RA 6969 Toxic Substances and Nuclear Waste Control Act of 1990 > RA 9003 Ecological Solid Waste Management Act of 2000
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
- Environmental Cases - Pollution	- Community	- Included in Ionics EMS, Inc. Environmental Policy

		- Include in Ionics Environmental Procedure IEMSP 446-01
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Study the Environmental Laws	- Employee - Community - Government	- Training and Development

Effluents

Disclosure	***Quantity***	***Units***
Total volume of water discharges	N/A	Cubic Meters
Percent of wastewater recycled	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

Disclosure	***Quantity***	***Units***
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	No Violation
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	non-monetary sanction
No. of cases resolved through dispute resolution mechanism	0	cases resolved

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***

N/A	N/A	N/A
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
N/A	N/A	N/A

*All domestic wastewater is discharged to Centralized Water Treatment Plant of LISP 1 and 2. There are no wastewater discharged directly to the environment.

WORKPLACE CONDITION, LABOR STANDARDS AND HUMAN RIGHTS

Occupational Health and Safety

Disclosure	***Quantity***	***Units***
Safe Man-Hours	5,709.440	Man-Hours
No. of work-related injuries	2	Injuries
No. of work-related fatalities	0	Fatalities
No. of work-related ill-health	0	Ill-health
No. of safety drills	2 per plant site	drills

Labor Laws and Human Rights

Disclosure	***Quantity***	***Units***
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	***Y/N***	***If Yes, cite reference in the company policy***

ANNEX A:

Forced Labor	Yes	Employment Contract and Undertaking / Job Description
Child Labor	Yes	Recruitment and Hiring Procedure
Human Rights	Yes	Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
- Noncompliance to the labor laws company will be penalized	- Organization	- Implementation of the Recruitment and Hiring Procedure
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Noncompliance to company imposed hiring standards.	- Organization	- Implementation of the Recruitment and Hiring Procedure
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Thorough interview and strict background checking to ensure new hires are in the right age	- Organization	- Implementation of the Recruitment and Hiring Procedure

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
QP7-04B Supplier Quality Assurance Procedure
Do you consider the following sustainability topics when accrediting suppliers?

Topic	***Y/N***	***If Yes, cite reference in the company policy***
Environmental Performance	Yes	QP7-04B Item 6.3.0.4 Sustainability Requirement states that

		"Ionics EMS Inc require suppliers to submit and comply in the sustainability requirement of ISO. The sustainability form (Supplier Declaration on Sustainability) is a declaration that the supplier warrants that its personnel are not abused and will ensure that they have program in place that the workers will be happy with their work and therefore will not resign". Refer to the ENVIRONMENT statement of the Supplier Declaration on Sustainability form.
Forced Labor	Yes	Refer to the FORCED LABOR statement of the Supplier Declaration on Sustainability form.
Child Labor	Yes	Refer to the CHILD LABOR statement of the Supplier Declaration on Sustainability form.
Human Rights	Yes	Refer to the DISCRIMINATION statement of the Supplier Declaration on Sustainability form.
Bribery and corruption	No	

What is the impact and where does it occur? What is the organization's involvement in the impact?	***Which stakeholders are affected?***	***Management Approach***
Impact: Loss of business / customer Potential Causes: - Failure to meet delivery requirement of the customer - Failure to expedite parts to support customer pull in	Customers, Employer, Employees, Suppliers	- Competency / skills enhancement of buyers - KPI Setting and Performance Evaluation Review - Planning efficiency > Order Management Program * component with 90 days and above LT * No order Review and analysis (current and 2 succeeding months)

What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Cannot meet Ionics delivery target and potential loss of business / client	- Customers, Employer, Employees, Suppliers	- Competency / skills enhancement of buyers a. Improve planning skills b. Improve communication skills

		c. Succession Planning Program d. Back up or BUDDY-BUDDY System
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Additional PO from the customers	- Customers, Suppliers	- Referral to other customer by existing customer

RELATIONSHIP WITH COMMUNITY

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	*Location*	*Vulnerable groups (if applicable)**	*Does the particular operation have impacts on indigenous people (Y/N)?*	*Collective or individual rights that have been identified that or particular concern for the community*	*Mitigating measures (if negative) or enhancement measures (if positive)*
Positive- employment opportunity	Laguna and nearby areas	N/A	No	No	N/A

CUSTOMER MANAGEMENT

Customer Satisfaction

Disclosure	*Score*	*Did a third party conduct the customer satisfaction study (Y/N)?*
Customer Satisfaction	90%	No. Customer only

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*

ANNEX A:

Impact: Loss of Customer Where it Occur: Cross functional department Potential Cause: Unable to meet customer requirements in terms of Quality, Delivery, Cost and Service	- Customer, Employees and suppliers	- It is part of the managements initiative to provide Risk Assessment and strategy to avert the problem with sustained actions to improve problem areas like communication, Service Improvement, Relationship building, Competency and employee retention plan among others.
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Lack of communication - Delayed response to customer request	- Employee, customer, supplier	- Improve communication channels (VOIP, Skype, internet speed) - Submission of Weekly Management report to customer and involved stakeholders for alignment of information
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Customer retention and growth of existing customer - Referral to other potential business/customer	- Employee, Customer Supplier	- Business Review meeting / Customer visit - Transparency of information

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Satisfying the customer requirements	- Business operation - Suppliers - Customer	- Ensure employees are following the approve SOPs - Proactive approach and maintaining regular internal audit
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Higher expectations in our product	- Business operation - Suppliers - Customer	- Proactive approach and maintaining regular internal audit
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Increase profit and demand - Good relationship with customers	- Business operation - Suppliers - Customer	- Deploy qualified employees in the assembly process - Ensure manpower is enough to supply the demand of our customer

Marketing and Labelling

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on product or service health and safety*	578	Complaints on product
No. of complaints addressed	561	Complaints addressed and closed in time

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Customer Claim due to marketing and labelling issues	- Customers, Employees, Investors	- Thorough checking of products and adherence to customer specific requirements, regulatory and statutory regulations related to marketing and labelling.
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Loss of customer - Penalty for marketing and labelling complaints	- Organization, Investors Government	- Thorough checking of products and adherence to customer specific requirements, regulatory and statutory regulations related to marketing and labelling. There is an approval from the Management when it comes to marketing strategy.
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Gain more customers	- Organization, Employees, Investors, Community	- Ionics created one process in Sales Department which is solely related to marketing works. It focuses on gaining customers.

Customer Privacy

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on customer privacy*	**0**	**Occurrence**
No. of complaints addressed	**0**	**Complaint**
No. of customers, users and account holders whose information is used for secondary purposes	**0**	**Users and account holders**

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Impact: Legal actions and eventually loss of Customer (Supply Chain Team)	**- Customer, Employee, Suppliers**	**- Provide questionnaire to customer during RFQ process on what documents can be shared to suppliers**
What are the Risk/s identified?	*Which stakeholders are affected?*	*Management Approach*
- Lack of information to relevant team handling customer document	**- Customer Employee, Suppliers**	**- Provide education to relevant team on the handling and sharing of customer documents**
What are the opportunity/ies identified?	*Which stakeholders are affected?*	*Management Approach*
- Keep customer and avoidance of legal actions	**- Customer Employees, Suppliers**	**- Align with customer the documents shareable to supplier and education to Ionics employee handling customer documents**

*Ionics EMS, Inc. safeguards customer information with utmost confidentiality

ANNEX A:

Data Security

Disclosure	*Quantity*	*Units*
No. of data breaches, including leaks, thefts and losses of data	**0**	**incidents**

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Effect on the IT Security and Business Operations. Microsoft Office 365.	- Employees and Management	- Availed or purchased additional security like (Cloud Firewall and update the existing Firewall and upgrade to Next-gen Firewall), conduct vulnerability testing in the network and cloud and enable security services in Microsoft Office 365.
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Negative impression and loss of Customer/s Trust.	- Management	- We conduct investigation and reported to local authorities regarding the incidents happened to prove that this take as serious issues.
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- To improve more the IT Security (Network and Cloud Apps)	- Management	- Implementing and enable services on the Firewall (Anti-bot, Threat Emulation, Anti-Spam, Anti-virus, etc.)

*Ionics EMS, Inc. have purchased and used additional security like Cloud Firewall and update the existing Firewall to Next-gen Firewall

ANNEX A:

SOCIAL

Employee Management
Employee Hiring and Benefits
Employee Data

Disclosure	Quantity	Units
Total number of employees	2,714	Employees
a. Number of female employees	2,024	Employees
b. Number of male employees	690	Employees

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs
Key products and services and its contribution to sustainable development.
IONICS EMS, INC.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Electronic Manufacturing Services	G1 - No Poverty G5 - Gender Equality G8 - Decent Work and Economic Growth G9 - Industry, Innovation and Infrastructure G13 - Climate Action	Hazardous waste from operations activity (e.g., wastewater, electronics scraps)	The Company has the facility to treat wastewater and have the procedure on disposal of hazardous waste. The Company also implemented the use of lead-free components on its production.
Design and Development Services	G1 - No Poverty G5 - Gender Equality G8 - Decent Work and Economic Growth G9 - Industry, Innovation and Infrastructure G13 - Climate Action	Electronic waste	The Company has the procedure on disposal of electronic waste and has business partner who is accredited on collecting and handling electronic waste.

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

ANNEX A:

IOMNI PRECISIONS, INC.

Key Products and Services	*Societal Value / Contribution to UN SDGs*	*Potential Negative Impact of Contribution*	*Management Approach to Negative Impact*
Plastic Injection	G1 - No Poverty G5 - Gender Equality G8 - Decent Work and Economic Growth G9 - Industry, Innovation and Infrastructure G13 - Climate Action	Hazardous waste from operations activity (e.g., wastewater, plastic scraps)	The Company has the facility to treat wastewater and have the procedure on disposal of hazardous waste and has business partner who is accredited on collecting and handling hazardous waste.
Mould Fabrication	G1 - No Poverty G5 - Gender Equality G8 - Decent Work and Economic Growth G9 - Industry, Innovation and Infrastructure G13 - Climate Action	Hazardous waste from operations activity (e.g., wastewater, metal scraps, oil)	The Company has the facility to treat wastewater and have the procedure on disposal of hazardous waste and has business partner who is accredited on collecting and handling hazardous waste.

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

IONICS PROPERTIES, INC.

Key Products and Services	*Societal Value / Contribution to UN SDGs*	*Potential Negative Impact of Contribution*	*Management Approach to Negative Impact*
Estate Rental	**G1 - No Poverty** **G8 - Decent Work and Economic Growth** **G12 - Responsible Consumption and Production** **G13 - Climate Action**	**Continuous conversion of raw land to industrial area.**	**The Company is developing industrial estate on designated area of the Government and comply with regulatory agency with regards to estate leasing and environmental compliance.**

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

IONICS INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Ionics, Inc. and Subsidiaries (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, 2023 and 2022, 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 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.

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.

ALFREDO R. DE BORJA
Chairman of the Board

RAYMOND MARIA C. QUA
President/Chief Executive Officer

RONAN R. ANDRADE
Chief Financial Officer

Signed this 4th day of April,2024

MAKATI CITY

SUBSCRIBED AND SWORN to before me this APR 04 2024 day of ______ affiants exhibiting to me their Passport as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Alfredo R. De Borja	P7893866B	October 16, 2021	DFA Manila
Raymond Maria C. Qua	P5737906A	January 24, 2018	DFA NCR South
Ronan R. Andrade	P6019614A	February 13,2018	DFA Lucena

Doc. No. 162
Page No. 34
Book No. I
Series of: 2024

ATTY. STEPHEN ANTHONY T. ILAGUISON
Notary Public until 31 December 2024
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 10077046, Makati City, 03 January 2024
IBP No. 394873, Makati, 03 January 2024
Roll No. 47676, Appointment No. M-101
MCLE Compliance No. VII-0021489, 17 June 2022

IONICS INC.

CERTIFICATION

I, Raymond Maria C. Qua– President and Chief Executive Officer of Ionics, Inc. and Subsidiaries with SEC Registration No. 107432 with principal office address at Circuit Street, Light Industry & Science Park of the Philippines – 1, Bo. Diezmo, Cabuyao City, Laguna, on oath state:

1) That on behalf of Ionics, Inc. and Subsidiaries, I have caused this SEC Form 17-A, Annual Report as of and for the period ended December 31, 2023 to be prepared;
2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3) That Ionics, Inc. and Subsidiaries will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of April 2024.

RAYMOND MARIA C. QUA
Affiant

MAKATI CITY
APR 04 2024

SUBSCRIBED AND SWORN to before me this _____ day of _______ affiant exhibiting me his Passport Number P5737906A, issued on 24 January 2018 at DFA Manila and other evidence of identification.

Doc. No. 288
Page No. 59
Book No. IV
Series of: 2024

ATTY. RAY MICHAEL N. AÑONUEVO
Notary Public until 31 December 2025
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 10077049, Makati City, 03 January 2024
IBP No. 395061, Laguna, 03 January 2024
Roll No. 77439, Appointment No. M-115

Corporate Accounting

From: eafs@bir.gov.ph
Sent: Monday, 15 April 2024 9:27 AM
To: Corporate Accounting
Cc: Glen Amazona
Subject: Your BIR AFS eSubmission uploads were received

Hi IONICS INC,

Valid files

- EAFS000124671AFSTY122023.pdf
- EAFS000124671ITRTY122023.pdf
- EAFS000124671RPTTY122023.pdf
- EAFS000124671OTHTY122023.pdf
- EAFS000124671TCRTY122023-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2RS4M1T40BFDH9CKLMXQ131T30MR32S3ZQ**
Submission Date/Time: **Apr 15, 2024 09:26 AM**
Company TIN: **000-124-671**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

File Upload

All files successfully uploaded

Transaction Code:
AFS-0-2RS4M1T40BFDH9CKLMXQ131T30MR32S3ZQ

Submission Date/Time:
Apr 15, 2024 09:26 AM

Back To Upload

Version 1.0.2.0

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	0	7	4	3	2						

COMPANY NAME

IONICS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Circuit Street, Light Industry and Science Park of the Philippines-I, Bo. Diezmo, Cabuyao City, Laguna, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
ronan.andrade@ionics-ems.com	**(049) 508-1111**	**0917-869-5688**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
841	**06/14**	**2023/12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RONAN R. ANDRADE	**ronan.andrade@ionics-ems.com**	**(049) 508-1111**	**0917-869-5688**

CONTACT PERSON's ADDRESS

No.14 Mountain Drive, Light Industry and Science Park II Brgy. La Mesa, Calamba, Laguna

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Ionics, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 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.

Revenue Recognition

The Group’s revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation on the application of the input method as the measure of progress (percentage of completion or POC) in determining revenue over time. Under this method, progress is measured based on the Group’s efforts or inputs towards satisfying a performance obligation (i.e., time elapsed to manufacture the finished goods, actual costs incurred) relative to the total expected inputs to satisfy the performance obligation. In the estimation of total elapsed time to manufacture the finished goods, the Group requires technical determination by the Group’s specialist (industrial engineers) to estimate the standard time a product is being processed.

Disclosures related to this matter are provided in Notes 3 and 9 to the consolidated financial statements.

Audit Response

We obtained understanding of the Group’s revenue recognition process, policies and procedures. We assessed the competence and objectivity of the industrial engineers by reference to their qualifications, experience and reporting responsibilities. For selected samples, we traced the percentage of completion to the supporting documents such as daily progress reports and standard time per unit reports. We also performed test computation of the percentage of completion calculation prepared by the management.

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, 2023, 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, 2023, 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.

SGV
Building a better working world

- 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 Maria Antoniette L. Aldea.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea
Partner
CPA Certificate No. 116330
Tax Identification No. 242-586-416
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079893, January 5, 2024, Makati City

April 4, 2024

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash in banks (Notes 4, 5, 6 and 7)	**US$6,764**	US$16,936
Receivables (Notes 3, 4, 5 and 8)	**18,886**	16,498
Contract assets (Notes 3, 4 and 9)	**6,957**	4,768
Inventories (Notes 3 and 10)	**35,982**	36,964
Advances to suppliers (Note 3)	**1,154**	2,275
Prepayments and other current assets (Note 3)	**971**	777
Total Current Assets	**70,714**	78,218
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 4, 5 and 11)	**3,006**	1,761
Investments in associates (Notes 3 and 12)	**649**	676
Property, plant and equipment (Notes 3 and 13)	**26,405**	21,869
Investment properties (Notes 3 and 14)	**18,676**	13,568
Right-of-use assets (Notes 3 and 24)	**1,917**	3,947
Deferred tax assets - net (Notes 3 and 26)	**18**	40
Other noncurrent assets (Notes 4 and 5)	**589**	582
Total Noncurrent Assets	**51,260**	42,443
	US$121,974	US$120,661

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Notes 4, 5, 6 and 15)	**US$20,021**	US$25,176
Contract liabilities (Note 9)	**6,349**	1,579
Current portion of bank loans and long-term debt (Notes 4, 5, 6, and 16)	**15,355**	18,575
Current portion of lease liabilities (Notes 3, 4, 5, 6 and 24)	**753**	867
Dividend payable	**127**	–
Income tax payable	**141**	211
Total Current Liabilities	**42,746**	46,408
Noncurrent Liabilities		
Bank loans and long-term debt - net of current portion (Notes 4, 5, 6, and 16)	**8,392**	7,418
Lease liabilities - net of current portion (Notes 3, 4, 5, 6, and 24)	**1,294**	1,985
Net pension liabilities (Notes 3 and 28)	**3,433**	2,709
Deferred tax liabilities - net (Note 26)	**234**	60
Other noncurrent liabilities (Notes 4, 5, 6 and 15)	**1,299**	1,324
Total Noncurrent Liabilities	**14,652**	13,496
Total Liabilities	**US$57,398**	US$59,904

(Forward)

	December 31	
	2023	2022
Equity		
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)	**40,473**	37,431
Other comprehensive income (loss):		
Unrealized losses on financial assets at FVOCI (Note 11)	**(1,124)**	(2,046)
Exchange differences (Notes 12 and 14)	**1,012**	893
Other reserves (Notes 12 and 28)	**(731)**	(394)
Adjustment to non-controlling interests (Note 17)	**(943)**	(943)
Treasury shares (Note 17)	**(1,365)**	(1,365)
	64,027	60,281
Non-controlling interests	**549**	476
Total Equity	**64,576**	60,757
	US$121,974	US$120,661

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		
	2023	2022	2021
REVENUE (Note 29)			
Revenue from contracts with customers	**US$95,116**	US$75,262	US$60,281
Rental income (Notes 14 and 24)	**2,965**	3,094	2,187
	98,081	78,356	62,468
COST OF SALES AND RENTAL SERVICES			
Cost of sales (Note 19)	**84,828**	67,849	54,775
Cost of rental services (Notes 14, 20 and 24)	**806**	737	414
	85,634	68,586	55,189
GROSS PROFIT	**12,447**	9,770	7,279
OPERATING EXPENSES (Note 21)	**5,155**	4,371	3,845
OTHER INCOME (EXPENSES)			
Share in net earnings (loss) of associates (Notes 12 and 29)	**(8)**	37	22
Finance costs (Notes 16, 22 and 24)	**(1,801)**	(1,069)	(623)
Others - net (Notes 7, 8 and 18)	**(161)**	727	191
	(1,970)	(305)	(410)
INCOME BEFORE INCOME TAX	**5,322**	5,094	3,024
PROVISION FOR INCOME TAX (Note 26)	**659**	574	363
NET INCOME	**4,663**	4,520	2,661
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss:			
Exchange differences (Notes 12 and 14)	**119**	(16)	(5)
Items that may not be reclassified to profit or loss:			
Fair value gain (loss) on financial assets at FVOCI (Note 11)	**922**	(500)	426
Share in other comprehensive income (loss) of associates (Note 12)	**(8)**	(15)	2
Remeasurement gains (losses) on retirement plan (Notes 3 and 28)	**(337)**	395	445
	577	(120)	873
Total Other Comprehensive Income (Loss)	**696**	(136)	868
TOTAL COMPREHENSIVE INCOME	**US$5,359**	US$4,384	US$3,529
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 27)	**US$4,582**	US$4,449	US$2,634
Non-controlling interests	**81**	71	27
	US$4,663	US$4,520	US$2,661
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**US$5,288**	US$4,302	US$3,488
Non-controlling interests	**71**	82	41
	US$5,359	US$4,384	US$3,529
BASIC/DILUTED EARNINGS PER SHARE (Note 27)			
For net income for the year attributable to ordinary equity holders of the Parent Company	**US$0.0056**	US$0.0054	US$0.0032

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 17)	**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, 2023						
Balances at beginning of year	**US$17,633**	**US$9,072**	**US$37,431**	**(US$2,046)**	**(US$943)**	**US$893**	**(US$394)**	**(US$1,365)**	**US$60,281**	**US$476**	**US$60,757**
Net income	–	–	**4,582**	–	–	–	–	–	**4,582**	**81**	**4,663**
Dividend declared	–	–	**(1,540)**	–	–	–	–	–	**(1,540)**	–	**(1,540)**
Other comprehensive income (loss)	–	–	–	**922**	–	**119**	**(337)**	–	**704**	**(8)**	**696**
Total comprehensive income (loss)	–	–	**3,042**	**922**	–	**119**	**(337)**	–	**3,746**	**73**	**3,819**
Balances at end of year	**US$17,633**	**US$9,072**	**US$40,473**	**(US$1,124)**	**(US$943)**	**US$1,012**	**(US$731)**	**(US$1,365)**	**US$64,027**	**US$549**	**US$64,576**
					For the Year Ended December 31, 2022						
Balances at beginning of year	US$17,633	US$9,072	US$32,982	(US$1,546)	(US$943)	US$909	(US$763)	(US$1,365)	US$55,979	US$394	US$56,373
Net income	–	–	4,449	–	–	–	–	–	4,449	71	4,520
Other comprehensive income (loss)	–	–	–	(500)	–	(16)	369	–	(147)	11	(136)
Total comprehensive income (loss)	–	–	4,449	(500)	–	(16)	369	–	4,302	82	4,384
Balances at end of year	US$17,633	US$9,072	US$37,431	(US$2,046)	(US$943)	US$893	(US$394)	(US$1,365)	US$60,281	US$476	US$60,757
					For the Year Ended December 31, 2021						
Balances at beginning 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
Net income	–	–	2,634	–	–	–	–	–	2,634	27	2,661
Other comprehensive income (loss)	–	–	–	426	–	(5)	433	–	854	14	868
Total comprehensive income (loss)	–	–	2,634	426	–	(5)	433	–	3,488	41	3,529
Balances at end of year	US$17,633	US$9,072	US$32,982	(US$1,546)	(US$943)	US$909	(US$763)	(US$1,365)	US$55,979	US$394	US$56,373

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**US$5,322**	US$5,094	US$3,024
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 19, 20, 21 and 24)	**5,919**	5,272	4,800
Finance costs (Notes 16, 22 and 24)	**1,801**	1,069	623
Movement in net pension liabilities (Note 28)	**387**	152	(184)
Share in net earnings of associates (Note 12)	**8**	(37)	(22)
Interest income (Notes 7 and 18)	**(9)**	(10)	(22)
Loss on disposal of property and equipment	**5**	–	–
Exchange reserves	**–**	22	–
Operating income before working capital changes	**13,433**	11,540	8,219
Changes in working capital:			
Decrease (increase) in:			
Receivables	**(2,388)**	(1,750)	(3,325)
Contract assets	**(2,189)**	(1,743)	813
Inventories	**982**	(15,207)	(7,632)
Advances to suppliers	**1,121**	1,231	(976)
Prepayments and other current assets	**(194)**	(361)	4
Other noncurrent assets	**(7)**	(133)	(71)
Increase (decrease) in:			
Accounts payable and other liabilities	**(5,038)**	7,994	1,921
Contract liabilities	**4,770**	468	(490)
Other noncurrent liabilities	**(25)**	39	479
Net cash generated from (used in) operations	**10,465**	2,078	(1,058)
Income taxes paid	**(721)**	(477)	(325)
Interest received	**9**	10	22
Net cash provided by (used in) operating activities	**9,753**	1,611	(1,361)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 13 and 16)	**(3,132)**	(3,127)	(1,899)
Investment properties (Note 14)	**(5,715)**	(270)	(5,912)
Financial assets at FVOCI (Note 11)	**(149)**	(250)	(298)
Proceeds from sale of property, plant and equipment	**5**	–	20
Proceeds from liquidation of investments in associates (Note 12)	**–**	26	–
Net cash used in investing activities	**(8,991)**	(3,621)	(8,089)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of (Note 4):			
Commercial loans	**US$43,000**	US$37,000	US$25,000
Bank loans	**117**	800	5,600
Payments of (Note 4):			
Commercial loans	**(48,000)**	(30,000)	(22,000)
Principal portion of lease liabilities	**(805)**	(1,465)	(1,552)
Long-term debt	**(1,429)**	(814)	(778)
Bank loans	**(630)**	(71)	(70)
Interests on bank loans, long-term debt and lease liabilities (Notes 16, 22 and 24)	**(1,774)**	(1,081)	(633)
Cash dividends to stockholders	**(1,413)**	–	–
Net cash provided by (used in) financing activities	**(10,934)**	4,369	5,567
NET INCREASE (DECREASE) IN CASH IN BANKS	**(10,172)**	2,359	(3,883)
CASH IN BANKS AT BEGINNING OF YEAR	**16,936**	14,577	18,460
CASH IN BANKS AT END OF YEAR (Note 7)	**US$6,764**	US$16,936	US$14,577

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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 Audit Committee, as delegated by the Board of Directors (BOD), on April 4, 2024.

2. Material Accounting Policy Information

<u>Basis of Preparation</u>
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

The Parent Company's functional currency and majority of 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, 2023 and 2022:

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**

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.

If the Group loses control over subsidiary, it derecognized the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resulting 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, 2023, and 2022, the Group has non-controlling interests pertaining to EMS. The percentage of equity held by non-controlling interests in 2023 and 2022 is 3.28%.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

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

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

<u>Future Changes in Accounting Policies</u>
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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

Material Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current and noncurrent classification. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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 in banks, receivables (excluding advances to 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)

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 in banks 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 in banks, 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.

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.

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, plant 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, plant 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, plant 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 are computed using the straight-line method over the following estimated useful life (EUL) of each type of asset:

	Years
Machineries and equipment	5-15
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).

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.

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.

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.

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.

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.

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.

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. Revenue is measured at the fair value of the consideration received or receivable, excluding any output VAT, discounts and returns, if applicable.

Manufacturing of goods

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

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

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

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

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

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

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 asset*s
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.

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
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, tools 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.

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.

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.

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-year end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year end 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, time elapsed to manufacture the finished goods). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.

Determination of functional currency
The Group has revenue and costs and expenses denominated in various currencies, mainly in US Dollar and Philippine Peso. The 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.

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:

	2023	2022
Advances to suppliers	**US$1,154**	US$2,275
Prepayments and other current assets	**971**	777
Investments in associates (Note 12)	**649**	676
Property, plant and equipment (Note 13)	**26,405**	21,869
Investment properties (Note 14)	**18,676**	13,568
Right-of-use assets (Note 24)	**1,917**	3,947

Management believes that no impairment indicator exists for the other nonfinancial assets of the Group as of December 31, 2023 and 2022.

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).

Contingencies
The Company is currently in discussions relating to tax matters. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements.

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, 2023 and 2022, allowance for impairment losses on receivables amounted to US$0.02 million and US$0.11 million, respectively, and nil for contract assets for both years (see Notes 8 and 9).

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

The Group's allowance for inventory obsolescence amounted to US$0.02 million and US$0.04 million as of December 31, 2023 and 2022. The carrying values of inventories of the Group amounted to US$35.98 million and US$36.96 million as of December 31, 2023 and 2022, 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.

As of December 31, 2023 and 2022, the Group's unquoted equity investments amounted to US$2.99 million and US$1.74 million, respectively (see Note 11).

Estimating useful lives of depreciable property, plant and equipment and right-of-use assets
The Group computes depreciation of property, plant 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, plant 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, plant and equipment.

Refer to Notes 13, 14, and 24 for further details on property, plant and equipment, investment properties, and right-of-use assets, respectively.

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, 2023 and 2022 amounted to US$3.43 million and US$2.71 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, 2023 and 2022 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, 2023 and 2022, the Group recognized gross deferred tax assets amounting to US$0.19 million and US$0.26 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 in banks, receivables (excluding advances to 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.

<u>Credit Risk</u>
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 in banks and refundable deposits approximate the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Cash in banks 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 10.63%, 13.56% and 15.62% of its total revenue from contracts with customers in 2023, 2022 and 2021, respectively. The Group's top five customers accounted for approximately 45.25%, 47.78% and 56.56% of its total revenue from contracts with customers in 2023, 2022 and 2021, respectively. In 2023, the financial and contract assets of the Group are more concentrated to the banks and financial intermediaries, consumer electronics, computer peripherals and telecom, which accounted for 51.33% of the total credit risk exposure. In 2022, the financial and contract assets of the Group are more concentrated to the banks and financial intermediaries, computer peripherals, telecom and consumer electronics, which accounted for 79.82% of the total credit risk exposure.

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

	2023	2022
Consumer electronics	**US$14,324**	US$5,416
Banks and financial intermediaries*	**6,756**	16,927
Computer peripherals	**5,825**	7,196
Telecommunications (Telecom)	**4,341**	7,083
Automotive	**217**	217
Medical	**110**	−
Real estate	**206**	656
Others	**1,324**	1,241
Total	**US$33,103**	US$38,736

**Excludes cash on hand amounting to US$0.008 million for December 31, 2023 and to US$0.009 million for 2022, 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:

	2023				
	Minimal Risk	**Average Risk**	**High Risk**	**Credit-Impaired**	**Total**
Cash in banks*	**US$6,756**	**US$–**	**US$–**	**US$–**	**US$6,756**
Receivables					
Trade receivables	**15,017**	**–**	**–**	**17**	**15,034**
Other receivables from customers	**3,063**	**–**	**–**	**1**	**3,064**
Rent receivables	**206**	**–**	**–**	**–**	**206**
Advances to managers	**55**	**–**	**–**	**–**	**55**
SSS claims receivables	**46**	**–**	**–**	**2**	**48**
Others	**414**	**–**	**–**	**–**	**414**
Contract assets	**6,957**	**–**	**–**	**–**	**6,957**
Other noncurrent assets					
Refundable deposits	**589**	**–**	**–**	**–**	**589**
	US$33,103	**US$–**	**US$–**	**US$20**	**US$33,123**

**Excludes cash on hand amounting to US$0.008 million*

	2022				
	Minimal Risk	Average Risk	High Risk	Credit-Impaired	Total
Cash in banks*	US$16,927	US$–	US$–	US$–	US$16,927
Receivables					
Trade receivables	13,582	–	–	86	13,668
Other receivables from customers	1,949	–	–	19	1,968
Rent receivables	656	–	–	–	656
Advances to managers	96	–	–	–	96
SSS claims receivables	61	–	–	2	63
Others	115	–	–	–	115
Contract assets	4,768	–	–	–	4,768
Other noncurrent assets					
Refundable deposits	582	–	–	–	582
	US$38,736	US$–	US$–	US$107	US$38,843

**Excludes cash on hand amounting to US$0.009 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:

	2023			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Credit-impaired)**	**Total**
Cash in banks*	**US$6,756**	**US$–**	**US$–**	**US$6,756**
Receivables				
Rent receivables	**206**	**–**	**–**	**206**
Advances to managers	**55**	**–**	**–**	**55**
SSS claims receivable	**46**	**–**	**2**	**48**
Others	**414**	**–**	**–**	**414**
Other noncurrent assets				
Refundable deposits	**589**	**–**	**–**	**589**
Total	**US$8,066**	**US$–**	**US$2**	**US$8,068**

**Excludes cash on hand amounting to US$0.008 million*

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	Total
Cash in banks*	US$16,927	US$–	US$–	US$16,927
Receivables				
Rent receivables	656	–	–	656
Advances to managers	96	–	–	96
SSS claims receivables	61	–	2	63
Others	115	–	–	115
Other noncurrent assets				
Refundable deposits	582	–	–	582
Total	US$18,437	US$–	US$2	US$18,439

**Excludes cash on hand amounting to US$0.009 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, 2023:

		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$6,957**	**US$11,684**	**US$2,526**	**US$403**	**US$386**	**US$1**	**US$–**	**US$17**	**US$15,017**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		Other receivables from customers							
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	
Estimated total gross carrying amount at default		**3,327**	**117**	**134**	**24**	**–**	**–**	**1**	**3,603**
		–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total expected credit loss	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**

December 31, 2022:

	Contract Assets	Trade receivables Current	Days past due <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$4,768	US$10,893	US$1,816	US$414	US$408	US$–	US$5	US$46	US$13,582
	–	–	–	–	–	–	–	–	–
		Other receivables from customers							
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default		1,694	206	20	9	–	20	–	1,949
		–	–	–	–	–	–	–	–
Total expected credit loss	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–

In 2023, the Group has no additional specifically impaired receivables.

In 2022, the Group recognized additional provision for impairment loss amounting to US$69 thousand and US$18 thousand which pertains to specifically impaired trade receivables and other receivables from customers, respectively (see Note 8).

Expected credit loss from the impairment exercise using a provision matrix is zero as of December 31, 2023 and 2022.

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:

	2023 **On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Financial assets						
Cash in banks	**US$6,764**	**US$–**	**US$–**	**US$–**	**US$–**	**US$6,764**
Receivables[1]	**14,920**	**3,590**	**291**	**–**	**–**	**18,801**
Refundable deposits[2]	**–**	**–**	**–**	**589**	**–**	**589**
	21,684	**3,590**	**291**	**589**	**–**	**26,154**
Financial liabilities						
Accounts payable and other liabilities[3]	**7,244**	**12,392**	**227**	**–**	**–**	**19,863**
Bank loans and long-term debt[4]	**–**	**14,868**	**7,725**	**3,160**	**–**	**25,753**

(Forward)

	2023					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Lease liabilities[5]	**US$−**	**US$147**	**US$725**	**US$1,408**	**US$−**	**US$2,280**
Security deposits[6]	**−**	**−**	**−**	**612**	**−**	**612**
	7,244	**27,407**	**8,677**	**5,180**	**−**	**48,508**
Liquidity gap	**US$14,440**	**(US23,817)**	**(US$8,386)**	**(US$4,591)**	**US$−**	**(US$22,354)**

[1]*Excludes nonfinancial assets amounting to US$0.085 million*
[2]*Included under noncurrent assets*
[3]*Excludes nonfinancial liabilities amounting to US$0.338 million*
[4]*Including future interest payable amounting to US$2.006 million*
[5]*Including future interest payable amounting to US$0.233 million*
[6]*Included under accounts payable and other liabilities and other noncurrent liabilities*

	2022					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets						
Cash in banks	US$16,936	US$−	US$−	US$−	US$−	US$16,936
Receivables[1]	13,405	2,873	181	−	−	16,459
Refundable deposits[2]	−	−	−	582	−	582
	30,341	2,873	181	582	−	33,977
Financial liabilities						
Accounts payable and other liabilities[3]	11,624	13,108	227	−	−	24,959
Bank loans and long-term debt[4]	−	14,173	5,320	6,364	2,327	28,184
Lease liabilities[5]	−	268	623	2,581	−	3,472
Security deposits[6]	−	606	−	−	−	606
	11,624	28,155	6,170	8,945	2,327	57,221
Liquidity gap	US$18,717	(US25,282)	(US$5,989)	(US$8,363)	(US$2,327)	(US$23,244)

[1]*Excludes nonfinancial assets amounting to US$0.039 million*
[2]*Included under noncurrent assets*
[3]*Excludes nonfinancial liabilities amounting to US$0.217 million*
[4]*Including future interest payable amounting to US$2.191 million*
[5]*Including future interest payable amounting to US$0.620 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.

	2023		2022	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Cash	**US$2,720**	**₱150,620**	US$705	₱39,334
Receivables	**862**	**47,725**	819	45,674
Financial assets at FVOCI	**1,109**	**61,399**	1,101	61,399
Refundable deposits	**350**	**19,379**	449	25,024
	5,041	**279,123**	3,074	171,431
Accounts payable and other liabilities	**7,340**	**406,412**	6,856	382,268
Net exposure arising from recognized assets and liabilities	**(US$2,299)**	**(₱127,289)**	(US$3,782)	(₱210,837)

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

Currency	**Source**	**2023**	2022
Philippine Peso	Bankers Association of the Philippines (BAP) closing rate	**US$0.018060**	US$0.017936

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:

	2023		2022	
Changes in foreign currency exchange rates				
Philippine Peso	**(70%)**	**70%**	(8.55%)	8.55%
Effect on income before tax				
Philippine Peso	**(US$37.49)**	**US$37.49**	(US$435.61)	US$435.61

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 2023 and 2022 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, 2023						
	Long-term Debt (Note 16)	**Bank Loan** (Note 16)	**Commercial Loan** (Note 16)	**Lease Liabilities** (Note 24)	**Accrued Interest** (Note 15)	**Dividends Payable**	**Total**
Balances at beginning of year	**US$–**	**US$7,993**	**US$18,000**	**US$2,852**	**US$26**	**US$–**	**US$28,871**
Non-cash flows activities:							
Availments	**4,696**	–	–	–	–	–	**4,696**
Accretion of interest (Note 22)	–	–	–	**188**	**1,639**	–	**1,827**
Dividends declared	–	–	–	–	–	**1,540**	**1,540**
Cash flows activities:							
Availments	–	**117**	**43,000**	–	–	–	**43,117**
Payments of principal	**(1,429)**	**(630)**	**(48,000)**	**(805)**	–	–	**(50,864)**
Payment of interest	–	–	–	**(188)**	**(1,586)**	–	**(1,774)**
Dividend paid	–	–	–	–	–	**(1,413)**	**(1,413)**
Balances at end of year:	**US$3,267**	**US$7,480**	**US$13,000**	**US$2,047**	**US$79**	**US$127**	**US$26,000**

	December 31, 2022					
	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$814	US$7,264	US$11,000	US$2,621	US$38	US$21,737
Non-cash flows activities:						
Availments	–	–	–	1,696	–	1,696
Accretion of interest (Note 22)	–	–	–	156	913	1,069
Cash flows activities:						
Availments	–	800	37,000	–	–	37,800
Payments of principal	(814)	(71)	(30,000)	(1,465)	–	(32,350)
Payment of interest	–	–	–	(156)	(925)	(1,081)
Balances at end of year:	US$–	US$7,993	US$18,000	US$2,852	US$26	US$28,871

5. Fair Value Measurement

The Group's financial instruments consist of cash in banks, receivables (excluding advances to 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, 2023

			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$3,006**	**US$3,006**	**US$19**	**US$385**	**US$2,602**
Asset for which fair value are disclosed:					
Other noncurrent assets					
Refundable deposits	**589**	**589**	–	–	**589**
Liabilities for which fair values are disclosed:					
Lease liabilities (Note 24)	**2,047**	**3,183**	–	–	**3,267**
Bank loans (Note 16)	**10,747**	**10,628**	–	–	**10,628**
Other liabilities					
Security deposits	**612**	**708**	–	–	**708**

December 31, 2022

			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$1,761	US$1,761	US$19	US$212	US$1,530
Asset for which fair value are disclosed					
Other noncurrent assets					
Refundable deposits	582	582	–	–	582
Liabilities for which fair values are disclosed:					
Lease liabilities (Note 24)	2,852	3,183	–	–	3,183
Bank loans (Note 16)	7,993	7,361	–	–	7,361
Other liabilities					
Security deposits	606	748	–	–	748

The fair values of cash in banks, 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 0.34% to 6.85% in 2023 and 0.34% to 6.85% in 2022.

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:

	2023	2022
Balance at beginning of year	**US$1,530**	US$1,909
Unrealized gain (loss)	**1,072**	(379)
Balance at end of year	**US$2,602**	US$1,530

In 2023 and 2022, 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, dividend payable, security deposits and accounts payable and other liabilities, less cash in banks. 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, 2023 and 2022 follows:

	2023	2022
Current liabilities		
Accounts payable and other liabilities*	**US$19,683**	US$24,959
Current portion of bank loans and long-term debt	**15,355**	18,575
Current portion of lease liabilities	**753**	867
Dividend payable	**127**	–
	35,918	44,401
Noncurrent liabilities		
Security deposits - net of current portion**	**612**	606
Bank loans and long-term debt - net of current portion	**8,392**	7,418
Lease liabilities - net of current portion	**1,294**	1,985
	10,298	10,009
Total debt	**US$46,216**	US$54,410
Less cash in banks	**6,764**	16,936
Net debt	**39,452**	37,474
Equity	**64,576**	60,757
Total equity and net debt	**US$104,028**	US$98,231
Leverage ratio	**37.92%**	38.15%

**Excluding nonfinancial liabilities amounting to US$0.338 million and US$0.217 million as of December 31, 2023 and 2022, respectively*
***Included under other noncurrent liabilities*

The Group has no externally-imposed capital requirements as of December 31, 2023 and 2022.

7. **Cash in banks**

This account consists of:

	2023	2022
Cash on hand	**US$8**	US$9
Cash in banks	**6,756**	16,927
	US$6,764	US$16,936

Cash in banks earn interest at the respective bank deposit rates ranging from 0.05% to 2.50% in 2023, 2022 and 2021. Interest income earned on cash in bank amounted to US$0.01 million, US$0.01 million, and US$0.02 million in 2023, 2022, and 2021, respectively (see Note 18).

8. **Receivables**

This account consists of:

	2023	2022
Trade receivables	**US$15,034**	US$13,668
Other receivables from customers	**3,064**	1,968
Rent receivables	**206**	656
Advances to employees	**85**	39
Advances to managers	**55**	96
SSS claims receivables	**48**	63
Others	**414**	115
	18,906	16,605
Less allowance for impairment losses	**20**	107
	US$18,886	US$16,498

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

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

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

	Lifetime ECL credit-impaired			
	2023			
	Trade receivables	**Other receivables from customers**	**Others**	**Total**
Balances at beginning of year	**US$86**	**US$19**	**US$2**	**US$107**
Recoveries (Note 18)	**(44)**	**(18)**	**–**	**(62)**
Receivables written off	**(25)**	**–**	**–**	**(25)**
Balances at end of year	**US$17**	**US$1**	**US$2**	**US$20**

	2022			
	Trade receivables	Other receivables from customers	Others	Total
Balances at beginning of year	US$58	US$1	US$2	US$61
Provision for impairment losses (Note 21)	69	18	−	87
Receivables written off	(41)	−	−	(41)
Balances at end of year	US$86	US$19	US$2	US$107

The Group recovered receivables from customers amounting to US$0.062 million in 2023 (nil 2022). These are 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 (see Note 18).

As of December 31, 2023 and 2022, the management has written-off outstanding receivables amounting to US$0.025 million and US$0.041 million, respectively. The management assessed that these receivables are no longer recoverable.

9. Contract Balances

This account consists of:

	2023	2022
Contract assets	**US$6,957**	US$4,768
Contract liabilities	**6,349**	1,579

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 2023 and 2022, 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

	2023	2022
At Cost:		
Raw materials	**US$34,770**	US$35,928
Spare parts and supplies	**1,212**	1,036
	US$35,982	US$36,964

The Group measures its inventories at cost. The Group's allowance for inventory obsolescence amounted to US$0.02 million and US$0.04 million as of December 31, 2023 and 2022, respectively.

The raw materials and supplies used in the operations amounted to US$58.15 million, US$42.95 million and US$32.98 million in 2023, 2022 and 2021, respectively (see Note 19).

11. Financial Assets at FVOCI

As of December 31, this account consists of:

	2023	2022
Quoted		
Balance at beginning and end of year	**US$19**	US$19
Unquoted		
Balance at beginning of year	**1,742**	2,076
Fair value gain (loss) during the year	**1,096**	(584)
Additional investments	**149**	250
Balance at end of year	**2,987**	1,742
	US$3,006	US$1,761

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:

	2023	2022
Balance at beginning of year	**(US$2,046)**	(US$1,546)
Fair value gain (loss)	**922**	(500)
Balance at end of year	**(US$1,124)**	(US$2,046)

The Group did not receive dividends from Beacon Property Ventures, Inc. and Tech Venture II, Ltd. in 2023, 2022 and 2021.

12. Investments in Associates

This account consists of:

	2023	2022
Acquisition cost		
Balance at beginning of year	**US$518**	US$580
Liquidation	**–**	(62)
Balance at end of year	**518**	518
Accumulated equity in net earnings		
Balance at beginning of year	**262**	254
Liquidation	**–**	(14)

(Forward)

	2023	2022
Share in net earnings (loss)	**(US$8)**	US$37
Share in other comprehensive loss	**(8)**	(15)
Balance at end of year	**246**	262
Equity in cumulative translation adjustment		
Balance at the beginning of year	**(104)**	(88)
Exchange differences	**(11)**	(16)
Balance at end of year	**(115)**	(104)
Net book value	**US$649**	US$676

	Country of Incorporation and Business	Effective Percentage Ownership (%)	
		2023	2022
ICCP Ventures Partners, Inc. (IVPI)	Philippines	**30%**	30%
Tech Ventures Partners, Ltd. (TVPL)	Cayman Islands	**30**	30
ICCP SBI Venture Partners (Hong Kong) Limited (ISVP-HK)	Hong Kong	**19**	19

Share in net earnings (loss) in 2023, 2022 and 2021 amounted to (US$0.01 million), US$0.04 million and US$0.02 million, respectively. The Group did not recognize share in equity losses from ISVP-HK amounting to US$0.16 million, US$0.17 million and US$0.19 million in 2023, 2022 and 2021, respectively, as the investment has been reduced to nil amount due to prior losses and there is no commitment to cover the losses beyond the cost of the investment. In 2022, the Group liquidated its investment in IVI with net proceeds of $0.026 million.

As of December 31, 2023 and 2022, there are no significant restrictions on the ability to access or use the assets and settle the liabilities of the Group.

Below are the summarized financial information relating to the Group's investment in associates:

	2023		
	IVPI	**TVPL**	**ISVP-HK**
Current assets	**US$2,167**	**US$495**	**US$48**
Noncurrent assets	**173**	**1,001**	**451**
Total assets	**US$2,340**	**US$1,496**	**US$499**
Current liabilities	**US$1,150**	**US$260**	**US$1,316**
Noncurrent liabilities	**197**	**66**	**–**
Total liabilities	**US$1,347**	**US$326**	**US$1,316**
Income (loss)	**US$97**	**(US$3)**	**US$248**
Expenses	**85**	**6**	**186**
Net income (loss)	**12**	**(9)**	**(62)**
Other comprehensive income	**–**	**1**	**–**
Total comprehensive income (loss)	**US$12**	**(US$8)**	**(US$62)**

	2022		
	IVPI	TVPL	ISVP-HK
Current assets	US$2,228	US$494	US$270
Noncurrent assets	174	1,040	386
Total assets	US$2,402	US$1,534	US$656

(Forward)

	2022		
	IVPI	TVPL	ISVP-HK
Current liabilities	US$1,216	US$285	US$1,525
Noncurrent liabilities	201	65	–
Total liabilities	US$1,417	US$350	US$1,525
Income (loss)	US$208	(US$12)	US$268
Expenses	162	10	309
Net income (loss)	46	(22)	(41)
Other comprehensive loss	–	(11)	–
Total comprehensive income (loss)	US$46	(US$33)	(US$41)

	2021			
	IVI	IVPI	TVPL	ISVP-HK
Current assets	US$103	US$2,182	US$508	US$279
Noncurrent assets	288	292	1,087	229
Total assets	US$391	US$2,474	US$1,595	US$508
Current liabilities	US$64	US$1,174	US$294	US$1,535
Noncurrent liabilities	–	391	36	–
Total liabilities	US$64	US$1,565	US$330	US$1,535
Income	US$–	US$107	(US$25)	US$268
Expenses	–	(16)	8	319
Net income (loss)	–	123	(33)	(51)
Other comprehensive income (loss)	–	–	(14)	–
Total comprehensive income (loss)	US$–	US$123	(US$47)	(US$51)

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:

	2023			
	IVPI	**TVPL**	**ISVP-HK**	**Total**
Net asset (liability) of associate attributable to common shareholders	**US$994**	**US$1,169**	**(US$817)**	**US$1,346**
Proportionate ownership in the associate	**30%**	**30%**	**19%**	
Share in net identifiable asset	**US$298**	**US$351**	**US$–**	**US$649**
Carrying values	**US$298**	**US$351**	**US$–**	**US$649**

	2022			
	IVPI	TVPL	ISVP-HK	Total
Net asset (liability) of associate attributable to common shareholders	US$985	US$1,184	(US$869)	US$1,300
Proportionate ownership in the associate	30%	30%	19%	
Share in net identifiable asset	US$299	US$377	US$–	US$676
Carrying values	US$299	US$377	US$–	US$676

13. **Property, Plant and Equipment**

The rollforward analyses of this account follows:

	2023							
	Land	**Machineries and Equipment**	**Building, Building Improvements and Leasehold Improvements**	**Tools and Other Equipment**	**Air-conditioning Systems**	**Furniture, Fixtures and Equipment**	**Transpor-tation Equipment**	**Total**
Cost								
Balances at beginning of year	**US$2,546**	**US$46,411**	**US$9,938**	**US$9,972**	**US$2,178**	**US$269**	**US$304**	**US$71,618**
Additions	**–**	**5,915**	**594**	**1,057**	**111**	**3**	**148**	**7,828**
Retirement	**–**	**(122)**	**(46)**	**(150)**	**–**	**–**	**–**	**(318)**
Reclassification	**–**	**–**	**63**	**(17)**	**9**	**–**	**11**	**66**
Transfer from right-of-use assets (Note 24)	**–**	**1,709**	**–**	**–**	**–**	**–**	**–**	**1,709**
Balances at end of year	**2,546**	**53,913**	**10,549**	**10,862**	**2,298**	**272**	**463**	**80,903**
Accumulated depreciation and amortization								
Balances at beginning of year	**–**	**30,639**	**9,048**	**7,859**	**1,661**	**271**	**271**	**49,749**
Depreciation and amortization (Notes 19 and 21)	**–**	**3,159**	**309**	**802**	**179**	**1**	**25**	**4,475**
Retirement	**–**	**(122)**	**(46)**	**(150)**	**–**	**–**	**–**	**(318)**
Reclassification	**–**	**–**	**63**	**(6)**	**–**	**–**	**6**	**63**
Transfer from right-of-use assets (Note 24)	**–**	**529**	**–**	**–**	**–**	**–**	**–**	**529**
Balances at end of year	**–**	**34,205**	**9,374**	**8,505**	**1,840**	**272**	**302**	**54,498**
Net book values	**US$2,546**	**US$19,708**	**US$1,175**	**US$2,357**	**US$458**	**US$–**	**US$161**	**US$26,405**

	2022							
	Land	Machineries and Equipment	Building, Building Improvements and Leasehold Improvements	Tools and Other Equipment	Air-conditioning Systems	Furniture, Fixtures and Equipment	Transpor-tation Equipment	Total
Cost								
Balances at beginning of year	US$2,546	US$43,681	US$9,778	US$9,154	US$1,978	US$269	US$285	US$67,691
Additions	–	1,668	160	1,080	200	–	19	3,127
Retirement	–	–	–	(262)	–	–	–	(262)
Transfer from right-of-use assets (Note 24)	–	1,062	–	–	–	–	–	1,062
Balances at end of year	2,546	46,411	9,938	9,972	2,178	269	304	71,618
Accumulated depreciation and amortization								
Balances at beginning of year	–	27,764	8,844	7,378	1,518	269	259	46,032
Depreciation and amortization (Notes 19 and 21)	–	2,669	204	743	143	2	12	3,773
Retirement	–	–	–	(262)	–	–	–	(262)
Transfer from right-of-use assets (Note 24)	–	206	–	–	–	–	–	206
Balances at end of year	–	30,639	9,048	7,859	1,661	271	271	49,749
Net book values	US$2,546	US$15,772	US$890	US$2,113	US$517	(US$2)	US$33	US21,869

In 2023 and 2022, the Group retired certain fully depreciated machineries and equipment that are no longer used in the production totaling to US$0.32 and US$0.26 million, respectively. There are no contractual commitments arising from awarded contracts for the acquisition, development and construction of property and equipment. There are no restrictions on its property and equipment and if these have been pledged as security for its obligations.

In February 2023, the Group acquired property and equipment amounting to US$4.70 million by entering into three (3)-year financing agreements with a supplier (see Note 16). The financing agreements are secured by a chattel mortgage over machineries and equipment of EMS located at its premises. The EMS made payments in relation to these financing agreements amounting to US$1.43 million. As of December 31, 2023, the carrying values of the outstanding long-term debt relating to this agreement amounted to US$3.27 million.

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

	2023	2022	2021
Cost of sales	**US$4,381**	US$3,695	US$3,555
General and administrative expenses	**83**	71	77
Selling expenses	**11**	7	12
	US$4,475	US$3,773	US$3,644

14. **Investment Properties**

The roll forward analysis of this account follows:

	2023			
	Land	**Building**	**Building Improvements**	**Total**
Cost				
Balances at beginning of year	**US$1,769**	**US$15,247**	**US$4,329**	**US$21,345**
Additions	**5,505**	**–**	**210**	**5,715**
Balances at end of year	**7,274**	**15,247**	**4,539**	**27,060**
Accumulated Depreciation				
Balances at beginning of year	**–**	**3,793**	**3,978**	**7,771**
Depreciation (Note 20)	**–**	**512**	**95**	**607**
Balances at end of year	**–**	**4,305**	**4,073**	**8,378**
Exchange Reserves	**(6)**	**–**	**–**	**(6)**
Net Book Values	**US$7,268**	**US$10,942**	**US$466**	**US$18,676**

	2022			
	Land	Building	Building Improvements	Total
Cost				
Balances at beginning of year	US$1,769	US$15,188	US$4,118	US$21,075
Additions	–	59	211	270
Balances at end of year	1,769	15,247	4,329	21,345
Accumulated Depreciation				
Balances at beginning of year	–	3,310	3,830	7,140
Depreciation (Note 20)	–	483	148	631
Balances at end of year	–	3,793	3,978	7,771
Exchange Reserves	(6)	–	–	(6)
Net Book Values	US$1,763	US$11,454	US$351	US$13,568

The Group obtained appraisal reports from independent third-party professionally qualified appraisers as of December 31, 2023 and 2022. Based on the appraisal reports, the fair values of land and depreciable investment properties amounted to US$11.20 million and US$24.85 million, respectively and US$4.88 million and US$23.59 million, respectively.

The fair values of the land and depreciable investment properties were arrived at using the Sales Comparison approach and Income 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.

The fair values of the buildings were arrived using the Income Approach. Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset. The significant unobservable inputs to valuation of investment properties ranges from US$0.32 million to US$1.55 million annual rental rates and US167 per sqm. in 2023.

Rental income earned from the investment properties amounted to US$2.97 million, US$3.09 million, and US$2.19 million in 2023, 2022 and 2021, respectively. Cost of rental services from investment properties amounted to US$0.81 million, US$0.74 million and US$0.41 million in 2023, 2022 and 2021, respectively (see Note 20).

The Group has no restriction on the realizability of its investment properties and no obligation to either purchase, construct or develop for repairs, maintenance, and enhancements.

15. Accounts Payable and Other Liabilities

This account consists of:

	2023	2022
Trade payables	**US$14,862**	US$19,898
Accrued expenses	**3,704**	3,038
Non-trade payables	**754**	1,050
Unearned rent income (Note 24)	**688**	718
Security deposit (Note 24)	**612**	606
Others	**700**	1,190
	21,320	26,500
Less noncurrent portion of unearned rent and security deposits (Note 24)	**1,299**	1,324
	US$20,021	US$25,176

Trade payables are amounts primarily due to suppliers which are noninterest-bearing and are normally settled on 15 to 90-day terms.

Others mainly include other contracted labor and employee benefits payable.

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:

	2023	2022
Accrued sales commission	**US$1,124**	US$714
Accrued salaries, wages and other benefits	**618**	646
Accrued handling charges	**515**	363
Accrued utilities	**450**	661
Accrued professional fees	**438**	263
Accrued medical and dental expense	**127**	–
Accrued contract labor	**125**	–
Accrued interest expense	**79**	–
Accrued taxes	**44**	14
Accrued direct materials	**29**	8
Accrued rent	**23**	2
Others	**132**	381
	US$3,704	US$3,038

Other accrued expenses mainly include the group's accrued management bonus.

16. Bank Loans and Long-term Debt

This account consists of:

	2023	2022
Long-term debt		
Current	**US$1,377**	US$–
Noncurrent	**1,890**	–
Bank loans		
Current	**978**	575
Noncurrent	**6,502**	7,418
Commercial loans		
Current	**13,000**	18,000
	US$23,747	US$25,993
Current	**US$15,355**	US$18,575
Noncurrent	**8,392**	7,418
	US$23,747	US$25,993

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

Bank loans:

Ionics EMS, Inc.

- In 2023, EMS entered into credit loan agreements with local banks for the bank loan fleet financing of certain employees with payment terms ranging from three (3) to five (5) years amounting to US$0.12 million. These loans are subject to monthly interest rates ranging from 0.67% to 0.79% in 2023. The Parent Company already paid US$0.02 million in 2023. As of December 31, 2023, the outstanding balance of these bank loans amounted to US$0.10 million.

In 2021, EMS entered into credit loan agreements with local banks for the bank loan fleet financing of certain employees with payment terms ranging from three (3) to five (5) years amounting to US$0.01 million. These loans are subject to monthly interest rates based on market rates of 0.63% to 0.83% in 2021. EMS made payments in relation to these loan agreements amounting to US$0.03 million, US$0.05 million and US$0.08 million in 2023, 2022 and 2021, respectively. As of December 31, 2023, 2022 and 2021, the outstanding balance of these bank loans amounted to US$0.03 million, US$0.06 million and US$0.12 million, respectively.

<u>Ionics Properties, Inc.</u>

- 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. IPI made its 5th drawdown on May 20, 2022 amounting to US$0.08 million. The term loan is secured by a real estate mortgage over the land which said build-to-suit production facility is being constructed.

  As of December 31, 2023 and 2022, the outstanding balance of this loan amounted to US$7.45 million and US$7.93 million, respectively, subject to amortization.

  <u>Debt Covenant</u>
  The agreement provides affirmative and negative covenants which IPI 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, 2023 and 2022, all covenants set forth in the agreement have been fully met by IPI.

Commercial loans:

<u>Ionics EMS, Inc.</u>

- In 2023, EMS made a drawdown for a six (6)-month short term loan with interest rate ranging from 6.50% to 7.179% amounting to US$2.00 million each on February 23, 2023 and October 10, 2023, US$4.00 million each on April 28, 2023 and October 24, 2023. Out of the US$12.00 million drawdowns, EMS already paid US$6.00 million. The remaining outstanding balance of US$2.00 million and US$4.00 million will mature on April 05, 2024 and April 19, 2024.

- In 2023, EMS made a drawdown for a four (4)-month short term loan with interest rates ranging from 5.00% to 7.00% amounting to US$5.00 million each on January 10, 2023, February 01, 2023, May 12, 2023, August 15, 2023 and November 07, 2023, US$2.00 million each on March 03, 2023, June 13, 2023 and September 18, 2023. Out of the US$31.00 million drawdowns, EMS already paid US$24.00 million. The remaining outstanding balance of US$2.00 million and US$5.00 million will mature on January 16, 2024 and March 06, 2024, respectively.

- In 2022, EMS made a drawdown for a four (4)-month short term loan with interest rate of 3.40% amounting to US$4.00 million on January 14, 2022 and six (6)-month short term loan amounting to US$2.00 million on March 10, 2022, US$4.00 million on May 20, 2022, US$2.00 million on August 23, 2022 and US$4.00 million on November 25, 2022. Out of the US$16.00 million drawdowns in 2022, EMS paid US$10.00 million in 2022 and US$6.00 million in 2023.

- In 2022, EMS made a drawdown for a four (4)-month short term loan with interest rate of 3.50% amounting to US$2.00 million on February 15, 2022, US$5.00 million on May 10, 2022, US$2.00 million on June 20, 2022, US$5.00 million each on September 07, 2022 and September 27, 2022, US$2.00 million on October 26, 2022. Out of the US$21.00 million drawdowns in 2022, EMS paid US$9.00 million in 2022 and US12.00 million in 2023.

- EMS made drawdowns for a four (4)-month short term with interest rate of 3.40% loan amounting to US$4.00 million on September 9, 2021 and US$2.00 million on November 15, 2021. EMS already paid US$6.00 million on January 05, 2022 and March 4, 2022. EMS made a drawdown for a four (4)-month short term loan with interest rate of 3.50% amounting to US$2.00 million on October 26, 2021 and US$3.00 million on December 17, 2021 and was paid on February 04, 2022 and April 04, 2022.

- In 2021, EMS paid its outstanding loan as of December 31, 2020 amounting to US$8.00 million. EMS made a drawdown for a four (4)-month short term loan amounting to US$3.00 million on March 15, 2021, US$2.00 million on April 27, 2021, US$3.00 million on August 18, 2021, EMS paid US$8.00 million in 2021.

  EMS made a drawdown for a four (4)-month short term loan amounting to US$4.00 million on May 15, 2021 and US$2.00 million on July 7, 2021, the EMS paid US$6.00 million in 2021.

There are no debt covenants related to these loans.

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

- In November and December 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 and equipment, which are subject to 1.14% quarterly interest and will mature in October and November 2022, respectively. The financing agreements are secured by a chattel mortgage over machineries and equipment of the Parent Company located at its premises (see Note 12). EMS made payments in relation to these financing agreements amounting to US$0.81 million and US$0.78 million in 2022 and 2021, respectively. As of December 31, 2021, the carrying values of the outstanding long-term debt relating to this agreement amounted to US$0.81 million (nil in 2022).

- In February 2023, EMS entered into three (3)-year financing agreements with a supplier with contract prices amounting to US$4.70 million, accounted as property and equipment, which are subject to 2.11% quarterly interest and will mature on January 31, 2026, respectively. The financing agreements are secured by a chattel mortgage over machineries and equipment of EMS located at its premises (see Note 12). EMS made payments in relation to these financing agreements amounting to US$1.43 million. As of December 31, 2023, the carrying values of the outstanding long-term debt relating to this agreement amounted to US$3.27 million.

In 2023, 2022 and 2021, 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$1.59 million, US$0.89 million and US$0.39 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 837,130,992 issued shares amounting to ₱837.13 million (US$17.63 million) as of December 31, 2023, and 2022. The Parent Company has additional paid-in capital amounting to ₱800.00 million (US$9.07 million) as of December 31, 2023 and 2022.

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

As of December 31, 2023, and 2022, 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, 2023 and 2022.

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 Year-end
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, 2015	(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
Movement	–			(5)
December 31, 2021	837,130,992			845
Movement	–			(1)
December 31, 2022	837,130,992			844
Movement	–			(3)
December 31, 2023	**837,130,992**			**841**

Retained Earnings

The Parent Company's retained earnings available for dividend declaration amounted to US$9.63 million, US$10.77 million and US$10.81 million as of December 31, 2023, 2022 and 2021, respectively.

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries and associates amounting to US$29.62 million and US$27.07 million as of December 31, 2023 and 2022, 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.

On March 13, 2023, the BOD during its Special Board meeting approved the declaration of ₱0.10 per share cash dividend amounting to US$1.54 million to all stockholders of record as of March 28, 2023, with payment not later than April 25, 2023. Out of the US$1.54 million dividend declaration, US$1.41 million was paid in 2023.

Non-controlling Interests

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.

18. Others - Net

This account consists of:

	2023	2022	2021
Recoveries from impairment loss (Note 8)	**US$62**	–	8
Interest income (Note 7)	**9**	10	22
Gain on sale of property and equipment	**5**	–	–
Miscellaneous	**3**	28	15
Bank charges	**(54)**	(123)	(74)
Foreign currency exchange gains (loss) - net	**(186)**	812	220
	(US$161)	US$727	US$191

19. Cost of Sales

This account consists of:

	2023	2022	2021
Raw materials and supplies used (Note 10)	**US$58,154**	US$42,952	US$32,979
Salaries, wages and benefits (Notes 23 and 28)	**15,627**	14,617	12,856
Depreciation and amortization (Notes 2, 13 and 24)	**4,982**	4,352	4,189
Occupancy cost and utilities (Note 24)	**3,902**	4,031	3,036
Handling and freight charges	**963**	788	611
Others (Note 3)	**1,200**	1,109	1,104
	US$84,828	US$67,849	US$54,775

Pension expense included in the salaries, wages and benefits account amounted to US$0.39 million, US$0.39 million and US$0.40 million in 2023, 2022 and 2021, respectively.

20. Cost of Rental Services

This account consists of:

	2023	2022	2021
Depreciation (Notes 14 and 24)	**US$805**	US$721	US$402
Taxes and licenses	**1**	14	5
Others	**–**	2	7
	US$806	US$737	US$414

Others include occupancy cost, utilities, and insurance.

21. **Operating Expenses**

This account consists of:

	2023	2022	2021
General and administrative expenses	**US$2,416**	US$2,571	US$2,422
Selling expenses	**2,739**	1,800	1,423
	US5,155	US4,371	US$3,845

General and administrative expenses consist of the following:

	2023	2022	2021
Salaries and benefits	**US$1,221**	US$1,222	US$1,304
Professional fees	**288**	385	439
Management bonus	**216**	213	121
Occupancy cost and utilities	**191**	263	128
Depreciation and amortization (Notes 13 and 24)	**121**	188	194
Insurance	**75**	80	69
Security guard services	**42**	31	31
Taxes and licenses	**14**	30	16
Other expenses	**248**	160	120
	US$2,416	US$2,571	US$2,422

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

Selling expenses consist of the following:

	2023	2022	2021
Sales commission and agent's professional fee	**US$2,219**	US$1,365	US$991
Salaries and benefits	**408**	333	349
IT SH/WH Maintenance	**23**	–	–
Depreciation and amortization (Notes 13 and 24)	**11**	11	15
Occupancy cost and utilities	**–**	23	–
Other expenses	**78**	68	68
	US$2,739	US$1,800	US$1,423

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$0.02 million, US$0.02 million and US$0.02 million in 2023, 2022, and 2021, 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:

	2023	2022	2021
Interests on:			
Bank loans and long-term debt			
(Note 16)	**US$1,586**	US$887	US$394
Lease liabilities (Note 24)	**188**	156	196
Others	**27**	26	33
	US$1,801	US$1,069	US$623

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.

There are no transactions with related parties outside of the Group in 2023, 2022 and 2021.

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:

	2023	2022	2021
Executive officers’ compensation	**US$506**	US$624	US$534
Directors’ remuneration	**360**	354	359
Short-term employee benefits	**99**	94	85
Post-employment benefits	**59**	56	51
	US$1,024	US$1,128	US$1,029

The Group has approval process and established limits when entering into material related party transactions. The Board of Directors shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to 10% or more of the total consolidated assets of the Group that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

As of December 31, 2023, and 2022, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

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:

	2023	2022
Within one year	**US$568**	US$597
After one year but not more than five years	**1,040**	1,578
	US$1,608	US$2,175

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:

	2023	2022
Within one year	**US$332**	US$330
After one year but not more than five years	**1,329**	1,319
	US$1,661	US$1,649

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

	2023		
	Building	**Machineries, Tools and Equipment**	**Total**
Cost			
Balances at beginning of year	**US$4,207**	**US$1,719**	**US$5,926**
Reclassifications (Note 13)	**−**	**(1,719)**	**(1,719)**
Balances at end of year	**4,207**	**−**	**4,207**
Accumulated Depreciation			
Balances at beginning of year	**1,510**	**469**	**1,979**
Depreciation (Notes 19, 20 and 21)	**780**	**57**	**837**
Reclassifications (Note 13)	**−**	**(526)**	**(526)**
Balances at end of year	**2,290**	**−**	**2,290**
Net Book Values	**US$1,917**	**−**	**US$1,917**

	2022		
	Building	Machineries, Tools and Equipment	Total
Cost			
Balances at beginning of year	US$2,510	US$2,781	US$5,291
Additions	1,696	−	1,696
Reclassifications (Note 13)	−	(1,062)	(1,062)
Balances at end of year	4,206	1,719	5,925
Accumulated Depreciation			
Balances at beginning of year	883	433	1,316
Depreciation (Notes 19, 20 and 21)	559	309	868
Reclassifications (Note 13)	−	(206)	(206)
Balances at end of year	1,442	536	1,978
Net Book Values	US$2,764	US$1,183	US$3,947

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

	2023	2022
Balance at beginning of year	**US$2,852**	US$2,621
Additions	−	1,696
Accretion of interest expense (Note 22)	**188**	156
Payment of interest (Note 22)	**(188)**	(156)
Payment of principal (Note 4)	**(805)**	(1,465)
Balance at end of year	**US$2,047**	US$2,852

The Group had a total cash outflow for leases of US$0.90 million, US$1.62 million, and US$1.75 million in 2023, 2022 and 2021, respectively.

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

	2023	2022
Current	**US$753**	US$867
Noncurrent	**1,294**	1,985
	US$2,047	US$2,852

The following are the amounts recognized in consolidated statements of comprehensive income in 2023, 2022, and 2021

	2023	2022	2021
Depreciation of right-of-use assets (Notes 20 and 21)	**US$837**	US$868	US$779
Accretion of interest expense (Note 22)	**188**	156	196
Foreign exchange loss (gain)	**26**	(120)	(77)
	US$1,051	US$904	US$898

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.

  The contract of lease was renewed for a period of five (5) years commencing on February 1, 2021 and expiring on January 31, 2026 unless sooner terminated by either party for cases provided for in the agreement (see Note 3). Management exercises significant judgement in determining whether renewal and termination options embedded in the contract are reasonably certain to be exercised.

Ionics EMS, Inc.

- In 2019, EMS entered into two (2) new lease agreements with a term of three (3) years to finance its acquisition of machineries and equipment recorded under right-of-use assets upon adoption of PFRS 16 amounting to US$1.06 million The carrying amount of related right-of-use assets on these leases amounted to US$0.86 million as of December 31, 2021.

- In 2020, EMS entered into additional three (3)-year lease agreement to finance its acquisition of machineries and equipment amounting to US$1.72 million. The carrying amounts of related right-of-use assets on these leases amounted to US$1.19 million and US$1.42 million as of December 31, 2020, and 2020, respectively.

- In 2023 and 2022, the Group reclassified to machineries and equipment the right-of-use assets totaling US$1.72 million and US$1.60 million, respectively, as a result of full payment of lease liabilities (see Note 13).

- In 2021, EMS entered into another five (5) year lease agreement for 1,332.84 sq.m. office factory warehouse from the same third party starting May 1, 2021 to April 30, 2026. The lease agreement provides 5% annual escalation cost beginning May 1, 2021.

- In 2022, EMS entered into another three (3) years lease agreement for office factory warehouse from another third party starting September 01, 2022 to August 31, 2025.

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:

	2023	2022
Within one year	**US$2,782**	US$2,782
After one year but not more than five years	**5,416**	5,416
	US$8,198	US$8,198

Iomni Precision, Inc

- In 2016, the Iomni Precision, Inc. 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. The lease was renewed until February 21, 2023. The lease covers the same property and monthly rental agreement with the previous contract.

  The Company recognized rental income amounting to US$0.13 million and US$0.18 million in 2023 and 2022, respectively.

  In addition, the lessees are required to pay security deposit equivalent to two (2) to three (3) months rental which shall be refundable after the expiration of the lease term.

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 starting January 1, 2021 until December 31, 2024. The lease agreement provides for a three (3)-month security deposit and three (3)-month advance rental. Total rental income recognized pertaining to this lease amounted to US$0.307 million in 2023 and US$0.294 million in 2022 and 2021, respectively.

- 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$1.569 million in 2023, 2022 and 2021, respectively.

- In 2021, IPI completed the construction of its building with total floor area of 11,175.73 sq. m. and leased it out to a third party starting October 1, 2021 until September 30, 2031. The lease agreement provides for a three (3)-month security deposit and three (3)-month advance rental. Total rental income recognized pertaining to this lease amounted to US$1.015 million in 2023, 2022, and 2021.

- IPI entered into additional six (6)-month lease contract with a third party for the rent of its building with an area of 2,196 sq. m starting December 27, 2021 to June 26, 2022 and extended from June 27, 2022 to December 27, 2022. In December 27, 2023, the parties renewed their contract for another 6 months ending June 26, 2023. The lessee shall use the lease property solely for its warehouse extension and storage of non-moving electronics parts and other materials used for semiconductors. The lease agreement provides for a one (1)-month security deposit and one (1)-month advance rental. Total rental income recognized pertaining to this lease amounted to US$0.007 million and US$0.158 million in 2023 and 2022 (nil in 2021).

The carrying values of security deposits included under “other noncurrent liabilities” amounted to US$0.61 million as of December 31, 2023 and 2022 (see Note 15). Amortization of discount on security deposit recognized under “Other expense” amounted to US$0.02 million in 2023, 2022 and 2021 (see Note 21).

Unearned income included under “other noncurrent liabilities” amounted to US$0.69 million and US$0.72 million as of December 31, 2023 and 2022, respectively (see Note 15). The amortization of unearned income recognized under “Rent income” amounted to US$0.02 million in 2023, 2022 and 2021.

IPI recognized related cost of rental services arising from the leased properties amounting to US$0.80 million in 2023, US$0.694 million in 2022 and US$0.39 million in 2021 (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. PCBA, Box build & test of IOT products used for monitoring industrial equipment	June 29, 2023	Amendment	Gross income tax incentive starting June 29, 2023
2. Manufacture of Tytocare Medical Exam Kit	June 21, 2023	Amendment	Gross income tax incentive starting June 21, 2023
3. Manufacture of Carrier Ethernet Demarcation Device	May 31, 2022	Amendment	Gross income tax incentive starting May 31, 2022
4. Human Tracking Device	April 25, 2022	Amendment	Gross income tax incentive starting April 25, 2022
5. Manufacture of Attenti Tracking Device	March 10, 2020	Amendment	Gross income tax incentive starting March 10, 2020
6. Set-up an additional production facility with an area of 6,634-sq.ms. lot	January 14, 2020	Additional	Gross income tax incentive starting January 2020
7. ReGrow Helmet Low Level Light Therapy Device	February 22, 2019	Amendment	Gross income tax incentive starting Feb. 22, 2019
8. Assembly of Smart Pill Cap	October 08, 2019	Amendment	Gross Income Tax starting October 2019
9. Assembly of Car Charger	November 07, 2019	Amendment	Gross Income Tax starting November 2019
10. Assembly of Server Adapter	November 07, 2019	Amendment	Gross Income Tax starting November 2019
11. Buddee Smart Plug fabrication	March 21, 2018	Amendment	Gross income tax incentive starting March 21, 2018
12. Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Amendment	Gross income tax incentive starting August 22, 2018
13. Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Amendment	Gross income tax incentive starting July 24, 2017
14. Manufacture of LCD and touch panel for mobile phone*	April 24, 2017	Amendment	Gross income tax incentive starting May 2019
15. Server repair and Upgrade	January 30, 2017	Amendment	Gross income tax incentive starting January 2017
16. Manufacture of T-Mark 340 AC	December 29, 2016	Amendment	Gross income tax incentive starting September 2016

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
17. Manufacture of Afimilk Tags	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
18. Manufacture of Nano Nozzle Reader	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
19. Manufacture of PCBA for Printer	April 28, 2016	Amendment	Gross income tax incentive starting February 2016
20. Manufacture of Quantum Security	April 25, 2016	Amendment	Gross income tax incentive starting April 2016
21. WI butler*	July 06, 2015	New project	Gross income tax incentive starting April 2015
22. Electronic Door Lock System*	July 15, 2015	Additional	Gross income tax incentive starting April 2015
23. LCD Projector w/ Power Supply*	July 06, 2015	New project	Gross income tax incentive starting May 2019
24. RMA or importation of defective finished goods manufactured	June 03, 2014	Amendment	Gross Income tax incentive starting June 2014
25. Manufacture of tracking device	October 07, 2014	Expansion Project	Gross Income tax incentive starting Oct 2014
26. Portable/mobile two-way radio communication equipment	July 23, 2013	Amendment	Gross Income tax incentive starting July 2013
27. XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Gross Income tax incentive starting June 2016
28. Dual Port Gigabit Ethernet Bypass Adapter*	July 18, 2011	Expansion	Gross Income tax incentive starting June 2014
29. Pole Cabinets*	July 18, 2011	New project	Gross Income tax incentive starting June 2015
30. Video Conference System*	April 05, 2011	Expansion	Gross Income tax incentive starting May 2014
31. Optical Network Terminal*	March 16, 2010	New project	Gross Income tax incentive starting March 2014
32. T2 Wi-Fi Tag*	April 29, 2009	New project	Gross Income tax incentive starting October 2012
33. Electronic Communicator and Controller Module (ECCM)*	June 24, 2009	New project	Gross Income tax incentive starting March 2013
34. PV-Max Master*	April 23, 2008	New project	Gross Income tax incentive starting May 2012
35. Re-manufacture of Mobile Phones*	May 22, 2009	New project	Gross Income tax incentive starting December 2012
36. Design and Development*	January 06, 2005	Original Project	Gross Income tax incentive starting July 2007
37. RF Tuners and Amplifiers*	July 05, 2005	New project	Gross Income tax incentive starting June 2010
38. Production of radio remote control for industrial application	November 30, 2005	New project	Gross Income tax incentive starting October 2009
39. ROHS Flex Cable Assembly*	November 30, 2005	New project	Gross Income tax incentive starting October 2009
40. Optics Telecommunication*	March 01, 2006	New project	Gross Income tax incentive starting December 2009
41. Power Controller of Beard Trimmer with Saft NiCD and Sanyo NiMH Re-chargeable Battery*	September 06, 2005	New project	Gross Income tax incentive starting December 2009
42. Electronic Car Dashboard Assembly*	August 19, 2003	New project	Gross Income tax incentive starting June 2007
43. Power Over LAN Assembly*	March 31, 2004	New project	Gross Income tax incentive starting October 2009
44. Hi-Focus Asymmetrical Digital Subscriber Line (ADSL)Broadband Access System*	November 15, 2000	New Project	Gross Income tax incentive starting June 2005

[*] ITH incentives for these product lines have already expired as of December 31, 2023.

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*	November 27, 2001	Four-year ITH starting September 2001
3.	Fabrication of molds, dies, and printing of plastic parts*	June 3, 2003	Four-year ITH starting March 2003
4.	Manufacture of plastic parts and assembly of super solar cell*	May 21, 2009	Four-year ITH starting September 2007
5.	Lease out activity	July 12, 2013	GIT Incentive

**ITH incentives for these product lines have already expired as of December 31, 2023. Gross income from these product lines are now being subjected to the 5% gross income tax from the date ITH incentive has expired.*

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

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.

	Registered Activity	Registration Agreement/ Supplemental Agreement Date	Type of Income Tax Incentives
1.	Engage in the construction of factory buildings for lease to Peza-registered economic zone enterprises.	SA dated January 11, 1999	Gross Income Tax (5% on GIE)
2.	To lease out its newly acquired factory building.	SA dated June 02, 2005	Gross Income Tax (5% on GIE)
3.	Construction of a ready-built factory.	SA dated June 02, 1995	Gross Income Tax (5% on GIE)
4.	Additional warehouse facility with a gross floor area of 8,509.765 square meters, more or less, to be constructed on a 15,528 square meter lot (identified as Lot 3), located along Ring Road Street, LISP II_SEZ<for lease/sale to PEZA-registered enterprises.	SA dated April 04, 2018	Gross Income Tax (5% on GIE)
5.	Additional project, specifically, to construct, operate, and maintain proposed three (3) unit warehouse buildings, having a gross floor area of 23,596 square meters, more or less, which shall stand on 38,867 square meter lot located LISP IV Malvar, Batangas.	SA dated October 6, 2023	ITH for 6 years and Enhanced deduction for 10 years after ITH

26. **Income Taxes**

Provision for income tax consists of:

	2023	2022	2021
Current	**US$651**	US$577	US$375
Deferred	**8**	(3)	(12)
	US$659	US$574	US$363

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 of the Parent Company.

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

	2023	2022
Deferred tax assets on:		
Lease liabilities	**US$148**	US$214
Advance rental	**37**	37
Unamortized past service cost	**5**	6
Unrealized foreign exchange loss	**–**	1
Deferred tax liabilities on:		
Right-of-use assets	**(128)**	(190)
Contract assets	**(17)**	(18)
Straight line recognition of rent income	**(14)**	(10)
Unrealized foreign exchange gain	**(13)**	–
	US$18	US$40

The components of the Group's deferred tax liabilities as of December 31 follow:

	2023	2022
Deferred tax liabilities on:		
Unrealized gain on financial assets at FVOCI recognized in OCI	**(US$234)**	(US$60)

The above deferred tax liability on unrealized gain on financial assets at FVOCI recognized directly in OCI amounted to US$0.06 million and US$0.06 million as of December 31, 2023 and 2022, respectively (see Note 11).

The net deferred tax assets and liabilities presented in the consolidated statements of financial position as of December 31 follow:

	2023	2022
Deferred tax assets - net	**US$18**	US$40
Deferred tax liabilities – net	**(234)**	(60)

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:

	2023	2022
Net pension liabilities	**US$3,433**	US$2,709
NOLCO	**460**	460
Allowance for impairment losses on receivables	**20**	107
Allowance for inventory obsolescence	**20**	38
MCIT	**18**	18
Accrued warranties, advance rentals and others	**8**	9

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
2020	US$195	(US$8)	US$187	December 31, 2025
2021	173	−	173	December 31, 2026
2022	92	−	92	December 31, 2025
	US$460	(US$8)	US$452	

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
2020	US$8	US$−	US$8	December 31, 2023
2021	5	−	5	December 31, 2024
2022	5	−	5	December 31, 2025
	US$18	(US$−)	US$18	

Reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Tax effect of:			
Nondeductible expenses	**6.93%**	6.26%	16.40%
Movement in unrecognized deferred tax assets	**(0.85%)**	(0.49%)	(0.40%)
Income from operations subject to lower preferential rate without NOLCO	**(19.46%)**	(20.25%)	(24.38%)
Others	**(0.76%)**	(0.75%)	(4.86%)
Effective income tax rate	**12.38%**	11.27%	11.76%

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 30).

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):

	2023	2022	2021
Net income attributable to ordinary equity holders of the Parent Company	**US$4,582**	US$4,449	US$2,634
Weighted average number of issued common shares	**US$857,975**	US$857,975	US$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$0.0056**	US$0.0054	US$0.0032

There were no potential dilutive shares in 2023, 2022 and 2021.

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:

	2023	2022	2021
Current service cost	**US$232**	US$283	US$325
Net interest cost	**168**	123	107
	US$400	US$406	US$432

The amount of remeasurement gains (losses) on retirement plan recognized under other comprehensive income are as follow:

	2023	2022	2021
Defined benefit obligation	**(US$339)**	US$419	US$468
Plan assets	**2**	(24)	(23)
	(US$337)	US$395	US$445

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:

	2023	2022
Present value of defined benefit obligation	**US$3,642**	US$3,284
Fair value of plan assets	**(209)**	(575)
	US$3,433	US$2,709

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

	2023	2022
Balance at beginning of year	**US$3,284**	US$3,683
Current service cost	**232**	284
Interest cost	**198**	149
Benefits paid	**(437)**	(98)
Remeasurement (gains) losses arising from:		
Experience adjustments	**41**	118
Changes in financial assumptions	**298**	(540)
Effect of changes in foreign exchange rates	**26**	(312)
Balance at end of year	**US$3,642**	US$3,284

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

	2023	2022
Balance at beginning of year	**US$575**	US$731
Interest income	**30**	26
Return on assets excluding amount included in net interest cost	**2**	(24)
Contributions	**36**	–
Benefits paid	**(437)**	(98)
Effect of changes in foreign exchange rates	**3**	(60)
Balance at end of year	**US$209**	US$575

The movements in the net pension liabilities recognized in the consolidated statements of financial position follow:

	2023	2022
Balance at beginning of year	**US$2,709**	US$2,952
Retirement cost	**400**	406
Remeasurement losses	**337**	(395)
Contributions	**(36)**	–
Effect of changes in foreign exchange rates	**23**	(254)
Balance at end of year	**US$3,433**	US$2,709

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:

	2023	2022
Assets		
Cash in banks	**US$178**	US$305
Investment in equity securities	**7**	7
Investment in government securities		
Fixed rate treasury notes	**363**	261
Interest receivable	**4**	2
	552	575
Liabilities		
Accrued trust fee	**(1)**	–
Other payables	**(342)**	–
	(343)	–
Net plan asset	**US$209**	US$575

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);

Interest receivable - pertains to accrued interest on fixed income securities and special deposit account in BSP.

As at December 31, 2023 and 2022, 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:

	2023	2022	2021
Retirement age	**60 - 65**	60 - 65	60 - 65
Average remaining working life	**11 - 18**	11 - 18	11 - 18
Discount rate			
Beginning of year	**7%**	5%	4%
End of year	**6%**	7%	5%
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.

	2023		2022	
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$265)**	+1.0%	(US$196)
	-1.0%	**306**	-1.0%	224
Future salary increase rate	**+1.0%**	**US$327**	+1.0%	US$245
	-1.0%	**(287)**	-1.0%	(216)

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:

	2023					
	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$558**	**US$36**	**US$317**	**US$906**	**US$871**	**US$3,094**
Other than normal retirement	**205**	**960**	**1,726**	**2,023**	**1,954**	**3,428**
	US$763	**US$996**	**US$2,043**	**US$2,929**	**US$2,825**	**US$6,522**

	2022					
	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$872	US$161	US$217	US$718	US$785	US$2,754
Other than normal retirement	197	790	1,413	1,785	1,694	3,120
	US$1,069	US$951	US$1,630	US$2,503	US$2,479	US$5,874

The Group expects to contribute to the pension plan amounting to US$0.86 million in 2024.

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 revenues from major customer under the computer peripherals industry amounted to US$23.74 million in 2023, US$24.85 million in 2022, and US$20.98 million in 2021. 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, 2023, 2022 and 2021, which present income and losses, revenues and certain assets and liabilities attributed to each business segment, are summarized in the following tables:

	2023							
	Computer Peripherals	Telecom	Automotive	Consumer Electronics	Real Estate	Others	Adjustments and Eliminations	Total
Revenue from contracts with customers	US$23,739	US$20,945	US$354	US$48,499	US$–	US$2,337	(US$758)	US$95,116
Rental income	–	123	–	–	3,525	655	(1,338)	2,965
Income from operations	2,101	102	(167)	2,413	2,669	263	(89)	7,292
Foreign exchange gain (loss) – net	(43)	(47)	(1)	(91)	(40)	36	–	(186)
Non-controlling interests	–	–	–	–	–	–	(81)	(81)
Income tax	(194)	(124)	–	(183)	(142)	(16)	–	(659)
Equity in net earnings (loss)	–	–	–	–	–	(5)	(3)	(8)
Interests – net	(363)	(353)	(6)	(781)	(316)	(38)	65	(1,792)
Miscellaneous – net	(16)	(8)	–	45	–	(5)	–	16
Net income (loss) attributable to the Parent Company	US$1,485	(US$430)	(US$174)	US$1,403	US$2,171	US$235	(US$108)	US$4,582
Identifiable assets	US$19,760	US$20,800	US$272	US$42,090	US$28,770	US$42,692	(US$42,696)	US$111,688
Unallocated assets	–	–	–	–	–	10,286	–	10,286
Total assets	US$19,760	US$20,800	US$272	US$42,090	US$28,770	US$52,978	(US$42,696)	US$121,974
Identifiable liabilities	US$350	US$7,546	US$10	US$4,033	US$9,465	US$31,127	(US$32,394)	US$20,137
Unallocated liabilities	–	–	–	–	–	57,348	(20,087)	37,261
Total liabilities	US$350	US$7,546	US$10	US$4,033	US$9,465	US$88,475	(US$52,481)	US$57,398
Capital expenditures	US$5,803	US$412	US$–	US$688	US$5,974	US$666	US$–	US$13,543
Depreciation and amortization	US$2,577	US$1,246	US$–	US$795	US$733	US$568	US$–	US$5,919

	2022							
	Computer Peripherals	Telecom	Automotive	Consumer Electronics	Real Estate	Others	Adjustments and Eliminations	Total
Revenue from contracts with customers	US$24,851	US$19,975	US$448	US$28,829	US$–	US$2,158	(US$999)	US$75,262
Rental income	–	123	–	–	3,556	675	(1,260)	3,094
Income from operations	1,394	605	(86)	840	2,725	40	(119)	5,399
Foreign exchange gain (loss) – net	346	185	18	210	4	49	–	812
Non-controlling interests	–	–	–	–	–	–	(71)	(71)
Income tax	(189)	(96)	–	(124)	(145)	(20)	–	(574)
Equity in net earnings (loss)	–	–	–	–	–	(12)	49	37
Interests – net	(259)	(208)	(11)	(327)	(308)	(48)	102	(1,059)
Miscellaneous – net	(29)	(24)	(0)	(45)	–	3	–	(95)
Net income (loss) attributable to the Parent Company	US$1,263	US$462	(US$79)	US$554	US$2,276	US$12	(US$39)	US$4,449
Identifiable assets	US$18,735	US$28,862	US$473	US$26,508	US$27,169	US$43,678	(US$39,142)	US$106,283
Unallocated assets	–	–	–	–	–	14,377	–	14,377
Total assets	US$18,735	US$28,862	US$473	US$26,508	US$27,169	US$58,056	(US$39,142)	US$120,661
Identifiable liabilities	US$1,047	US$3,860	US$13	US$1,717	US$10,117	US$30,938	(US$34,648)	US$13,044
Unallocated liabilities	–	–	–	–	–	61,376	(14,516)	46,860
Total liabilities	US$1,047	US$3,860	US$13	US$1,717	US$10,117	US$92,314	(US$49,164)	US$59,904
Capital expenditures	US$1,536	US$812	US$–	US$356	US$4	US$2,115	US$–	US$4,823
Depreciation and amortization	US$2,470	US$862	US$–	US$428	US$504	US$1,008	US$–	US$5,272

	2021							
	Computer Peripherals	Telecom	Automotive	Consumer Electronics	Real Estate	Others	Adjustments and Eliminations	Total
Revenue from contracts with customers	US$20,098	US$21,411	US$491	US$16,682	US$−	US$2,308	(US$710)	US$60,281
Rental income	−	117	−	−	2,598	649	(1,177)	2,187
Income (loss) from operations	345	1,124	(67)	201	1,995	(599)	435	3,434
Foreign exchange gain (loss) – net	80	10	10	9	75	64	(27)	220
Non-controlling interests	−	−	−	−	−	−	27	27
Income tax	(97)	(105)	(0)	(48)	(103)	(10)	−	(363)
Equity in net earnings (loss)	−	−	−	−	−	(12)	34	22
Interests – net	(202)	(253)	(12)	(155)	(41)	(58)	119	(601)
Miscellaneous – net	(9)	(14)	(0)	(12)	(67)	(2)	−	(104)
Net income (loss) attributable to the Parent Company	US$116	US$762	(US$69)	(US$5)	US$1,860	(US$617)	US$588	US$2,634
Identifiable assets	US$16,422	US$20,449	US$480	US$20,388	US$25,358	US$43,991	(US$37,865)	US$89,224
Unallocated assets	−	−	−	−	−	11,704	−	11,704
Total assets	US$16,422	US$20,449	US$480	US$20,388	US$25,358	US$55,696	(US$37,865)	US$100,928
Identifiable liabilities	US$531	US$2,770	US$7	US$628	US$10,536	US$30,690	(US$33,552)	US$11,610
Unallocated liabilities	−	−	−	−	−	47,128	(14,183)	32,945
Total liabilities	US$531	US$2,770	US$7	US$628	US$10,536	US$77,819	(US$47,735)	US$44,555
Capital expenditures	US$747	US$572	US$−	US$228	US$1,814	US$342	US$−	US$3,704
Depreciation and amortization	US$2,732	US$674	US$−	US$624	US$263	US$507	US$−	US$4,800

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

	2023	2022	2021
Asia	**US$85,731**	US$66,162	US$48,365
North America	**5,227**	8,287	10,343
Europe	**7,123**	3,907	3,760
	US$98,081	US$78,356	US$62,468

Segment Assets

	2023	2022	2021
Asia	**US$118,136**	US$116,579	US$96,823
North America	**3,632**	3,815	3,699
Europe	**206**	267	406
	US$121,974	US$120,661	US$100,928

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:

	2023	2022	2021
Manufacturing of goods	**US$95,116**	US$75,262	US$60,281
Subcontracting services	**–**	–	–
Revenue from contracts with customers	**US$95,116**	US$75,262	US$60,281

The following table presents revenue from contracts with customer per timing of revenue recognition for each reportable segment:

	2023		
	Revenue recognized over time	**Revenue recognized at point in time**	**Total**
Telecom	**US$20,945**	**US$–**	**US$20,945**
Consumer electronics	**48,499**	**–**	**48,499**
Computer peripherals	**23,739**	**–**	**23,739**
Automotive	**354**	**–**	**354**
Others	**1,579**	**–**	**1,579**
Revenue from contracts with customers	**US95,116**	**US$–**	**US95,116**

	2022		
	Revenue recognized over time	Revenue recognized at point in time	Total
Telecom	US$19,975	US$–	US$19,975
Consumer electronics	28,829	–	28,829
Computer peripherals	24,851	–	24,851
Automotive	448	–	448
Others	1,159	–	1,159
Revenue from contracts with customers	US75,262	US$–	US75,262

	2021		
	Revenue recognized over time	Revenue recognized at point in time	Total
Telecom	US$21,411	US$–	US$21,411
Consumer electronics	16,682	–	16,682
Computer peripherals	20,098	–	20,098
Automotive	491	–	491
Others	1,599	–	1,599
Revenue from contracts with customers	US60,281	US$–	US60,281

30. 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 9, 2023, 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 of Ionics, Inc (parent company) available for declaration as dividends amounted to US$9.63 million, US$10.77 million, and US$10.81 million in 2023, 2022 and 2021, 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, 2023 and 2022.

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.

Iomni and IPI are waiting for the approval from the SEC as of audit report date.

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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 its subsidiaries (the Group) as at December 31, 2023 and have issued our report thereon dated April 4, 2024. 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 financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea
Partner
CPA Certificate No. 116330
Tax Identification No. 242-586-416
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079893, January 5, 2024, Makati City

April 4, 2024

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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 for the year ended December 31, 2023 and 2022, and have issued our report thereon dated April 4, 2024. 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 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, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea
Partner
CPA Certificate No. 116330
Tax Identification No. 242-586-416
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079893, January 5, 2024, Makati City

April 4, 2024

IONICS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SECURITIES AND REGULATION CODE (SRC) RULE 68-J

DECEMBER 31, 2023

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, 2023:

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	270
Manila Southwoods Golf and Country Club	N/A	1	72
The Palms Country Club	N/A	1	36
Pacific Synergies IV	6.08%	–	162
Beacon Property Ventures, Inc.	10.00%	36,000,000	1,893
Tech Ventures III	9.99%	–	–
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%	–	–
Eagleridge Golf	N/A	1	7
ICCP SBI Pacific Synergies, L.P.	8.16%	–	545
			2,987
			US$3,006

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 2023.

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, 2023:

Debtor	Volume of Transactions		Receivables	
Iomni Precision, Inc	Sale of goods	US$758	US$88	Non-interest bearing No impairment
Iomni Precision, Inc	Rental fee	123	–	Non-interest bearing No impairment
Ionics Properties, Inc	Rental fee	569	–	Non-interest bearing No impairment
Ionics EMS, Inc.	Intercompany advances	1,000	20,000	Non-interest bearing No impairment
Ionics, Inc.	Rental fee	646	–	Non-interest bearing No impairment
		US$3,096	US$20,088	

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$140	US$758	(US$810)	US$88	US$–	US$88
Advances to related parties						
Ionics EMS, Inc.	15,314	–	4,686	20,000	–	20,000
	US$15,454	US$758	(US$3,876)	US$20,088	US$–	US$20,088

Intercompany transactions pertain to advances made by Ionics, Inc. to its subsidiaries in support for their working capital requirements.

Schedule D. Long-term Debt

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

Type of Obligation	Amount authorized by indenture	Current	Noncurrent	Total
Bank loans	Not applicable	US$978	US$6,502	US$7,480
Long-term debt		1,377	1,890	3,267
Lease liabilities	Not applicable	753	1,294	2,047
		US$3,108	US$9,686	US$12,794

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

As of December 31, 2023, the Group has no long-term loans from related companies.

Schedule F. Guarantees of Securities of Other Issuers
As of December 31, 2023, the Group has no guaranteed securities by other issuers.

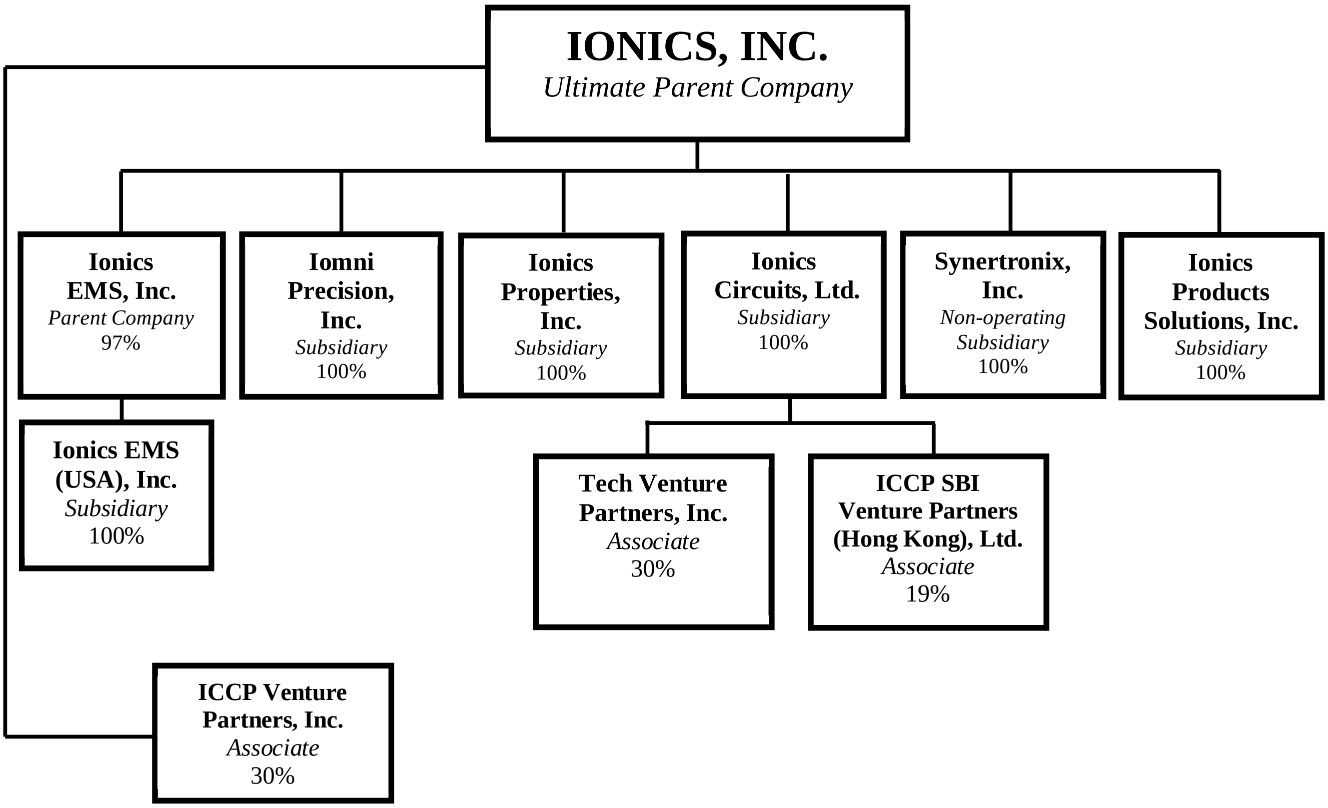
Schedule G. Capital Stock

				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	75,823	412,096

**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, 2023:



IONICS, INC. AND SUBSIDIARIES

SCHEDULE OF COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2023 and 2022:

Financial ratios		**2023**	2022
Liquidity ratios:			
Current ratio	Current assets / Current liabilities	**1.65:1**	1.69:1
Acid test ratio	Cash in banks and receivables / Current liabilities	**0.60:1**	0.72:1
Leverage ratio	Net debt / Net debt and equity	**0.41:1**	0.38:1
Debt-to-equity ratio	Total debt / Total equity	**0.89:1**	0.99:1
Asset-to-equity ratio	Total assets / Total equity	**1.89:1**	1.99:1
Profitability ratios:			
Interest rate coverage ratio	Income before income tax and finance costs / Finance Costs	**3.96:1**	5.77:1
Revenue Growth	*CY revenue - **PY revenue / **PY revenue	**25.17%**	25.43%
Gross Profit Margins	Gross profit / ***Revenue	**12.69%**	12.47%
Profit Margins	Gross profit - operating expenses / ***Revenue	**7.43%**	6.89%
Net Income Margins	Net income / ***Revenue	**4.75%**	5.77%
Return on Equity	Net income / Total stockholder's equity	**7.22%**	7.44%

**CY - current year*
***PY - prior year*
****Revenue includes sales and rental income*

IONICS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

December 31, 2023

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Group and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary schedules required by Annex 68-J

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)
- Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements
- Schedule D: Long-term Debt
- Schedule E: Indebtedness to Related Parties
- Schedule F: Guarantees of Securities of Other Issuers
- Schedule G: Capital Stock

Annex D: Schedule of Financial Soundness Indicators (Annex 68-E)

IONICS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2023

ANNEX A

IONICS, INC.
No. 14 Mountain Drive, LISP II, Brgy. La Mesa, Calamba City, Laguna

Unappropriated Retained Earnings, beginning of reporting period		**US$10,775**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Others	–	–
Less: Category B: Items that are directly credited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	1,540	
Retained Earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Others	–	1,540
Unappropriated retained earnings, as adjusted		**9,235**
Add/Less: Net Income (loss) for the current year		**33**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends Declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	
Sub-total		–
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	
Sub-total		–

Add: Category C-3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) Of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of previously recorded fair value gain of Investment property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	–	
Sub-total		–
Adjusted Net Income/Loss		**33**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Sub-total		–
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote 3)		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others (describe nature)	–	
Sub-total		–
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	–	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	–	
Adjustment due to deviation from PFRS/GAAP — gain (loss)	–	
Others (describe nature)	–	
Sub-total		–
Total Retained Earnings, end of the reporting period available for dividend		**US$9,628**