

ANNUAL REPORT 2023 NOTICE OF REGULAR MEETING I INFORMATION STATEMENT

## TABLE OF CONTENTS

۲

1

## **INFORMATION STATEMENT**

SEC Form 20-IS	3
Date, time and place of meeting of shareholders	4
Dissenter's Right of Appraisal	4
Interest of Certain Persons In or Opposition to Matters to be Acted Upon	4
Voting Securities and Principal Holders Thereof	4
Directors and Executive Officers	7
Compensation of Directors and Executive Officers	13
Independent Public Accountants	14
Action with Respect to Reports	16
Actions Proposed	17
Voting Procedures	17
Annex A	20

## **ANNUAL REPORT**

Message from the Chairman	22
Business	23
Directors and Officers	24
Management Discussion and Analysis	24
Market for Registrant's Common Equity and Related Stockholder Matter	31
Changes and Disagreements with Accountants on	
Accounting and Financial Disclosure	32
Corporate Governance Report	32
Undertaking to Provide Annual Report	33
Board of Directors	34

## CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility	37
Independent Auditor's Report	38
Consolidated Statements of Financial Position	41
Consolidated Statements of Comprehensive Income	43
Consolidated Statements of Changes in Equity	44
Consolidated Statements of Cash Flows	45
Notes to Consolidated Financial Statements	47
Independent Auditor's Report on Supplementary Schedules	103
Supplementary Information and Disclosures	104
Group Structure	106
Components of Financial Soundness Indicators	107
Index to the Financial Statements and Supplementary Schedules	108
Reconciliation of Retained Earnings	109



## To All Shareholders:

Notice is hereby given that the Annual Shareholders' Meeting of Ionics, Inc. will be conducted through remote communication on Friday, 14 June 2024 at 2:00 p.m.

The Agenda for the said meeting shall be as follows:

- 1. Call to Order
- 2. Proof of Notice of Meeting
- 3. Certification of Quorum
- 4. Reading and Approval of the Minutes of the Previous Meeting
- 5. Management Report for the Fiscal Year 2023
- Ratification of All Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation from the date of the last Annual Shareholders' Meeting to the present
- 7. Election of Directors
- 8. Appointment of External Auditor
- 9. Adjournment

The details and rationale of each item in the Agenda are explained briefly under Annex A of the Information Statement which will be posted at <u>www.ionicsgroup.com/agm2024</u> and at the Corporation's PSE EDGE profile. Only shareholders of record at the close of business hours on 15 May 2024 will be entitled to notice of, and to vote at, the meeting or any adjournment thereof.

As with the previous years, the Company will conduct its Annual Shareholders' Meeting via remote communication. Shareholders who wish to attend the meeting via remote communication should register using the Company's registration portal at <u>www.ionicsgroup.com/agm2024</u> on or before 11 June 2024. The requirements and procedure for registration, participation and voting through remote communication are set out in the Company's Information Statement and shall be made available at the Company website. Shareholders who successfully registered will receive a voting form which must be accomplished and submitted to <u>Ioncorp.agm@ionics-ems.com</u> no later than 11 June 2024.

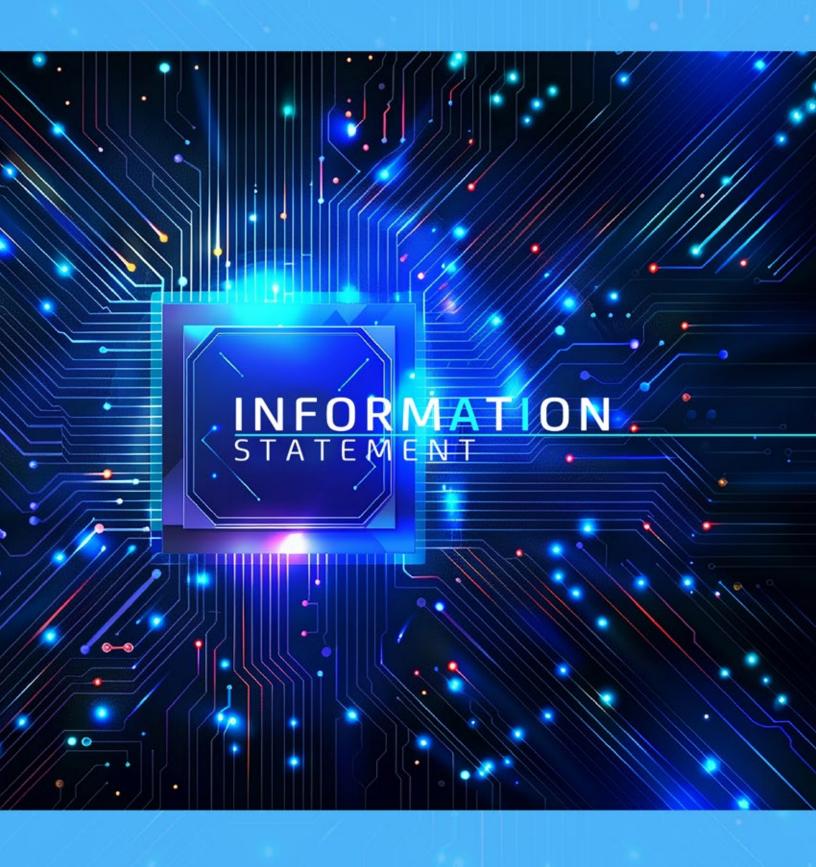
Stockholders who cannot attend the meeting may designate their authorized representative by submitting a signed proxy form via email to <u>loncorp.agm@ionics-ems.com</u> no later than the close of business hours on 11 June 2024. A sample proxy form may be downloaded on <u>www.ionicsgroup.com/agm2024</u>. All proxies received will be validated on 13 June 2024.

Shareholders of record may send their queries and comments about the items in the agenda to <u>loncorp.agm@ionics-ems.com</u> on or before 11 June 2024. Copies of this Notice of Meeting, Definitive Information Statement, Management Report, Annual Report (SEC Form 17A), and Quarterly Report (SEC Form 17Q) for the First Quarter of 2024 will be made available at the Company's website at <u>www.ionicsgroup.com/agm2024</u> and at the Company's PSE EDGE profile.

Lastly, in compliance with the requirements of the Securities and Exchange Commission, there will be an audio and video recording of the meeting.

Makati City, 17 May 2024.

MANUEL R ROXAS Corporate Secretary





## SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

## **INFORMATION STATEMENT PURSUANT TO SECTION 20**

OF THE SECURITIES REGULATION CODE

1.	<ul> <li>Preliminary Information Statement</li> <li>V ] Definitive Information Statement</li> </ul>	
2.	Name of Registrant as specified in its charter	: IONICS, INC.
3.	Province, country or other jurisdiction of incorporation or organization	: PHILIPPINES
4.	SEC Identification Number	: 107432
5.	BIR Tax Identification Number	: 000-124-671
6.	Business Address	<ul> <li>Circuit St., Light Industry and Science</li> <li>Park of the Philippines (LISPP) I,</li> <li>Bo. Diezmo, Cabuyao, Laguna 4025</li> </ul>
7.	Registrant's telephone number	: (049) 508-1111 (02) 519-4416
8.	Date of Meeting Time of Meeting Place of Meeting	<ul> <li>14 June 2024</li> <li>2:00 p.m.</li> <li>The meeting will be conducted through remote communication via Zoom. The link to the virtual meeting room will be provided to shareholders who have successfully registered. The Chairman will preside over the meeting from the principal office of the Corporation at the address above.</li> </ul>
9.	Approximate date on which the Information Statement is to be uploaded to the Company website	: 22 May 2024

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

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

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

Yes [<u>√</u>] No [ ]

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

Philippine Stock Exchange / Common Stock

## **GENERAL INFORMATION**

## DATE, TIME AND PLACE OF MEETING OF SHAREHOLDERS

(a)	Date of Meeting	:	14 June 2024
	Time of Meeting	:	2:00 p.m.
	Place of Meeting	:	The meeting will be conducted through remote communication via Zoom. The link to the virtual meeting room will be provided to shareholders who have successfully registered. The Chairman will preside over the meeting from the principal office of the Corporation at Circuit Street, Light Industry and Science Park of the Philippines, Bo. Diezmo, Cabuyao, Laguna.

(b) This Information Statement, copies of the Company's Management Report, Annual Report (SEC Form 17A) and Quarterly Report (SEC Form 17Q) for the First Quarter of 2024 shall be made available at the Company's website and PSE EDGE on or before 22 May 2024.

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

#### **DISSENTER'S RIGHT OF APPRAISAL**

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

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

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

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

- (a) Each of the persons who has been a director or officer of the Company from the beginning of the fiscal year 2023, as well as each of the nominees for the election as director for the year 2024-2025, together with any associate of any of the foregoing, has not expressed any interest in any matter to be acted upon.
- (b) The Company has not received any information from any director that he/she intends to oppose any matter to be acted upon in the meeting.

## **CONTROL AND COMPENSATION INFORMATION**

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

**Total Number of Shares Issued and Outstanding as of 30 April 2024** 837,130, 992 exclusive of 20,844,000 treasury shares



## Foreign Equity Ownership as of 30 April 2024:

The Company's foreign equity ownership is presented, as follows:

	No. of Shares	Percentage Ownership
Shares held by Philippine nationals	805,538,996 Common	96.23%
Shares held by Foreign nationals	31,591,996 Common	3.77%
Total	<b>837,130,992</b> Common	

**Record Date:** All shareholders of record as of 15 May 2024 will be entitled to notice of, and to vote at, the Annual Shareholders' Meeting.

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

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

# Security Ownership of Certain Record and Beneficial Shareholders of More than 5% of the Company's Voting Securities as of 30 April 2024

Title of Class	Names and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage Held
Common	<b>Aqua Holdings, Inc.</b> c/o Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna Shareholder	Lawrence C. Qua ( <i>deceased</i> ), Meliton C. Qua, Raymond C. Qua, Virginia Judy Q. Dy (shareholders of Aqua Holdings, Inc.)	Filipino	335,153,100 (R)	40.04%
Common	<b>Leonardo T. Siguion Reyna*</b> 7 Tanguile Road, North Forbes Park Makati City Shareholder	N/A	Filipino	75,006,000 (R)	8.96%

\*deceased

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

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

5

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Raymond C. Qua President and Chief Executive Officer	<b>8,562,350</b> Direct	Filipino	1.02%
Common	<b>Alfredo R. de Borja</b> Chairman of the Board / Independent Director	<b>14,000</b> Direct	Filipino	Nil
Common	Meliton C. Qua Director	<b>6,497,362</b> Indirect	Filipino	0.78%
Common	Earl Lawrence S. Qua Director	<b>610,000</b> Direct	Filipino	0.07
Common	Guillermo D. Luchangco Director	<b>19,620,000</b> Indirect	Filipino	2.34%
Common	<b>Virginia Judy Q. Dy</b> Director	<b>1,033,603</b> Direct		0.12%
		<b>4,887,140</b> Indirect	Filipino	0.58%
Common	<b>Cecilia Q. Chua</b> Director and Treasurer	<b>5,584,412</b> Direct		0.67%
		<b>3,000</b> Indirect	Filipino	Nil
Common	Monica Siguion Reyna Villonco Director	<b>24,000</b> Direct		Nil
		<b>127,000</b> Indirect	Filipino	0.02%
Common	<b>Jay A. Chavez</b> Director	1,000 Indirect	Filipino	Nil
Common	Medel T. Nera Independent Director	<b>1,000</b> Indirect	Filipino	Nil
Common	Lilia B. De Lima Independent Director	<b>50,000</b> Indirect	Filipino	0.01%
Common	<b>Judy C. Qua</b> SVP- Corporate Affairs & Human Resources	-0-	Filipino	-0-
Common	Manuel R. Roxas Corporate Secretary	<b>14,500</b> Direct	Filipino	Nil
Common	Krisha F. Villanueva Assistant Corporate Secretary	-0-	Filipino	-0-
Common	<b>Ronan R. Andrade</b> VP – Finance / Chief Risk Officer	-0-	Filipino	-0-
Common	<b>Cesar G. Caubalejo</b> VP – Internal Audit and Assistant Compliance Officer	-0-	Filipino	-0-
	TOTAL	47,029,367		5.62%

## Security Ownership of Directors and Management as of 30 April 2024

## Voting Trust Holders of 5% or more

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

## Change in control

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

## DIRECTORS AND EXECUTIVE OFFICERS

## Directors

Name / Position	Age	Citizenship
1. Alfredo R. de Borja - Chairman and Independent Director	79	Filipino
2. Raymond C. Qua - Member	73	Filipino
3. Medel T. Nera - Member (Independent)	68	Filipino
4. Virginia Judy Q. Dy - Member	84	Filipino
5. Guillermo D. Luchangco - Member	84	Filipino
6. Meliton C. Qua - Member	81	Filipino
7. Earl Lawrence S. Qua - Member	45	Filipino
8. Cecilia Q. Chua - Member	71	Filipino
9. Monica Siguion Reyna Villonco - Member	70	Filipino
10. Lilia B. De Lima - Member (Independent)	83	Filipino
11. Jay A. Chavez - Member	51	Filipino

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

The following are the Chairman and members of the Corporate Governance Committee for the year 2023 - 2024:

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

The following individuals were nominated to the Board of Directors of the Company for the ensuing year:

- 1. Alfredo R. de Borja
- 2. Raymond C. Qua
- 3. Meliton C. Qua
- 4. Cecilia Q. Chua
- 5. Earl Lawrence S. Qua
- 6. Marie Lourdes Arsenia Q. Dy
- 7. Guillermo D. Luchangco
- 8. Monica S. Villonco
- 9. Jay A. Chavez
- 10. Lilia B. de Lima
- 11. Medel T. Nera

## Nominees for Independent Directors

Nominated as independent directors are Mr. Alfredo R. de Borja, Mr. Medel T. Nera and Ms. Lilia B. De Lima who possess all of the qualifications of an independent director provided for in the Revised Corporation Code, the Company's By-laws and the Amended Manual of Corporate Governance of the Company. Mr. de Borja, Mr. Nera and Ms. de Lima were all nominated by Mr. Guillermo D. Luchangco, a stockholder and director of the Company. Mr. Luchangco is not related to any of the nominated independent directors.

The Independent Directors were advised of SEC Memorandum Circular No. 4, Series of 2017 on the term limits for Independent Directors. Based on the Memorandum Circular, Mr. Alfredo R. de Borja has served the maximum cumulative term of nine (9) years reckoned from the year 2012. The Board resolved to approve the re-nomination of Mr. de Borja for the position of independent director for the term 2024-2025. The Board considered Mr. de Borja's in-depth knowledge of the Company's business as well as that of its subsidiaries due to his length of service as an independent director of the Company. Furthermore, the technical nature of the Company's business and the industry in which it belongs require specialized knowledge which Mr. de Borja has contributed to the Company for many years and retaining him as independent director will be instrumental in attaining the Company's 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.

## Nominee for Regular Director

Ms. Marie Lourdes Arsenia Q. Dy, 55, Filipino, is the current Channel Business Manager of Palo Alto Networks (Philippines) where she works with focused channel partners on business plans and supports these plans with market activities, such as customer workshops and end customer marketing events. She was awarded the Personal Innovation Award for Sales Excellence (Vendor/Distributor) in recognition of her contribution to the said company. She previously worked at Cisco Systems, Inc. as Partner Services Development Manager, Channel Services Development Manager and Services Manager – Philippines before being appointed as Partner Services Development Manager, Channel Singapore. Ms. Dy graduated with a Bachelor of Science in Electronics and Communications Engineering degree from the De La Salle University. She obtained her Masters in Business Administration degree from University of Western Australia in December 2004.

## **Executive Officers**

Name	Rank / Title	Age	Citizenship
1. Alfredo R. de Borja	Chairman of the Board	79	Filipino
2. Raymond C. Qua	President and Chief Executive Officer	73	Filipino
3. Cecilia Q. Chua	Treasurer	71	Filipino
4. Judy C. Qua	SVP – Corporate Affairs & Human Resources	73	Filipino
5. Manuel R. Roxas	Corporate Secretary	74	Filipino
6. Krisha F. Villanueva	Assistant Corporate Secretary	31	Filipino
7. Ronan R. Andrade	VP – Finance / Chief Risk Officer	53	Filipino
8. Cesar G. Caubalejo	VP - Internal Audit / Assistant Compliance Officer	57	Filipino

## Profile of Incumbent Directors, Nominees, and Officers

## DIRECTORS

**ALFREDO R. DE BORJA,** 79, Filipino, has been an independent director of Ionics, Inc. since 2004. He has also been an independent director of its subsidiaries, Ionics EMS, Inc. and Iomni Precision, Inc. since 2007 and 2013, respectively. In October 2023, he was elected Chairman of the Board of Directors of the Corporation to serve for the remainder of the term of the late Mr. Lawrence C. Qua. Mr. de Borja is also director of Central Azucarera de Bais, Inc., Ionics Properties, Inc., Makiling Farms, Inc., E. Murio, Inc., Investment Capital Corp. of the Phil. ("ICCP"), ICCP Venture Partners, ICCP Holdings, Inc., Pueblo

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

**VIRGINIA JUDY Q. DY,** 84, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. She previously served as director and Corporate Secretary of Aqua Holdings, Inc., and as Finance Director of DVPRO Solutions, Inc. Her previous corporate affiliations include Philippine Commercial and International Bank as Branch Manager, Insular Bank of Asia & America as Branch Manager, Ladtek Corporation/Interphase Development System as Accounting Manager and the International Corporate Bank as Branch Manager. Ms. Dy received her Bachelor of Science in Commerce degree from the Assumption Convent and is a Certified Public Accountant, having passed the government board exams in 1963.

**GUILLERMO D. LUCHANGCO,** 84, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. He is the Chairman and Chief Executive Officer of the ICCP Group, whose member-companies include among others: Science Park of the Philippines, Inc., a developer of industrial parks; Pueblo de Oro Development Corporation, a developer of residential and township projects; and Manila Exposition Complex, Inc., the owner of the World Trade Center Metro Manila. Mr. Luchangco is the Chairman of Investment & Capital Corporation of the Philippines and ICCP Ventures. Before founding ICCP in 1988, he served as Vice Chairman and President of Republic Glass Corporation, a publicly-listed company. Between 1969 and 1980, Mr. Luchangco worked with the SGV Group where he rose to the position of Managing Director and Regional Coordinator for management services. Mr. Luchangco previously served in the Boards of Directors of the following publicly-listed companies in the Philippine Stock Exchange: Phinma Corporation, Trans-Asia Oil & Energy Development Corp., and Roxas & Co., Inc. He holds a Master of Business Administration degree from the Harvard Business School and a Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, Philippines.

**MELITON C. QUA,** 81, Filipino, held key positions in several companies which included the Philippine Bank of Communications as Senior Vice President, Citibank N.A., as Vice President, Bancnet as Director, and Aqua Holdings, Inc. as Director. Mr. Qua has been a director of Ionics, Inc. since 1985. He is also a director of Ionics EMS, Inc., Ionics Properties, Inc. and Iomni Precision, Inc. He received his Bachelor of Science degree in Business Administration from De La Salle University, Philippines.

**RAYMOND MA. C. QUA,** 73, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1985. He previously served as Senior Vice President, Treasurer and Compliance Officer of Ionics, Inc. In October 2023, he was elected President and Chief Executive Officer of Ionics, Inc. to serve for the remainder of the term of the late Mr. Lawrence C. Qua. Mr. R. Qua is also a director of Ionics Inc.'s subsidiaries, namely Ionics EMS, Inc. (where he is also President and Chief Executive Officer), Iomni Precision, Inc., Ionics Properties, Inc., Ionics Products Solutions, Inc. and Synertronix, Inc. He is the President and Chief Operations Officer of Ionics Properties, Inc. Previously, he was the Senior Vice President and General Manager of Synertronix, Inc. and the Vice President for Administration of Ionics, Inc. Mr. Qua is presently affiliated with various organizations and associations serving as head, ranking officer or member. Mr. Qua received his Bachelor of Science degree in Commerce from De La Salle University, Philippines.

**CECILIA Q. CHUA,** 71, Filipino, is a director of lonics Inc. from 1997 to 2000 and from 2007 up to present. In October 2023, she was appointed Treasurer of lonics Inc. and lonics EMS, Inc. to serve for the remainder of the term of Mr. Raymond C. Qua. She earned her degree in Bachelor of Science in Food Technology from the University of Sto. Tomas in 1978. She is the Treasurer of B-Pack Corporation and Vice-President of CQ B-Pack Corporation. She has been the NPR Purchasing Manager of lonics EMS Inc., a subsidiary of Ionics, Inc., since 1985. Her previous corporate affiliations include Interphase Development Systems, Ladtek Inc., Complex Electronics Corporation and Philippine Meat Corporation.

**MONICA SIGUION-REYNA VILLONCO,** 70, Filipino, is the President of Whitespace, Inc. She is also a member of the Board of Governors of the Philippine Red Cross and a member of the Board of Directors of Ionics EMS, Inc. Ms. Villonco earned her Bachelor of Fine Arts degree from the College of the Holy Spirit.

**MEDEL T. NERA,** 68, Filipino, is a certified public accountant. He has been an Independent Director of the Corporation and Ionics EMS, Inc. since 2020. In November 2023, he was elected Chairman of the Board of Directors of Iomni Precision, Inc., a subsidiary of the Corporation, to serve for the remainder of the term of the late Mr. Lawrence C. Qua. Mr. Nera is presently

9

a Director of House of Investments, Inc., iPeople Inc., Seafront Resources Corporation, EEI Corporation and Ionics Properties, Inc. He is also an Independent Director of the Metro Retail Stores Group, Inc. and National Reinsurance Corporation of the Philippines, Inc. and a former Independent Director of Holcim Philippines, Inc., Erikagen, Inc., Actimed, Inc., Pharm Gen Ventures Corp., and Novelis Solutions, Inc. His past experiences include: President and CEO of House of Investments, Inc.; President of Honda Cars Kalookan, Inc., Director and President of RCBC Realty Corp.; Director and Chairman of the Risk Oversight Committee of Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and Senior Partner at Sycip Gorres Velayo & Co. where he had 35 years of experience in professional services. Mr. Nera served as Assurance Leader for the Financial Services Assurance practice of Ernst and Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. Mr. Nera obtained his Master in Business Administration degree from Stern School of Business, New York University, New York, USA and Bachelor of Science in Commerce degree from Far Eastern University. He also attended the International Management Program of the Manchester Business School, United Kingdom, and the Pacific Rim Bankers' Program of the University of Washington, Seattle, Washington, USA.

LILIA DE LIMA, 83, Filipino, is an Independent Director of Ionics, Inc. and Ionics EMS, Inc. She is currently an independent director of PHINMA Corporation, FWD Life Philippines, Dusit Thani Philippines, RFM-Science Park of the Philippines, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., and Pueblo de Oro Development Corporation. She is also a member of the Board of Directors of Cadence Property Development Corporation as independent director, Rizal Commercial Banking Corporation as Senior Adviser to the Board, and a Trustee at the Fatima Center for Human Development. She presently serves as a director of RCBC Trust Corporation, Advisory Board Member of AC Industrials and the Executive-in-Residence of Asian Institute of Management. From 1981 to 2016, Ms. de Lima worked in the government, holding high positions in various government instrumentalities such as the Department of Trade and Industry, National Amnesty Commission, Cagayan Economic Zone Authority, Zamboanga Economic Zone Authority, PHIVIDEC Industrial Authority, and the Philippine Economic Zone Authority. Because of her stint as Director General of the Philippine Economic Zone Authority and having served the same for 21 years, she was awarded the Ramon Magsaysay Laureate in 2017. She was also a recipient of various awards such as the Presidential Medal of Merit, awarded to her by former Presidents Benigno Aquino III and Gloria Macapagal Arroyo, The Order of the Rising Sun, Gold and Silver Star, which is the highest award given to a non-head of state by the Government of Japan for bringing hundreds of Japanese investors to the Philippines, People of the Year Award given by Peoples Asia Magazine, and Excellence in Public Service Award, which was awarded to Ms. de Lima five times by BIZNEWS ASIA. She attained her Bachelor of Laws from the Manuel L. Quezon University in 1965, and her Doctor of Laws LLD (Honoris Causa) from the same university in 2014. She passed the Philippine Bar Exams in 1966.

**EARL LAWRENCE S. QUA,** 45, Filipino, was elected director in October 2023 to serve for the remainder of the term of the late Mr. Lawrence C. Qua. Mr. E. Qua also sits in the Board of Directors of Ionics EMS, Inc. ("EMS") and concurrently serves as its Vice-President for Business Development. 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. Since 2020, he has been a member of the Board of Directors of Communigate Technologies, Inc. Furthermore, he has been the President of the Electronic 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 Al Research Center Laboratory since 2016 and the Advisor of the Manufacturing Enterprise Solutions Association (MESA) International since 2018. He previously served as Project Director at the Electronics Product Development Center and 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 a 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, Filipino, was elected director in November 2023 to serve for the remainder of the term of Comm. Robert Joseph M. de Claro. Mr. Chavez is the Executive Vice-President and Chief Operating Officer of Ionics EMS, Inc. ("EMS"). He joined 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. Mr. Chavez finished his secondary education at the Philippine Science High School and holds an Electrical Engineering degree from Mapua Institute of Technology.



#### OFFICERS

**JUDY C. QUA,** 73, Filipino, is the Senior Vice-President for Corporate Affairs & Human Resources of Ionics, Inc. and Ionics EMS, Inc. She previously served as the Executive Assistant to the Chairman and CEO on special assignments. She is concurrently the President and Chief Executive Officer of Iomni Precision, Inc. She was the Managing Director for Finance of IONOTE Ltd., the joint venture facility of Ionics EMS, Inc. and NOTEAB of Sweden in China. Prior to joining 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 of inspirational essay on changing perspectives and positive thinking. She was the Philippine Director and sole licensed lecturer / facilitator of the world-renowned Silva Mind Control Method coursework. She is the lecturer-facilitator of The Second Wind Mind Works neurotraining course. She holds a Master of Arts degree in Social and Industrial Psychology from the Ateneo de Manila University and a Master of Business Administration degree from Kellogg-HKUST Business School of Northwestern University.

**RONAN ANDRADE,** 53, Filipino, is the Vice-President for Finance and Chief Risk Officer of the Corporation. He graduated from San Beda College in 1991 and passed the Certified Public Accountant Board Examination in the same year. He worked with Sycip Gorres & Velayo Auditing Firm-Audit Division from 1992 to 1998, starting as an audit staff member until he became audit supervisor. He joined Ionics, Inc. in 1999 as Senior Manager for Finance and became Assistant Vice President and Acting Finance Head of the Company, prior to his transfer to Internal Audit as Vice President. In 2007, Mr. Andrade was appointed as Vice President of Finance of the Company.

**MANUEL R. ROXAS,** 74, Filipino, has been the Company's Corporate Secretary for the past twenty-seven (27) years. His professional experience covers general corporate law practice as counsel to various companies engaged in banking, investments, pharmaceuticals, shipping and manufacturing. Atty. Roxas received his Bachelor of Science degree in Economics from the University of Pennsylvania in 1970 and Bachelor of Laws degree from the University of the Philippines in 1975. His other professional affiliations include: Roxas de los Reyes Laurel Rosario & Gonzales as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc. as Trustee, Mother Rosa Memorial Foundation, Inc. as Corporate Secretary and the Integrated Bar of the Philippines as member.

**KRISHA F. VILLANUEVA,** 31, Filipino, is the Company's Assistant Corporate Secretary. Atty. Villanueva is an associate lawyer at Roxas de los Reyes Laurel Rosario & Gonzales Law Offices. Her professional experience covers general corporate law practice and litigation. She received her Bachelor of Science degree in Business Administration from the University of the Philippines Diliman and her Juris Doctor degree from the University of the Philippines College of Law. While in law school, Atty. Villanueva served as legal intern at the UP Office of Legal Aid and the Office of the Government Corporate Counsel. She is a member of the Integrated Bar of the Philippines and the UP Women Lawyers Circle.

**CESAR G. CAUBALEJO**, 57, Filipino, is the Vice-President for Internal Audit and Assistant Compliance Officer of Ionics, Inc. He graduated from the University of the Philippines in Tacloban City, Leyte in 1988 with a degree in Bachelor of Science in Business Administration Major in Accounting. He is a Certified Public Accountant, an Internal Audit Specialist and Certified Fraud Examiner. He worked and started his career with SyCip, Gorres, Velayo & Co. (SGV) in 1988 until his resignation from the firm as a Senior Director under the Business Risk Services in December 2008. During his stint with SGV, he was assigned to work in other countries such as US, France, Vietnam, Malaysia and Kingdom of Saudi Arabia. In his short stint in 2004 with KPMG Audit and Accounting Practice, he became its Country Manager in Lao PDR. He also worked for a year (1997) as a group controller in one of the diversified companies in the Philippines. He is a member of the Institute of Internal Auditors of the Philippines. He joined Ionics EMS, Inc. on January 5, 2009.

## Additional Information on the members of the Board of Directors

- Term of Office. The directors of the Company are elected at the Annual Shareholders' Meeting and shall hold office until the next succeeding annual meeting and until their respective successors have been elected.
- No director has transacted with the Company in his/her personal capacity.
- None of the directors has informed the Company that he/she intends to oppose any action to be taken by the Company at the meeting.
- Directors Guillermo D. Luchangco and Alfredo R. de Borja participated in the online Corporate Governance Seminar conducted by SGV & Co. on 29 November 2023. Directors Lilia B. de Lima and Medel T. Nera attended the Annual Corporate Governance Seminar with the topic "Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success" provided by the Yuchengco Group of Companies on 9 September 2023. All the other members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar conducted by SGV & Co. on 15 December 2023.

#### Significant Employees

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

#### Certain Relationships and Directors' Self-Dealing and Related Transactions

As of April 30, 2024, the Company has no significant related party transactions with its shareholders, directors, officers and affiliated companies except as follows:

1. Lease Arrangements

The Company leases two factory buildings to its subsidiary, lonics 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 the Company, 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 were 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. leased another factory, Plant 4, from Ionics Properties, Inc. with an area of 798 square meters from November 1, 2023 to April 30, 2024 and 1,300 square meters from May 1, 2024 to October 31, 2024.

2. Legal Services

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

3. Financial Advisors

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

A discussion on this matter is disclosed under Note 23 on page 51 of the Company's Annual Financial Statements.

## Family Relations

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

Ms. Marie Lourdes Arsenia Q. Dy, a nominee to the Board of Directors, is the daughter of Ms. Virginia Judy Q. Dy, and is related to Messrs. Meliton C. Qua, Raymond C. Qua and Ms. Cecilia Q. Chua within the third degree of consanguinity. She is a first cousin of Mr. Earl Lawrence S. Qua.

## Involvement in Legal Proceedings (as of 15 May 2024)

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

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

#### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

#### Summary Compensation Table

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

#### SUMMARY COMPENSATION TABLE

Annual Compensation

	Year	Salary	Others*
Chief Executive Officer and four (4) most highly compensated executive officers	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 the four (4) most highly compensated executive officers of Ionics, Inc. and its subsidiaries (i.e. on a consolidated basis):

- 1. Mr. Lawrence C. Qua deceased October 5, 2023
- 2. Mr. Raymond Maria C. Qua is President and Chief Executive Officer
- 3. Mr. Jay A. Chavez is the Executive Vice President and Chief Operating Officer of Ionics EMS, Inc.
- 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

In compliance with Sections 29 and 49 of the Revised Corporation Code, the following are the total individual per diem received by each incumbent director for the years 2023 and 2022:

Name of Director	Year	Total Per Diem Received (In USD)
Daumand C. Oua	2023	1,614
Raymond C. Qua	2022	1,403
Malitan C. Qua	2023	2,692
Meliton C. Qua	2022	2,222
Cacilia O. Chua	2023	1,614
Cecilia Q. Chua	2022	1,111
Virginia ludu O. Du	2023	1,614
Virginia Judy Q. Dy	2022	1,403
Cuillarma D. Luchandea	2023	2,156
Guillermo D. Luchangco	2022	1,111
Monica S. Villonco	2023	1,614
MUTICA S. VILUTICO	2022	1,111

Name of Director	Year	Total Per Diem Received (In USD)
Alfrada D. da Baria	2023	3,499
Alfredo R. de Borja	2022	2,514
Model T. Nora	2023	3,499
Medel T. Nera	2022	2,222
Lilia B. de Lima	2023	1,879
LIIIA B. OE LIIIIA	2022	1,111
	2023	264
Earl Lawrence S. Qua*	2022	N/A
	2023	N/A
Jay A. Chavez**	2022	N/A

\*Elected in October 2023 \*\*Elected in November 2023

## Standard Arrangements

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

Executive officers receive monthly compensation without any entitlement to a percentage of the profits.

## Employment contract or compensatory plan or arrangement

As of 30 April 2024, no executive officer of the Company is under employment contract.

## INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Sycip Gorres Velayo & Co. ("SGV") has been the external auditor of the Company since 1992, and is being recommended for reappointment. Representatives of SGV are expected to be present at the meeting and will have the opportunity to respond to appropriate questions and to make a statement if they so desire. The auditing partner in charge of the accounts of the Company for the financial year ended 31 December 2023, Ms. Maria Antoniette L. Aldea, was appointed in 2022.

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

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

## INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

### **EXTERNAL AUDIT FEES AND SERVICES**

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



## Audit and Audit-Related Fees

- 1. 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 in 2023 is One Hundred Sixty Nine Thousand Eight Hundred Nineteen US dollars (US\$169,819) and One Hundred Thirty-three Thousand Four Hundred Five US 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.
- 2. There are no assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of Ionics, Inc.'s financial statements.

## Tax Fees - None

## All Other Fees

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

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

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

The Chairman and members of the Audit Committee for the year 2023-2024 are the following:

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

### **COMPENSATION PLANS**

### Stock Options, Warrants or Rights Plan.

No warrants or options on the Corporation's shares of stock have been issued or given to the Directors or Executive Officers as a form of compensation for services rendered.

## **ISSUANCE AND EXCHANGE OF SECURITIES**

#### AUTHORIZATION OR ISSUANCE OF SECURITIES OTHERWISE THAN FOR EXCHANGE

No action that involves the authorization or issuance of any securities will be presented for stockholders' approval at this year's Annual Stockholders' Meeting

## MODIFICATION OR EXCHANGE OF SECURITIES

No action which involves the modification of any class of the Corporation's securities or the issuance of one class of the Corporation's securities in exchange for outstanding securities of another class will be presented for stockholders' approval at this year's Annual Stockholders' Meeting.

## FINANCIAL AND OTHER INFORMATION

The Corporation has incorporated by reference the following as contained in the Management Report:

- 1. Audited Financial Statements as of 31 December 2023;
- 2. Management Discussion and Analysis or Plan of Operation; and,
- 3. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Representatives from SyCip Gorres Velayo & Co., the external auditor of the Corporation are expected to be present at the meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to questions.

#### MERGER, CONSOLIDATIONS, ACQUISITION AND SIMILAR MATTERS

No action with respect to (i) the merger or consolidation of the Corporation with any other person, (ii) acquisition by the Corporation or any of its stockholders of securities of another person, (iii) acquisition by the Corporation of any other going business or of the assets thereof, (iv) the sale or transfer of all or any substantial part of the assets of the Corporation, nor (v) liquidation or dissolution of the Corporation will be presented for stockholders' approval at this year's Annual Stockholders' Meeting.

### ACQUISITION OR DISPOSITION OF PROPERTY

No action with respect to the acquisition of disposition of the property of the Corporation will be presented for stockholders' approval at this year's Annual Stockholders' Meeting.

## **RESTATEMENT OF ACCOUNT**

No action will be presented for stockholders' approval at this year's Annual Stockholders' Meeting which involves the restatement of any of the Corporation's assets, capital or surplus account.

## **OTHER MATTERS**

In compliance with Memorandum Circular No. 3 series of 2020 of the Securities and Exchange Commission and Section 49 of the Revised Corporation Code, and in accordance with the SEC Notice dated 23 February 2024 re: Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in connection with Annual Stockholders' Meetings for 2024, the Notice of Meeting will be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days, with the last publication date being not later than twenty-one (21) days prior to the date of the Annual Stockholders' Meeting.

## **ACTION WITH RESPECT TO REPORTS**

## Approval of the Minutes of the Previous Shareholders' Meeting

The minutes of the last Annual Shareholders' Meeting held on 15 June 2023 will be submitted for approval of the shareholders. While a copy of the said minutes was posted on the corporate governance page of the Corporation's website before 22 June 2023 in compliance with the Code of Corporate Governance, a copy thereof will also be made available at www.ionicsgroup. com/agm2024 on or before 22 May 2024 to any shareholder desiring to review the same.

The following were the significant matters discussed at the 2023 Annual Shareholders' Meeting:

- (i) Approval of the Minutes of the Previous Stockholders' Meeting
- (ii) Management Report for Fiscal Year 2022;
- (iii) Ratification of Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation for the Fiscal Year 2022;
- (iv) Election of Eleven (11) Directors; and
- (v) Appointment of External Auditor.

During the previous annual meeting, the stockholders were given the opportunity to send their queries and clarifications on the items in the Agenda from the start of the registration period until 13 June 2023. However, the Company did not receive any questions related to the matters to be discussed in the meeting during the period allotted. In this regard, no information can be disclosed pertaining to questions asked and answers given.

Further, the tabulation of votes was conducted by the Office of the Corporate Secretary. The tabulation was done manually by referring to the voting instructions of the stockholders and proxies and adding them together. The validation of proxies was conducted in the presence of the Assistant Corporate Secretary. The significant matters enumerated above were approved by the stockholders following the voting procedures explained in Item 17 of the Information Statement. The same voting procedures will be followed in this year's Annual Stockholders' Meeting.

The list of directors, officers and stockholders who attended the previous stockholders' meeting is attached to this Information Statement as Annex "B". A summary of the matters discussed, resolutions reached and voting results is recorded in the Minutes of the 2023 Annual Stockholders' Meeting which is posted at www.ionicsgroup.com/agm2024.

## Management Report and Financial Statements

Management shall report on the significant business transactions undertaken and the financial targets and achievements for the fiscal year 2023. The Management Report and the audited financial statements for the period ending 31 December 2023 of the Company are reflected in the Annual Report to Shareholders.

## **ACTIONS PROPOSED**

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

Copies of the minutes of the meetings of the Board of Directors held from the date of the last Annual Shareholders' Meeting on 15 June 2023 until the present meeting will be made available for inspection to any shareholder desiring to review the same. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, at the 19/F BDO Plaza, 8737 Paseo de Roxas, Makati City, Metro Manila.

## **Election of Directors**

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

## Appointment of External Auditor

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

## **VOTING PROCEDURES**

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

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

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

i. Every shareholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on 15 May 2024. Any shareholder who cannot attend the meeting may designate his/her authorized representative by submitting a signed proxy form via email to loncorp.agm@ionics-ems.com no later than the close of business hours on 11 June 2024. Only votes submitted on or before 11 June 2024 shall be honoured for purposes of voting.

Shareholders who have successfully registered and will attend the meeting via remote communication will receive a voting form or ballot which must be sent to loncorp.agm@ionics-ems.com no later than the close of business hours on 11 June 2024, otherwise they will be considered as having abstained from voting on the matters submitted for approval.

GAINING

OMENTUM

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

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

#### REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

#### Registration for the 2024 Annual Shareholders' Meeting

Shareholders of record as of 15 May 2024 who wish to attend the meeting and vote in absentia should register through the Company's registration portal at www.ionicsgroup.com/agm2024 on or before 11 June 2024 ("Registration Period").

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

#### Individual Shareholders

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

#### **Corporate Shareholders**

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

### For Shareholders with Joint Accounts

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

#### For Shareholders represented by Proxy

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

## For Shareholders under Local Broker Accounts

- In addition to the above requirements for individual and corporate shareholders, shareholders under local broker accounts shall submit a scanned copy of the local broker's certification signed by the authorized signatory/ies on the beneficial shareholder's name, account number and number of shares.
- In case of a corporate shareholder, submit also a scanned copy of the Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the corporate beneficial shareholder.
- In case of shareholders with foreign broker accounts, the foreign broker should identify the local broker under which the shares are lodged with. A foreign broker's certification shall be submitted together with the aforementioned local broker's certification.

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

Upon completion of the validation and verification procedure, each registered shareholder will receive an email confirmation which includes the link which the shareholder may use to access the virtual meeting room for the 2024 Annual Shareholders' Meeting of Ionics, Inc. together with the voting form.

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

- a. For items other than the election of directors, registered shareholders have the option to vote "For", "Against", or "Abstain";
- b. For election of Directors, the system of cumulative voting shall be followed. Each registered shareholder has a number of votes equal to the number of shares he/she owns, times the number of directors to be elected. Under this voting system, a registered shareholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.
- c. Once the registered shareholder has completed voting, he/she can submit his/her votes by sending the voting form to loncorp.agm@ionics-ems.com. Upon submission, the registered shareholder may no longer change his/her votes.

For shareholders who will be represented by a proxy, a sample proxy form can be downloaded from www.ionicsgroup.com/ agm2024. The said proxy form and the other requirements for participation via proxy must be submitted to loncorp.agm@ ionics-ems.com on or before 11 June 2024.

The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. The voting results will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 11 June 2024.

## **OTHER INFORMATION**

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

The conduct of the 2024 Annual Shareholders' Meeting will be streamed live. In order to be admitted by the host to the virtual meeting room, please join using your full name, turn on your camera and mute your microphone.

Registered shareholders may send their queries or comments related to the items in the agenda to loncorp.agm@ionicsems.com on or before 11 June 2024.

The proceedings will be recorded in video and audio format.

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

### SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 17 May 2024.

### IONICS, INC.

By:



## ANNEX A

## AGENDA DETAILS AND RATIONALE

## 1. Call to Order

The Chairman will formally open the 2024 Annual Shareholders' Meeting of Ionics EMS, Inc. (the "Company").

## 2. Proof of Notice of Meeting

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

## 3. Certification of Quorum

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

## 4. Approval of the Minutes of the Previous Meeting

The minutes of the 2023 Annual Shareholders' Meeting are posted on the Company's website. A resolution approving the minutes will be presented to the shareholders for approval.

## 5. Management Report for the Fiscal Year 2023

The President will present to the shareholders the highlights of the Company in 2023.

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

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

## 7. Election of Directors

The Chairman of the Corporate Governance Committee will present to the shareholders the nominees for election to the Board of Directors for the term 2024-2025.

## 8. Appointment of External Auditors

The appointment of SGV & Co. as the Company's external auditor for the year 2024 will be presented to the shareholders for confirmation and ratification.

#### 9. Adjournment

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



## ANNEX B

# List of Directors, Stockholders and Other Individuals who Attended the 2023 Annual Stockholders' Meeting Held on 15 June 2023

## **Board of Directors**

Lawrence C. Qua Raymond Ma. C. Qua Meliton C. Qua Virginia Judy Q. Dy Cecilia Q. Chua Monica Siguion Reyna Villonco Alfredo R. de Borja Lilia B. de Lima Medel T. Nera Robert Joseph M. de Claro

#### Stockholders\*

Aqua Holdings (by proxy) Social Security System (by proxy) Estate of Leonardo Siguion Reyna (by proxy) Shareholders' Association of the Philippines, Inc. (by proxy) Ionics Properties Inc. (by proxy) Standard Chartered Bank on behalf of SSBTC Fund ZV86 (by proxy) Julius Sanvictores Manuel R. Roxas

## Officers

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

#### Management

Earl Qua Jay Chavez Val Carandang Rosalina Vicente Rhose Ann Ballares Glenn Amazona Ethel Lao

## **External Auditor**

Ma. Antoniette L. Aldea

## MESSAGE FROM THE CHAIRMAN



It is my difficult task to begin this letter on a somber note. Lawrence C. Qua, the Founder, Chairman, President, and CEO of The Ionics Group passed away last October after a short illness.

Larry Qua set-up lonics in 1974 at 28 years of age and steered the company for 50 years through good and bad times to where it is today – a successful, thriving, and export-oriented business with a solid reputation as a leading company in the Philippine electronics industry. Over the years, lonics has made significant contributions to Philippine export earnings with billions of dollars in shipments and provided employment opportunities for many thousands of workers.

Larry had many admirable qualities. He was a visionary, an entrepreneur, a professional manager, a leader, hardworking to a fault, and devoted a lifetime career to raising his foster child which is today's lonics. Although it will be difficult to fill his shoes, he has left a legacy of highly skilled workers and a management team that is experienced, motivated, and technically competent. We are confident that they will be able to continue Larry's mission.

The lonics family would like to express our deepest condolences to Larry's widow, Ms. Judy Qua, his children Earl, Patricia, and Tiffany and his siblings.

Due to the passing away of Larry, several management and board changes were implemented in recent months which are outlined below.

Mr. Raymond Qua, who has been with the company from its inception as Senior Vice President - Treasurer, was promoted to CEO and President of Ionics Inc. and Ionics EMS, Inc., in addition to his existing responsibilities.

Mr. Jay Chavez, who was SVP for Operations in lonics EMS, our subsidiary for the company's electronic manufacturing business, was designated as Executive Vice-President and COO of lonics EMS. Ionics EMS is the company that is engaged in our core business of manufacturing components, such as printed circuit boards and assemblies of various electronics products.

Mr. Chavez and Mr. Earl Qua were both appointed to the Board of Ionics to fill 2 vacancies.

The undersigned was elected Chairman of Ionics and Ionic-EMS by its board of directors.

Mr. Medel Nera, a director of Ionics, was elected Chairman of another subsidiary – Iomni Precision Inc.– which is engaged in manufacturing plastic components for electronics products. Ms. Judy Qua continues as the CEO of Iomni. We are currently undertaking a review of this company's outlook.

The Groups performance in 2023 was mostly positive. On a consolidated basis, the group increased its net income by 3.2% from US\$4.5 million to US\$4.7 million.

IEMS, our core manufacturing company, increased sales by more than 27% from \$72.7 million to US\$92.6 million. However, due to rising cost pressures from inflation, supply chain shortages, and labor cost increases our net income increased by only 15% from US\$2.1 million to US\$2.5 million. (Please note that the lonics Group, as an export-oriented company, has historically denominated its finances in US\$).

We expect 2024 to be a challenging year. Several of our customers have experienced slower sales and this has in turn reduced their orders with IEMS. However, inflationary pressures for imported raw materials have levelled off and supply restrictions have eased. To counter price increases, management has undertaken aggressive cost-cutting measures such as reduction in manpower, indirect costs, and other controllable expenses.

On another positive note, we have made a major breakthrough in our product design and development activity with a recent order this year for an electronic product developed from the ground-up by EMS with an initial order from a Philippine company of ₱100 million. This is a milestone for our research and development group where the company has invested significant funds, effort, and time for a number of years to enhance our competitive advantage. We expect this product to contribute substantial sales in the coming years since the market for it is largely unserved.

lonics Circuits, Limited, our subsidiary for external investments in mainly technology-oriented, start-up companies, had no divestments in 2023 and had no contribution to group income. We are hopeful that these investments will mature in the coming years and augment our consolidated income in the future.

Iomni Precision Inc., our plastic molding subsidiary, had a modest income of US\$0.04 million 2023. However, due to expiring contracts we expect this company to suffer a loss in 2024.

Another subsidiary, Ionics Properties, Inc., continues to be a significant contributor to the group income. The company had a net income of US\$2.2 million in 2023 and US\$2.3 million in 2022. In addition to its income, its real estate holdings continue to appreciate healthily. This increase in value is not reflected in the group's earnings.

In closing, we would like to express our appreciation to our employees, management team, customers, stockholders and directors for their support.

L ALFREDO R. DE BORJA Chairman



## BUSINESS

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

## Ionics, Inc. (the "Parent Company")

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

In September 1999, the Parent Company transferred its primary manufacturing business to a majority-owned subsidiary, Ionics EMS, Inc. (IEMS). 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 its inclusion on the watchlist 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 of IEMS), incorporated in the United States of America and 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 land, buildings, houses, apartments and other structures of whatever kind. IPI started commercial operations in January 1998.

## Ionics Circuits, Limited ("ICL")

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

## Iomni Precision, Inc. ("Iomni")

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

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

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

#### Synertronix, Inc. ("SI")

SI was registered with the Securities and Exchange Commission (the "SEC") on May 10, 1990 to manufacture, purchase or otherwise acquire, buy and sell for 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 SEC on March 11, 2015. IPSI is established primarily to manufacture, purchase or otherwise acquire, buy and sell, both for retail and wholesale, assemble and 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, 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 Company, through IEMS, is a total one-stop shop Electronics Manufacturing Services ("EMS") provider. Together with the Company, IEMS has been the EMS solutions provider to some of the world's biggest Original Equipment Manufacturers ("OEM") for over 40 years.

There are two general categories of electronics manufacturers or assemblers in the region: the original equipment manufacturers ("OEMs") and the contract electronics manufacturers ("CEMs"). OEMs are companies who are leaders in the manufacturing of personal computers, computer peripherals, and telecommunications, consumer electronics and automotive equipment. On the other hand, CEMs are firms involved in the production of electronic items similar to those produced by OEMs. These firms are independent third-party manufacturers or assemblers which do not have any corporate affiliations with their respective customers. CEMs therefore undertake subcontracting work only and generally provide labor and manufacturing overhead as their basic inputs in the assembly of electronic products.

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

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

In 2002, one of the subsidiaries of the Company successfully offered design services to its customer and added an original design manufacturer ("ODM") component to its business line.

#### DIRECTORS AND OFFICERS

Please refer to Item 5 of the Information Statement.

## MANAGEMENT DISCUSSION AND ANALYSIS

#### **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, lonics 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—lonics 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.

The market demand of two (2) anchor customers, however, 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 highengineered, 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 an industrial lot within the Philippine Export Zone Authority (PEZA) located at Science Park of the Philippines, Inc. (SPPI), Malvar, Batangas. Management's plan for 2024 is to build manufacturing facilities and warehouses for lease. The property consists of three (3) lots with an aggregate area of 3.8 hectares. The design of the first lot will accommodate at least six (6) warehouses with high ceiling and mezzanine. The other two (2) lots are open for build-to-suit facilities. The Company's application for increase of authorized capital stock is still with the regulatory commission for approval.

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

	December	December 31,
	31, 2023	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

## 1. Revenue Growth

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

### 2. Gross Profit Margin

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

#### 3. Net Income Margin

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

### 4. Return on Equity

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

### 5. Current Ratio

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

#### 6. Leverage Ratio

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

## 7. Debt-to-Equity Ratio

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

## 8. Asset-to-Equity Ratio

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

## 9. Interest Coverage Ratio

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

For the year 2023 and the First Quarter of 2024, Management is not aware of:

- any known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity;
- b. any events that will trigger direct or contingent financial obligation that is material to Ionics,

Inc. and its subsidiaries, including any default or acceleration of an obligation;

- all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period;
- any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
- e. any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- f. any significant elements of income or loss that did not arise from the issuer's continuing operations; and
- g. any seasonal aspects that had a material effect on the financial condition or results of operations.

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in pages 6 to 13 of this Report.

## FINANCIAL PERFORMANCE

#### **QUARTER 1 2024**

The summarized revenues and net income (losses) of the Group for the three months ended March 31, 2024 and 2023 are presented as follows (amounts in US Dollars):

		I	March 31, 202 (3 months)	4			Ν	Aarch 31, 202 (3 months)		
		REVENUE					REVENUE			
COMPANY	Sales	Rent income	Total	Operating Expense	NET INCOME (LOSS)*		Rental Income and Other Income	Total	Operating Expense	NET INCOME (LOSS)*
Parent	_	167,788	167,788	206,031	(184,664)	-	159,783	159,783	147,925	(15,348)
EMS and a Subsidiary	23,054,281	_	23,054,281	966,550	260,711	22,841,516	_	22,841,516	1,088,192	765,197
IPI	-	875,698	875,698	42,436	541,285	-	894,139	894,139	29,738	584,333
ICL	-	-	-	1,958	(4,804)	-	-	-	1,850	(6,142)
Iomni	532,323	30,669	562,922	37,516	(249,895)	1,141,177	36,555	1,177,732	41,113	101,540
Synertronix	-	-	-	-	-	-	-	-	9	(9)
IPSI	-	-	-	521	(930)	-	-	-	652	(103)
TOTAL	23,586,604	1,074,155	24,660,760	1,255,011	361,703	23,982,693	1,090,477	25,073,170	1,309,355	1,429,797
Eliminations	(200,428)	(354,901)	(555,329)	(111,654)	203,379	(233,698)	(325,808)	(559,738)	(37,805)	(17,476)
Consolidated	23,386,176	719,255	24,105,431	1,143,357	565,083	23,748,995	764,669	24,513,432	1,285,550	1,412,321

\*Net income attributable to equity holders of the Parent Company.

The Group's sales slightly increased by US\$0.36 million from US\$23.75 million for the three months ended March 31, 2023 to US\$23.37 million in March 31, 2024. Gross profit decreased by US\$1.42 million or 39% from US\$3.63 million for the three months ended March 31, 2023 to US\$2.21 million in March 31, 2024 due to underutilized capacity.

Operating expenses decreased by US\$0.15 million from US\$1.29 million in three months ended March 31, 2023 to US\$1.14 million in March 31, 2024 primarily due to decrease in commission. Interest expenses decreased from US\$0.46 million to US\$0.42 million.

With the foregoing, the Group reported a decrease in the consolidated net income attributable to equity holders of the Parent Company of US\$0.82 million from US\$1.39 million for the three months ended March 31, 2023 to US\$0.57 million for the three months ended March 31, 2024.

## INDIVIDUAL RESULTS OF OPERATIONS

## Ionics, Inc.

The Parent Company reported a net loss of US\$0.19 million after the impairment provision of US\$0.20 million representing the Q1 2024 net loss of lomni for the three months ended March 31, 2024 versus net loss of US\$0.02 million of the same period of 2023.

The individual performances of the subsidiaries for the three months ended March 31, 2024 and 2023 are as follows:

## Ionics EMS, Inc. and Subsidiary

The IEMS revenue slightly increased by US\$0.21 million from US\$22.84 million for the three months ended March 31, 2023 to US\$23.05 million in the same period of 2024. Gross profit decreased US\$0.97 million from US\$2.62 million for the three months ended March 31, 2023 to US\$1.64 million in the same period of 2024 due to underutilized Plant capacity.

Operating expenses decreased by US\$0.15 million from US\$1.089 million for the three-month period ended March 31, 2023 to US\$0.93 million for the same period of 2024 primarily due to the decrease in commission. Interest expense decreased to US\$0.03 million for the three months period ended March 31, 2024 from US\$0.38 million in the same period of 2023. From net foreign exchange loss of US\$0.22 million for the three months ended March 31, 2023, IEMS reported net foreign exchange gain of US\$0.07

million in the same period of 2024 due to the depreciation of Philippine peso versus US dollar.

With the foregoing, the Group reported a decrease in net income of US\$0.50 million from US\$0.77 million to US\$0.26 million for the three-month period as of March 31, 2024.

## Ionics Properties, Inc. (IPI)

IPI contributed rent income of US\$0.88 million and US\$0.89 million for the three-month period ended March 31, 2024 and 2023, respectively. Net income decreased from US\$0.58 million on March 31, 2023 to US\$0.54 million for the three-month period ended March 31, 2024.

## Ionics Circuits, Limited (ICL)

ICL reported a net loss amounting to US\$0.005 million and US\$0.006 million for the three-month period ended March 31, 2024 and 2023. This is due to the lower share in net losses of investees.

## Iomni Precision, Inc. (Iomni)

Iomni's revenue decreased to US\$0.56 million for the threemonth period ended March 31, 2024 from US\$1.18 million for the three-month period ended March 31, 2023 due to lower orders from customers. As a result of the decrease in sales, Iomni reported a gross profit of US\$0.07 and US\$0.20 million for the three-month period ended March 31, 2024 and 2023, respectively.

Operating expenses amounted to US\$0.04 million in March 31, 2024 and 2023.

With the foregoing, the Company's performance resulted to a net loss of US\$0.25 million and net income of US\$0.10 million for the three-month period ended March 31, 2024 and 2023, respectively.

Synertronix, Inc. (SI)

SI reported nil and net loss of US\$9 for the three months ended March 31, 2024 and 2023, respectively.

## Ionics Products Solutions, Inc. (IPSI)

IPSI reported net loss amounting to US\$930 and US\$103 for the three months ended March 31, 2024 and 2023, respectively.

## FULL YEAR 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 the 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. Other expenses decreased due to net foreign exchange loss of in 2023 due to the impact of depreciation of Philippine 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\$1.13 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 properties. Current ratio decreased to 1.65:1 in 2023 from 1.69:1 in 2022 due to the increase in contract liabilities, while debt-to-equity ratio increased from 0.99:1 in 2022 to 0.89:1 in 2023.

## INDIVIDUAL RESULTS 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 are as follows:

### Ionics EMS, Inc. and Subsidiary ("IEMS")

IEMS's revenue increased by 27% from US\$72.69 million in 2022 to US\$92.58 million in 2023 due to increasing customer demand. 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 a net foreign exchange gain of US\$0.71 million in 2022, the Company reported a net foreign exchange loss of US\$0.14 million in 2023 due to the impact of depreciation of Philippine peso against US dollar.

With the foregoing, IEMS reported a 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, had a decreased net income of US\$2.15 million in 2023 from US\$2.28 million in 2022, due to non-renewal of one existing lessee.

### Iomni Precision, Inc. ("Iomni")

Iomni's sales in 2023 decreased 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 in 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.

## FULL YEAR 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 the 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	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 was 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 RESULTS 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 to 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 the 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 the 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 of Philippine Peso against US dollar, from a net foreign exchange loss of US\$0.26 million in 2020.

With the foregoing, IEMS reported a net income of US\$0.83 million in 2021 from a 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 the additional lease contract with an existing lessee.

#### Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported net losses amounting to US\$0.02 million and US\$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.

#### 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.

### CAUSES FOR MATERIAL CHANGES FROM PERIOD TO PERIOD

#### **FIRST QUARTER 2024**

Cash increased due to cash flows generated from operations. Receivables increased due to higher sales for the guarter. Contract assets increased due to the higher level of workin-process. Inventories increased due to the anticipated ramp-up of new turnkey customers which also resulted in the increase in advance payment to suppliers and increase in accounts payable and accrued expenses. The increase in prepayments and other current assets was due to prepayments made during the period. Right-of-use assets (ROU) decreased due to lease amortization for the quarter. The increase in accounts payable and accrued expenses is related to the increase in raw materials. Lease liabilities decreased due to the payment of lease amortization for the period. Income tax increased due to provision for income tax during the quarter. Net pension liability decreased due to the number of eligible members who reached the normal retirement age and the guarter-end revaluation gain due to depreciation of Philippine peso against US dollar.

### 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 advance payments and controlled material ordering for the year. The increase in prepayments and other current assets is due to the payment of VAT input tax to the Bureau of Customs and prepayment of health insurance plan of employees. Financial Assets at FVOCI increased due to the 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 the 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 guarters 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 receivables for materials bought back by customers 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 payments 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 first quarters of 2021. Investment properties increased due to recognized in-progress costs on the construction of build-tosuit 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 guarter 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.

## MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

	(Amounts in US Dollar)		(Amounts in PhP		
	HIGH	LOW	HIGH	LOW	
16 May 2024 (latest practicable date)	0.02	0.02	1.04	1.00	
<u>2024</u>					
First Quarter	0.02	0.02	1.32	1.29	

	(Amounts	in US Dollar)	(Amounts	in PhP)
	HIGH	LOW	HIGH	LOW
<u>2023</u> First Quarter Second Quarter	0.01 0.02	0.01 0.02	0.62 1.33	0.58 1.24
Third Quarter Fourth Quarter	0.02 0.02	0.02 0.02	1.20 1.02	1.14 0.99
2022 First Quarter Second Quarter Third Quarter Fourth Quarter	0.01 0.01 0.01 0.01	0.01 0.01 0.01 0.01	0.70 0.59 0.55 0.56	0.68 0.54 0.50 0.54

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

The number of shareholders of record as of April 30, 2024 is 837 holding a total of 837,130,992 outstanding common shares.

The following were the top 20 stockholders based on the number of shares held and percentage to total shares outstanding as of 30 April 2024:

Class of Securities	Name	No. of Shares	%
Common	Aqua Holdings, Inc.	335,153,100.00	40.04
Common	PCD Nominee Corp (Filipino)	329,499,955.00	39.36
Common	Siguion Reyna, Leonardo	75,006,000.00	8.96
Common	PCD Nominee Corp (Non-Filipino)	30,891,296.00	3.69
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	Villonco &/Or Thelma V. Mabanta, Romeo.	100,000.00	0.01
Common	Efipania F. Qua	100,000.00	0.01
Common	Liong Hee, Que.	100,000.00	0.01

Class of Securities	Name	No. of Shares	%
Common	Dy, Arsenia C.	99,000.00	0.01
Common	Yu-Fei, Lai	84,000.00	0.01

## Voting Rights

Each share is entitled to one (1) vote.

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

## Dividends per Share

At the special meeting held on 13 March 2023, the Board of Directors approved the declaration and distribution of a cash dividend of P0.10 per share to all stockholders of record as of 28 March 2023 with payment date of no later than 25 April 2023. The gross amount of dividend paid was P83,713,099.40.

The Corporation did not declare any dividend in the years 2022 and 2021.

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

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

## Recent Sales of Unregistered or Exempt Sales

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

## **Description of Registrant's Securities**

The registrant has an authorized capital stock of 1,000,000,000 shares with a par value of PhP1.00 per share. The issued and outstanding shares as of 30 April 2024 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.

## <u>Warrants</u>

There are no issuances of warrants.

## <u>Market Information for Securities Other Than</u> <u>Common Equity</u>

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

## **Other Securities**

There are no issuances of other securities.

## CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

## **CORPORATE GOVERNANCE<sup>1</sup>**

a. Evaluation, Appraisal and Performance Report System

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

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

c. Deviations

Ionics, Inc. is taking steps towards full compliance with its Corporate Governance Manual. As of 30 April 2024, there were no material deviations from the Company's Amended Manual of Corporate Governance which would necessitate the imposition of sanctions.

d. Plan to improve

lonics, Inc. continues to improve its Corporate Governance when appropriate and warranted in its best judgment and in accordance with the Code of Corporate Governance for Publicly-Listed Companies.

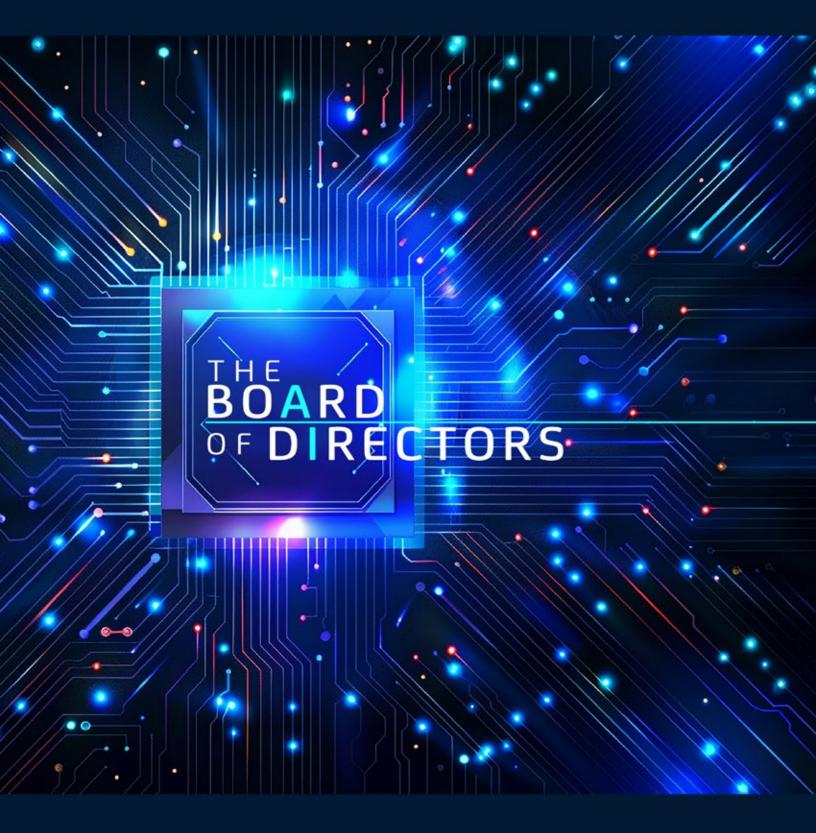
On 02 July 2020, the Board of Directors approved the amendments to the Manual of Corporate Governance of the Company. The Amended Manual was submitted to the SEC on 09 July 2020.

As part of continuing education in corporate governance, the directors and key management officials attended corporate governance seminars conducted by various training providers in 2023. Directors Guillermo D. Luchangco and Alfredo R. de Borja participated in the online Corporate Governance Seminar conducted by SGV & Co. on 29 November 2023. Directors Lilia B. de Lima and Medel T. Nera attended the Annual Corporate Governance Seminar with the topic "Building Trust and Ethical Leadership: Enhancing Corporate Governance for Sustainable Success" provided by the Yuchengco Group of Companies on 9 September 2023. All the other members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar conducted by SGV & Co. on 15 December 2023.

### UNDERTAKING TO PROVIDE ANNUAL REPORT

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

<sup>1</sup>As of 30 April 2024.





Chairman



Member (Independent)



Member



**GUILLERMO D. LUCHANGCO** Member



Member



Member (Independent)



MONICA SIGUION-REYNA VILLONCO Member



Member









C

h



# 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

anna

**RAYMOND MARIA C. QUA** President/Chief Executive Officer

**RONAN R. ANDRADE** Chief Financial Officer

# **INDEPENDENT AUDITOR'S REPORT**

### The Board of Directors and Stockholders Ionics, Inc. and Subsidiaries

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

### Opinion

We have audited the consolidated financial statements of lonics, 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 at 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.

### Valuation of Raw Materials Inventories

The carrying value of the Group's raw materials inventories as of December 31, 2023 amounted to US\$21.76 million and accounts for 22% of its total consolidated assets as of the same date. The Group's inventories are carried at lower of cost and net realizable value (NRV). This is significant to our audit because the Group is operating in an industry characterized by rapid technological change, short-term customer commitments, and constant changes in demand. These factors increase the risk of inventory obsolescence, thereby decreasing the value of the Group's raw material inventories.

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

### Audit Response

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

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 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.
- 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 X. Alden

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 PTR No. 9564643, January 3, 2023, Makati City

March 9, 2024

# IONICS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	De	cember 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	3,006	1,761
comprehensive income (FVOCI) (Notes 4, 5 and 11)	649	676
Investments in associates (Notes 3 and 12)	26,405	21,869
Property, plant and equipment (Notes 3 and 13)	18,676	13,568
Investment properties (Notes 3 and 14)	1,917	3,947
Right-of-use assets (Notes 3 and 24)	18	40
Deferred tax assets - net (Notes 3 and 26)	589	582
Other noncurrent assets (Notes 4 and 5)	51,260	42,443
Total Noncurrent Assets	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
ease 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)

	Dec	ember 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 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)			, <u>J</u> LJ
For net income for the year attributable to ordinary equity			
holders of the Parent Company	US\$0.0056	US\$0.0054	US\$0.0032
		0040.0004	0040.00JL

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

# **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Amounts in Thousands)

	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 (	For the Year Ended December 31, 2023	023				
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	I	I	ı			4,582	81	4,663
Dividend declared	I	·	(1,540)	I		ı	ı		(1,540)	ı	(1,540)
Other comprehensive income (loss)	·	'	ı	922	ı	119	(337)	·	704	(8)	969
Total comprehensive income (loss)		•	3,042	922	1	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	For the Year Ended December 31, 2022	22				
Balances at beginning of year	US\$17,633	US\$9,072	US\$32,982	(US\$1,546)	(US\$943)	006\$SN	(US\$763)	(US\$1,365)	US\$55,979	US\$394	US\$56,373
Net income		1	4,449	I	I	I		ı	4,449	71	4,520
Other comprehensive income (loss)	1	1	I	(200)	I	(16)	369	I	(147)	11	(136)
Total comprehensive income (loss)	1	1	4,449	(200)	I	(16)	369	I	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 I	For the Year Ended December 31, 2020	20				
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	I	I	2,634	I	I	I	I	I	2,634	27	2,661
Other comprehensive income (loss)	I	1	I	426	I	(2)	433	I	854	14	868
Total comprehensive income (loss)	I	I	2,634	426	I	(5)	433	I	3,488	41	3,529
Balances at end of year	US\$17,633	US\$9,072	US\$32,982	(US\$1,546)	(US\$943)	00\$\$00	(US\$763)	(US\$1,365)	US\$55,979	US\$394	US\$56,373

See accompanying Notes to Consolidated Financial Statements.

Attributable to the equity holders of the Parent Company

IONICS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years I	Ended December 3	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.

# IONICS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

lonics, 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

### Basis of Preparation

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:

	Functional
Entity	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:

	Country		Effective Percentage
Subsidiaries	of Incorporation	Principal Activity	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

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.

### Future Changes in Accounting Policies

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.

### <u>Inventories</u>

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.

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

### **Business Combinations**

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

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."

### <u>Equity</u>

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 assets

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

### Contract liabilities

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

### c) Cost to obtain a contract

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

### Other Income Recognition

### Rental income

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

### Interest income

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

### 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.

### <u>Leases</u>

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 straightline 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.

### Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes the risk of non-payment by banks and customers, failed settlement of transactions and default on contracts. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's credit risk management involves entering into arrangements only with counterparties with acceptable credit standing and that are duly approved by the BOD.

### Trade receivables, other receivables from customers and contract assets

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

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

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

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

### Rent receivables

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

### Other financial assets

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

The Group does not hold any collateral from its customers thus, the carrying amounts of cash 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							
	Credit-							
	Minimal Risk	Average Risk	High Risk	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 Other noncurrent assets	6,957	-	-	-	6,957			
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						
				Credit-			
	Minimal Risk	Average Risk	High Risk	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 receivables	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	Stage 1 Stage 2 Stage 3						
	(12-month ECL)	(Lifetime ECL)	(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 receiv	ables			
					Da	ys past due			
	Contract	—	<30	30-60	61-90	91-120	121-150	>150	
	Assets	Current	days	days	days	days	days	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:

					Trade rece	eivables			
	Days past due								
	Contract		<30	30-60	61-90	91-120	121-150	>150	
	Assets	Current	days	days	days	days	days	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 r	eceivables	from custor	mers		
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						
		Less than	3 to 12	1 to 5	More than		
	On demand	3 months	months	years	5 years	Total	
Financial assets							
Cash in banks	US\$6,764	US\$-	US\$-	US\$-	US\$-	US\$6,764	
Receivables1	14,920	3,590	291	-	-	18,801	
Refundable deposits <sup>2</sup>	-	-	-	589	-	589	
	21,684	3,590	291	589	-	26,154	
Financial liabilities							
Accounts payable and other							
liabilities <sup>3</sup>	7,244	12,392	227	-	-	19,863	
Bank loans and							
long-term debt <sup>4</sup>	-	14,868	7,725	3,160	-	25,753	
Lease liabilities⁵	-	147	725	1,408	-	2,280	
Security deposits <sup>6</sup>	-	-	-	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)	

<sup>1</sup>Excludes nonfinancial assets amounting to US\$0.085 million

<sup>2</sup>Included under noncurrent assets

<sup>3</sup>Excludes nonfinancial liabilities amounting to US\$0.338 million

<sup>4</sup>Including future interest payable amounting to US\$2.006 million

<sup>5</sup>Including future interest payable amounting to US\$0.233 million

<sup>6</sup>Included under accounts payable and other liabilities and other noncurrent liabilities

		2022						
		Less than	3 to 12	1 to 5	More than			
	On demand	3 months	months	years	5 years	Total		
Financial assets								
Cash in banks	US\$16,936	US\$-	US\$-	US\$-	US\$-	US\$16,936		
Receivables <sup>1</sup>	13,405	2,873	181	-	-	16,459		
Refundable deposits <sup>2</sup>	-	-	-	582	-	582		
	30,341	2,873	181	582	-	33,977		
Financial liabilities								
Accounts payable and other								
liabilities <sup>3</sup>	11,624	13,108	227	-	-	24,959		
Bank loans and								
long-term debt <sup>4</sup>	-	14,173	5,320	6,364	2,327	28,184		
Lease liabilities⁵	-	268	623	2,581	-	3,472		
Security deposits <sup>6</sup>	-	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)		

<sup>1</sup>Excludes nonfinancial assets amounting to US\$0.039 million

<sup>2</sup>Included under noncurrent assets

<sup>3</sup>Excludes nonfinancial liabilities amounting to US\$0.217 million

<sup>4</sup>Including future interest payable amounting to US\$2.191 million

<sup>5</sup>Including future interest payable amounting to US\$0.620 million

<sup>6</sup>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 (P). 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 Philippine		In Philippine
	In US Dollar	Peso	In US Dollar	Peso
Cash	US\$2,720	<b>₽</b> 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)	( <del>₽</del> 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		202	2
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:

			Dece	mber 31, 2023			
-	Long-term Debt	Bank Loan	Commercial Loan	Lease Liabilities	Accrued Interest	Dividends	
	(Note 16)	(Note 16)	(Note 16)	(Note 24)	(Note 15)	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)
Payments 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 valu	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				
			Quoted prices	Significant	Significant
			in active	observable	unobservable
			markets	inputs	inputs
_	Carrying value	Total	(Level 1)	(Level 2)	(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 and cash equivalents	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, 2022 and 2021.

#### 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):

	Life	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)
Share in net earnings (loss)	(8)	37
Share in other comprehensive income	(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	Effective P	ercentage
	Incorporation and	Owners	hip (%)
	Business	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 loss	-	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		
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			(1)((+ 0,4,7))		
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	
		20	)22		
	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:

_				202	3			
_	Building, Building							
		Machineries	Improvements	Tools	Air-	Furniture,	Transpor-	
		and	and Leasehold	and Other	conditioning	Fixtures and	tation	<b>-</b>
	Land	Equipment	Improvements	Equipment	Systems	Equipment	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	,	•			•			<u>,</u>
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				
_			Building, Building					
	Land	Machineries and Equipment	Improvements and Leasehold Improvements	Tools and Other Equipment	Air- conditioning Systems	Furniture, Fixtures and Equipment	Transpor- tation Equipment	Total
Cost Balances at						ustaco	lictoos	usts so
beginning of year Additions	US\$2,546 -	US\$43,681 1,668	US\$9,778 160	US\$9,154 1,080	US\$1,978 200	US\$269 -	US\$285 19	US\$67,691 3,127
Retirement Transfer from right-of-use assets	-	-	-	(262)	-	-	-	(262)
(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		5	•		
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	US\$-	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\$0.06 million and US\$0.07 million.

#### Ionics Properties, Inc.

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.

#### Debt Covenant

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:

lonics EMS, Inc.

- 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	lssue/ 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
	US\$5,155	US\$4,371	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	
	Machineries,		
		Tools	
	and		
	Building	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) Accretion of interest expense (Note 22)	US\$837 188	US\$868 156	US\$779 196
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.

#### lonics EMS, Inc.

Pro	duct Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
	PCBA, Box build & test of IOT products used for monitoring industrial equipment	June 29, 2023	Amendment	Gross income tax incentive starting June 29, 2023
	Manufacture of Tytocare Medical Exam Kit	June 21, 2023	Amendment	Gross income tax incentive starting June 21, 2023
	Manufacture of Carrier Ethernet Demarcation Device	May 31, 2022	Amendment	Gross income tax incentive starting May 31, 2022
	Human Tracking Device	April 25, 2022	Amendment	Gross income tax incentive starting April 25, 2022
	Manufacture of Attenti Tracking Device	March 10, 2020	Amendment	Gross income tax incentive starting March 10, 2020
	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
•	ReGrow Helmet Low Level Light Therapy Device	February 22, 2019	Amendment	Gross income tax incentive starting Feb. 22, 2019
	Assembly of Smart Pill Cap	October 08, 2019	Amendment	Gross Income Tax starting October 2019
	Assembly of Car Charger	November 07, 2019	Amendment	Gross Income Tax starting November 2019
0.	Assembly of Server Adapter	November 07, 2019	Amendment	Gross Income Tax starting November 2019
1.	Buddee Smart Plug fabrication	March 21, 2018	Amendment	Gross income tax incentive starting March 21, 2018
2.	Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Amendment	Gross income tax incentive starting August 22, 2018
3.	Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Amendment	Gross income tax incentive starting July 24, 2017
4.	Manufacture of LCD and touch panel for mobile phone*	April 24, 2017	Amendment	Gross income tax incentive starting May 2019
5.	Server repair and Upgrade	January 30, 2017	Amendment	Gross income tax incentive starting January 2017
6.	Manufacture of T-Mark 340 AC	December 29, 2016	Amendment	Gross income tax incentive starting September 2016
7.	Manufacture of Afimilk Tags	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
8.	Manufacture of Nano Nozzle Reader	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
9.	Manufacture of PCBA for Printer	April 28, 2016	Amendment	Gross income tax incentive starting February 2016
0.	Manufacture of Quantum Security	April 25, 2016	Amendment	Gross income tax incentive starting April 2016
1.	WI butler*	July 06, 2015	New project	Gross income tax incentive starting April 2015
2.	Electronic Door Lock System*	July 15, 2015	Additional	Gross income tax incentive starting April 2015
3.	LCD Projector w/ Power Supply*	July 06, 2015	New project	Gross income tax incentive starting May 2019
4.	RMA or importation of defective finished goods manufactured	June 03, 2014	Amendment	Gross Income tax incentive starting June 2014
5.	Manufacture of tracking device	October 07, 2014	Expansion Project	Gross Income tax incentive starting Oct 2014
6.	Portable/mobile two-way radio communication equipment	July 23, 2013	Amendment	Gross Income tax incentive starting July 2013
7.	XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Gross Income tax incentive starting June 2016
8.	Dual Port Gigabit Ethernet Bypass Adapter*	July 18, 2011	Expansion	Gross Income tax incentive starting June 2014
9.	Pole Cabinets*	July 18, 2011	New project	Gross Income tax incentive starting June 2015
0.	Video Conference System*	April 05, 2011	Expansion	Gross Income tax incentive starting May 2014



Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
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
<ol> <li>Electronic Communicator and Controller Module (ECCM)*</li> </ol>	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.

			Income Tax Holiday (ITH)/
	Product Line/Registered Activities	Date of Registration	Gross Income Tax (GIT) Incentive
1.	Manufacture of re-writable compact disk (CD)	October 17, 2000	Four-year ITH starting
	drive mechanical loader assembly*		October 2000
2.	Plastic injection molding of high precision	November 27, 2001	Four-year ITH starting
	plastic parts and assembly*		September 2001
3.	Fabrication of molds, dies, and printing of plastic $\ensuremath{parts}^*$	June 3, 2003	Four-year ITH starting March 2003
4.	Manufacture of plastic parts and assembly of	May 21, 2009	Four-year ITH starting
	super solar cell*		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.

		Registration Agreemer	nt/
Re	gistered Activity	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 enterprises.<="" lease="" peza-registered="" sale="" td="" to=""><td>SA dated April 04, 2018</td><td>Gross Income Tax (5% on GIE)</td></for>	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	2020
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	+1.0%	US\$327	+1.0%	US\$245
increase rate	-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:

			202	23		
	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
			202	22		
	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 Income tax	(194)	- (124)	-	(183)	(142)	(16)	(81)	(81) (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
Interest - 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
ment Assets			
ment Assets			
ment Assets	2023	2022	2021
ment Assets Asia	2023 US\$118,136	2022 US\$116,579	2021 US\$96,823
Asia	US\$118,136	US\$116,579	US\$96,823

#### 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	Revenue	
	recognized	recognized at	
	over time	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	Revenue	
	recognized	recognized at	<b>T</b>
	over time	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	Revenue	
	recognized	recognized at	
	over time	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 **P**1.00 per share and to declare stock dividends amounting to **P**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.

lomni's authorized capital stock consists of 200,000,000 shares at **P**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 lomni. 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.



### 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 lonics, Inc. and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A and have issued our report thereon dated March 9, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Antoniette & Alden

MARIA ANTOINETTE 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 PTR No. 9564643, January 3, 2023, Makati City

March 9, 2024

## 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		Number of Shares of Principal Amount of	Amount Shown in the
issue	% Ownership	Bonds and Notes	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.

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

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 P100,000 or one percent of total assets, whichever is lesser is owed in 2023.

#### <u>Schedule C. Amounts Receivable from Related Parties which are Eliminated During</u> <u>the Consolidation of Financial Statements</u>

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 Transaction	15	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
Ioncics Properties, Inc.	Renta 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:

	Amount			
	authorized by			
Type of Obligation	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

<u>Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)</u> 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.

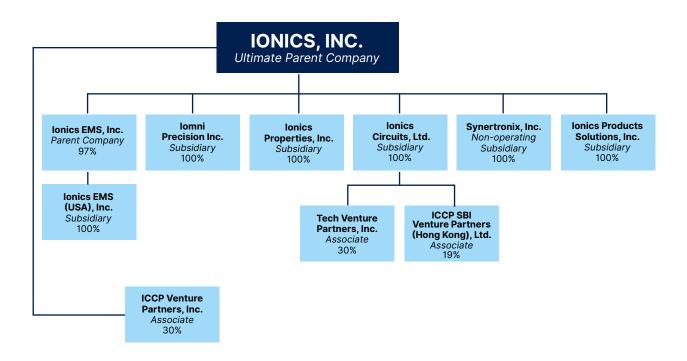
#### Schedule G. Capital Stock

			Nu	mber of shares held by*	
Number of shares	Number of shares issued and	Number of shares reserved for options, warrants, conversion	Affiliatos	Directors, Officers	Others
authorized	outstanoing	and other rights	Annuales	and Employees	others
1,000,000	837,131	-	349,212	75,823	412,096
	authorized*	Number of shares issued and authorized* outstanding*	Number of shares         reserved for options,           Number of shares         issued and         warrants, conversion           authorized*         outstanding*         and other rights	Number of shares Number of shares reserved for options, Number of shares issued and warrants, conversion authorized* outstanding* and other rights Affiliates	Number of shares         reserved for options,           Number of shares         issued and         warrants, conversion         Directors, Officers           authorized*         outstanding*         and other rights         Affiliates         and Employees

\*In thousands

# IONICS, INC. AND SUBSIDIARIES

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 **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 (Decline)	*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		
*CY - current year	Total stockholder's equity	7.22%	7.44%

\*\*PY - prior year \*\*\*Revenue includes sales and rental income

## 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. AND SUBSIDIARIES RECONCILIATION OF RETAINED EARNINGS

AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2023

			ANNEX A
	<b>IONICS, INC.</b> No. 14 Mountain Drive, LISP II, Brgy. La Mesa, Calamba Cit	ty. Laguna	
		, 235114	
	propriated Retained Earnings, beginning of reporting period Category A: Items that are directly credited to Unappropriated Retained Earnings		US\$10,775
	Reversal of Retained Earnings Appropriation/s	_	
	Effect of restatements or prior-period adjustments Others	-	
Less:			
	<b>Retained Earnings</b> 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
Unap	propriated retained earnings, as adjusted		9,235
	ess: Net Income (loss) for the current year		33
	Category C.1: Unrealized income recognized in the profit or loss § 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		
			<u> </u>
	Category C.2: Unrealized income recognized in the profit or loss in prior ting 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		_

Total Retained Earnings, end of the reporting period available for dividend	US\$9,628
Sub-total	-
Others (describe nature)	
Adjustment due to deviation from PFRS/GAAP — gain (loss)	-
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	_
Net movement in deferred tax asset and deferred tax liabilities	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	_
Net movement of treasury shares (except for reacquisition of redeemable shares)	_
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	
SUD-LULAL	
Others (describe nature) Sub-total	-
Total amount of reporting relief granted during the year	-
Amortization of the effect of reporting relief	-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote 3)	
Sub-total	
Depreciation on revaluation increment (after tax)	-
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
Adjusted Net Income/Loss	33
Sub-total	
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)	_
Reversal of previously recorded fair value gain of Investment property	
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 foreign exchange gain, except those attributable to cash and cash equivalents	
Add: Category C-3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	

#### IONICS, INC.

#### PRINCIPAL OFFICE

Circuit Street Light Industry & Science Park of the Philippines (LISP) Bo. Diezmo, Cabuyao, Laguna Tel: (6349) 508-1111

#### **IOMNI PRECISION INC.**

No. 14 Mountain Drive Light Industry & Science Park of the Philippines II (LISP II) Brgy. La Mesa, Calamba, Laguna Tel: (6349) 545 0050

#### IONICS PROPERTIES, INC.

Blk 2 & 3 Carmelray Industrial Park II Brgy. Milagrosa, Calamba, Laguna Tel: (6349) 508 1111

#### IONICS EMS, INC.

#### HEAD OFFICE

No. 14 Mountain Drive Light industry & Science Park of the Philippines II (LISPII) Brgy. La Mesa, Calamba, Laguna Tel: (6349) 508 1111

#### PLANT 2

Blk 2 & 3 Carmelray Industrial Park II Brgy. Milagrosa, Calamba, Laguna Tel: (6349) 508-1111

#### PLANT 4

No. 3 Mountain Drive Light industry & Science Park of the Philippines II (LISPII) Brgy. La Mesa, Calamba, Laguna Tel: (6349) 508-1111

#### PLANT 5 and PLANT 6

Circuit Street Light industry & Science Park of the Philippines (LISP) Brgy. Diezmo, Cabuyao, Laguna Tel: (6349) 508-1111

#### SUPPLY CHAIN MANAGEMENT CENTER (SCM HUB)

Binary Street Light industry & Science Park of the Philippines (LISP) Brgy. Diezmo, Cabuyao, Laguna

#### CALAMBA HUB

Tel: (6349) 508-1111

No. 20 Tagaytay Ridge Drive Carmelray Industrial Park II Brgy. Punta, Calamba City, Laguna Tel: (6349) 508-1111

