COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 9 - 1 3 8 2 7

Company Name

IONICS EMS, INC. AND SUBSIDIARY

Principal Office (No./Street/Barangay/City/Town/Province)

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
7,207	06/14	2023/12/31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

SEC Number **A1999-13827**
File Number

IONICS EMS, INC. AND SUBSIDIARY
(Company's Full Name)

Circuit Street, Light Industry & Science
Park, Bo. Diezmo, Cabuyao, Laguna
(Company's Address)

(049) 508-1111
(Telephone Number)

December 31, 2023
(Fiscal Year Ending)
(month & day)

Annual Audited Financial Statements
(SRC Form 17-A)
Form Type

Amendment Designation (If applicable)

Period Ended Date

(Secondary License Type and File Number)

IONICS EMS, INC. AND SUBSIDIARY

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1.	For the fiscal year ended	: December 31, 2023
2.	SEC Identification Number	: A199913827
3.	BIR Tax Identification No.	: 203-683-907-000
4.	Exact name of issuer as specified in its charter	: **IONICS EMS, INC.**
5.	Province, country or other jurisdiction of incorporation or organization	: Philippines
6.	Industry Classification Code	(SEC Use Only)
7.	Address of issuer's principal office	: Circuit Street, Light Industry and Science Park, Bo. Diezmo, Cabuyao, Laguna
	Postal Code	: 4025
8.	Issuer's telephone number, including area code	:(049) 508-1111 (049) 508-1111 loc 309 Fax No.

9. Former name, former address and former fiscal year, if changed since last report.

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

Title of each Class	Number of Shares of Common Stock and non-voting preferred stock outstanding and amount of debt outstanding
Common	PhP0.25 par value, issued 1,560,000,000
Preferred	PhP0.25 par value, issued 927,824,176

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

Yes [] No [x]

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports).

Yes [x] No []

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

Yes [x] No []

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Ionics EMS, Inc. (EMS or The Spin-off Subsidiary of the Ultimate Parent Company)
Ionics EMS, Inc. (the Parent Company) was incorporated on September 21, 1999 in the Philippines to engage in the electronic manufacturing services (EMS) business. It is a subsidiary of Ionics, Inc. (the Ultimate Parent Company), a company incorporated in the Philippines and a public company listed in the Philippine Stock Exchange.

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

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

Ionics-EMS(USA), Inc. (EMS-USA)
EMS-USA (the wholly owned subsidiary), incorporated in the United States of America, primarily engaged in designing and new product introduction, was organized and duly approved by the Board of Directors (BOD) on August 12, 2010. The Parent Company invested US$0.01 million for the initial subscription to the equity shares of EMS-USA.

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

Line of Business
The Group is a total one-stop shop Electronics Manufacturing Services (EMS) provider. It has been the EMS solutions provider to some of the world's biggest Original Equipment Manufacturers (OEM) for over 35 years.

There are basically two general categories of electronics manufacturers or assemblers in the region, the Original Equipment Manufacturer (OEM) and the Contract Electronics Manufacturer (CEM). OEMs are companies who are leaders in PC, Computer Peripherals, Telecommunications, Consumer Electronics 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 basically independent, third party manufacturers or assemblers which do not have any corporate affiliations with their respective customers. CEMs therefore undertake subcontracting work only, and generally provide labor and manufacturing overhead as their basic inputs in the assembly of electronic products.

The Group is essentially a CEM. Most of the Group's "end" products, therefore, are components and sub-assembly which are eventually used as inputs for the finished products of its customers. The Group can accommodate most types of electronic manufacturing and assembly projects. Customers provide the specifications and blueprint or prototype of a component or product that they want to be manufactured or assembled and the Group delivers the finished item.

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

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

Products

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

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

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

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

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

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

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

Information on export sales and the relative contribution of each segment (based on product line) to total sales is fully disclosed in Note 25 to Audited Consolidated Financial Statements.

Significant Customers

The top five (5) customers collectively accounted for 51.33% and 49.47 % of the Group's sales in 2023 and 2022, respectively. The Group anticipates that concentration of business in major customers will continue in the foreseeable future, although the Group's management started new relationships with other customers.

Distribution Method

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

Competition, Status of New Products and Business Risk

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

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

While the traditional PC peripheral business has driven to build Ionics EMS' strength in the telecommunications, automotive, electronics and consumer product lines, EMS has shifted its resources and established more flexible and adaptable manufacturing platforms so it can readily shift production into various products and components on the same production floor. In 2003, there was a growing trend for most end-customers to outsource product design and design-for-manufacturing functions to its EMS partners.

The ODM line of EMS, specifically the range of the Plug Computers/Mobile Cloud Servers, was exhibited with various partners at the Consumer Electronics Show 2011 Las Vegas, USA. Among these were Verizon Wireless, Seagate, IBM, and Hitachi.

Sources and Availability of Raw Materials

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

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

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

Sales

The Group's revenue is from export sales. Amounts of revenue, profitability, and identifiable assets attributable to the Group's operations for 2023, 2022, and 2021 are as follows:

	(In '000 US Dollars)		
	2023	2022	2021
Export Sales	**92,577**	72,686	57,455
Income from operations	**4,591**	2,712	1,622
Total assets	**90,434**	86,487	66,819

See related discussion in Note 24 of the Audited Consolidated Financial Statements.

Transaction with and/or dependence on related parties

The Group has no significant transactions that are dependent on related parties except for the transactions discussed in Item 12 of this report and in Note 20 of the Audited Consolidated Financial Statements.

Patents, trademarks, licenses, franchises, concessions, royalty agreements, or labor contracts, including duration.

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

Need for any governmental approval of principal products or services.

None

Effect of existing or probable governmental regulations on the business.

None

Estimate of amount spent for research and development activities of the last completed fiscal year.

None

Cost and effects of compliance with Environmental Laws:

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

Employees

As of December 31, 2023, the Group has a total of two thousand six hundred sixty four (2,664) employees consisting of sixty six (66) managers, nine hundred four (904) administrative personnel and one thousand six hundred ninety four (1,694) factory workers.

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

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

Debt Issues

Not Applicable to the Group.

Investment Company Securities

Not Applicable to the Group.

Item 2. Properties

As of December 31, 2023, the Group’s manufacturing, design and prototyping operations and supply chain center and warehousing conducted in the following plants:

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

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

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

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

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

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

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

EMS-USA, Inc. is located in 3215 La Mesa Drive, San Carlos, CA 94070.

Currently, the Company has no plan of acquiring properties in the next twelve (12) months.

Item 3. Legal Proceedings

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Not applicable to the Group.

PART III - FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis or Plan of Operation

MANAGEMENT PLAN FOR THE YEAR 2024

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

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

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

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

a) any significant expenditures for products research and development;
b) any expected significant change in number of employees;
c) any known trends, events or uncertainties that have or are reasonably likely to have a material impact on the registrant's short term or long-term liquidity;
d) any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
e) any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;
f) any known trends, events or uncertainties that have or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations; and
g) any seasonal aspects that had a material effect on the financial condition or results of operations.

Sources of liquidity are expected from the Group's internal cash flows from the results of operations and if needed from the support of the Ultimate Parent Company and external borrowings.

Below are the Consolidated Key Financial Ratios for the years ended December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Revenue Growth	**27.37%**	26.51%
Gross Profit Margins	**9.72%**	8.45%
Net Income Margins	**2.68%**	2.96%
Return on Equity	**10.69%**	10.22%
Current Ratio	**1.09:1**	1.07:1
Leverage Ratio	**0.72:1**	0.73:1
Acid Test Ratio	**0.38:1**	0.37:1
Debt-to-Equity Ratio	**2.90:1**	3.11:1
Asset-to-Equity Ratio	**3.90:1**	4.11:1
Interest Rate Coverage Ratio	**2.99:1**	4.29:1

1. **Revenue Growth**
   Revenue growth is computed from current revenue less revenue of the prior year divided by revenue of the prior year. The result is expressed in percentage.

2. **Gross Profit Margins**
   Gross profit margins 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 Margins**
   Net income margins is the ratio of the Group's net income for a given period. This is computed by dividing net income by net sales. The result is expressed in percentage.
4. **Return on Equity**
   Return on equity ratio is the ratio of the Group's net income to equity. This measures management's ability to generate returns on their investments. This is computed by dividing net income by total equity.

5. **Current Ratio**
   Current ratio is the ratio of the Group's current assets to its current obligations. This is computed by dividing current assets by current liabilities.

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. **Acid Test Ratio**
   Acid test ratio is the ratio of the Group's liquid assets to its current obligations. This is computed by dividing sum of cash, marketable securities and receivable by current liabilities.

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

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

10. **Interest Rate Coverage Ratio**
   Interest rate coverage ratio is the ratio of the Group's ability to meet its interest payment. This is computed by dividing the sum of income before income taxes and finance costs by finance costs.

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

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

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in page 17 and 18 of this report.

FINANCIAL PERFORMANCE

2023
CONSOLIDATED RESULTS OF OPERATIONS

The Group's revenue increased by 27% from US$72.686 million in 2022 to US$92.577 million in 2023, due to increasing customer demands. With the increase in sales, gross profit increased by 47% or US$2.858 million from US$6.143 million in 2022 to US$9.001 million in 2023.

Operating expenses increased by US$0.979 million from US$3.431 million in 2022 to US$4.410 million in 2023 primarily due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US$1.492 million in 2023 from US$0.774 million in 2022 due to higher bank loans to finance the working capital and capital expenditures and increase in interest rates. From net foreign exchange gain of US$0.709 million in 2022, the Company reported net foreign exchange loss of US$0.143 million in 2023 due to the impact of depreciation on Peso against US dollar.

With the foregoing, the Group reported net income of US$2.482 million in 2023, from US$2.149 million in 2022.

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

(In US Dollars)

COMPANY	REVENUE	NET INCOME(LOSS)
EMS	92,493,694	2,552,615
EMS-USA	83,281	(70,875)
Eliminating	–	–
Consolidated	**92,576,975**	**2,481,740**

CONSOLIDATED FINANCIAL POSITION

As of December 31, 2023, the assets of the Group amounted to US$90.434 million which is US$3.947 million higher than the US$86.487 million as of December 31, 2022. The increase in the Group's total assets was mainly due to the increase in receivables, contract assets, prepayments and other current assets, financial asset at fair value through other comprehensive income and property and equipment.

Current ratio increased to 1.09 for the year ended December 31, 2023 from 1.07 for the period ended December 31, 2022. The Group's liability-to-equity (leverage) ratio decreased to 0.72 for the year ended December 31, 2023 from 0.73 for the period ended December 31, 2022.

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

	December31, 2023 %	December31, 2022 %
ASSETS		
Cash and cash equivalents	**(13)**	90
Receivables	**17**	8
Contract assets	**46**	66
Inventories	**N/A**	72
Advances to suppliers	**(52)**	(35)
Prepayment and other current assets	**17**	101
Financial asset at fair value through other comprehensive income (FVOCI)	**35**	42
Property and equipment	**23**	N/A
Right-of-use assets	**(54)**	(5)
Refundable deposits	**N/A**	14
Deferred tax assets – net	**(25)**	(69)
LIABILITIES		
Accounts payable and accrued expenses	**(22)**	68
Related parties	**31**	5
Contract liabilities	**302**	42
Lease liabilities	**(35)**	(30)
Bank loans and long-term debt	**(9)**	22
Income tax payable	**(34)**	58
Net pension liability	**27**	(18)

Reasons of Increase (Decrease)

As of December 31, 2023 (12.31.23 vs 12.31.22)

Cash decreased due to net cash used in payment of bank loans. Receivables increased due to higher sales. Contract assets increased due to higher level of work in process and finished goods. The decrease in advances to suppliers was attributable to the delivery of materials covered by advanced payments and controlled material ordering for the year. The increase in prepayments and other current assets is due to payment for VAT input tax to BOC and prepayment for health insurance plan of employees. Financial asset at FVOCI increased due to the recognized gain on fair value changes in the club share. Property and equipment increased due to acquisitions made during the year. Right-of-use assets (ROU) decreased due to amortization for the period. Deferred tax assets - net decreased mainly due to the amortization of deferred taxes related to right-of-use assets and lease liabilities in accordance with PFRS 16. The decrease in accounts payable and accrued expenses is attributable to the payment made to suppliers and controlled material ordering. Due to related parties increased due to advances made for the payments of working capital loans. Contract liabilities increased due to advances from customers for aging inventories related to push out orders. Lease liabilities decreased due to payment of leased amortization for the period. Bank loans and long-term debt decreased due to payments made during the period. Income taxes decreased due to payment of income tax during the period. Net pension liability increased due to accrual of pension expense during the period.

As of December 31, 2022 (12.31.22 vs 12.31.21)
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 accounted under PFRS 15. Inventories increased due to inventory buildup 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 renewal of IT related licenses and prepayment for health insurance plan of employees. Financial asset at FVOCI increased due to the recognized gain on fair value changes in the club share. Right-of-use assets (ROU) decreased due to amortization for the period. Refundable deposits increased due to security deposits for new warehouse in Plant 2. Deferred tax assets - net decreased mainly due to the amortization of deferred taxes related to right-of-use assets and lease liabilities in accordance with PFRS 16. The increase in accounts payable and accrued expenses is related to the increase in raw materials. Related parties increased due to additional advances made from Parent Company. Contract liabilities increased due to payment received from customer for advance ordering of materials. Bank loans and long-term debt increased due to additional bank loans for working capital requirements during the year. Income tax increased due to provision of income tax during the period. Net pension liability decreased due to number of eligible members who reached the normal retirement age.

Item 7. Financial Statements

The Group’s audited consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 31) are filed as part of this Form 17-A

1. General Notes to Financial Statements:

See Consolidated Financial Statements

Assets subject to lien and restriction on sales of assets:

Not Applicable to the Group

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

See Consolidated Financial Statements

Commitments and Contingent Liabilities:

None

Material Related Party Transactions which affect the Financial Statements:

The Company has no significant related party transactions with its subsidiaries, affiliates and stockholders that affect the Financial Statements except for the matters discussed in Note 20 to the Consolidated Financial Statements.

Bonus, Profit Sharing and Other Similar Plans.

The Group has an employee car plan.

Interest Cost.

Ionics EMS paid interest on bank loans.

2. Subsidiaries

As of December 31, 2023, no receivables from EMS – USA, a wholly owned subsidiary of the Parent Company.

3. Cash and Cash Equivalents

Out of the total cash and cash equivalents of US$4,243,880 as of December 31, 2023, US$826,772 is peso denominated. This represents savings deposit and current accounts in local banks.

4. Accounts Receivable - Others

Receivable from customers other than sales	US$3,063,600
Advances to officers and employees	134,441
Claims against SSS and other government agencies	44,477
Others	107,572
Total	US$3,350,090

5. Inventories

No significant increased or decreased in inventories.

6. Property and Equipment

As of December 31, 2023, the Group has no equipment that is still under installation.

7. General and Administrative Expenses

Please see schedule in Note 17 to the Audited Consolidated Financial Statements.

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

1. External Audit Fees and Services

(a) Audit and Audit - Related Fees

The auditing firm of Sycip Gorres Velayo & Co. (SGV) has been the external auditor of the Company since 1992. The auditing partner in charge of the accounts of the Company for the financial year ended 31 December 2023 is Ms. Maria Antoniette L. Aldea who took office after her appointment at the June 17, 2022 annual stockholders' meeting. Audit fee for Ionics EMS, Inc. in 2023 is ninety four thousand nine hundred twenty four dollars ($94,924). 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 Group.

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

(c) All Other Fees

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

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Position	**Name**	**Age**	**Citizenship**
Director – Chairman of the Board	Alfredo R. de Borja	79	Filipino
Director – President & Chief Executive Officer	Raymond Ma. C. Qua	73	Filipino
Director	Virginia Judy Q. Dy	83	Filipino
Director	Guillermo D. Luchangco	84	Filipino
Director	Meliton C. Qua	82	Filipino
Director - Independent	Medel T. Nera	68	Filipino
Director - Independent	Lilia B. De Lima	83	Filipino
Director	Monica Siguion-Reyna-Villonco	70	Filipino
Director - VP-Business Development/VP World Wide Sales	Earl Lawrence S. Qua	45	Filipino
SVP-Corporate Affairs/Human Resources	Judy C. Qua	73	Filipino
Corporate Secretary	Manuel R. Roxas	74	Filipino
Assistant Corporate Secretary	Krisha F. Villanueva	31	Filipino
VP-Finance/Chief Finance Officer	Ronan R. Andrade	53	Filipino
Vice President-Inside Sales	Ariel La Madrid	65	Filipino
VP-Internal Audit/Assistant Compliance Officer	Cesar G. Caubalejo	57	Filipino

Position	Name	Age	Citizenship
Treasurer	Cecilia Q. Chua	71	Filipino
EVP-Operations & Chief Operating Officer	Jay A. Chavez	51	Filipino
VP-Manufacturing	Emma Gerodias	54	Filipino
VP-Field Sales/Customer Service	Valerio Carandang Jr.	54	Filipino
VP-Operations	Jonathan Bibal	52	Filipino

All of the above-named were appointed to the position/s set forth to the Board of Directors of the Corporation for the ensuing year. The members of the Audit Committee are:

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

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

Alfredo De Borja*,*79, Filipino, Chairman of the Board of Ionics EMS, Inc. and Ionics Inc. He has been an independent director of Ionics, Inc. since 2004 and an independent director of Ionics EMS, Inc. since 2007. He is the incumbent President and Director of Makiling Ventures, Inc., a real estate development company, and President and Director of E. Murio, Inc., a furniture manufacturer and exporter. He is also a director of Investment Capital Corp. of the Phil. (ICCP), ICCP Venture Partners, Inc. (where he is Chairman of the Investment Com), ICCP Management Corp, Pueblo de Oro Development Corp., Regatta Properties, Inc., Science Park of the Philippines (SPPI), Cebu Light Industrial Park, Inc., Ionics, Inc., Ionics EMS, Inc., and Araneta Properties, Inc., both listed companies with the Philippine Stock Exchange; and Philippine Coastal Storage & Pipeline Corp. He has also served as board Director of a number of companies including First Metro Investment Corp., SPI, Alsons Power, Alsons Cement, Iligan Cement, Manila Memorial Park, Philcom, Shopwise, and Republic Glass. He was the President of Gervel, Inc. from 1973 to 1986; Director and Chairman of the Executive Committee of First Metro Investment Co. from 1978 to 1983; Director and Vice President of Iligan Cement Corp. from 1973 to 1977; Professional Lecturer of the University of the Philippines-Graduate School of Business Administration from 1971 to 1974; Executive Assistant to the Vice President of Philippine Long Distance Telephone Co. from 1970 to 1973; and Executive Assistant to the Vice President of Investment Manager, Inc. from 1966 to 1968. He holds a Master of Business Administration degree from Harvard University and a Bachelor of Science in Economics from the Ateneo de Manila University.

Raymond Ma. C. Qua**,** 73, Filipino, President & Chief Executive Officer of Ionics EMS, Inc. and Ionics Inc. He has been a member of the Board of Directors of Ionics, Inc. since 1985. Previously he was the Treasurer and Senior Vice President and Compliance Officer. He is also a director of Ionics EMS, Inc. Previously he was the Senior Vice President and General Manager of Synertronix, Inc. and the Vice President for Administration of Ionics, Inc. Mr. Qua is presently affiliated with various organizations and 14 associations serving as head, ranking officer or member. Mr. Qua received his Bachelor of Science degree in Commerce from De La Salle University, Philippines.

Virginia Judy Q. Dy**,** 83, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. In the last seven years, she is connected with Aqua Holdings, Inc. as director. She is also the Finance Director of DVPRO Solutions, Inc. from 2001 to the present. Previous corporate affiliations include Philippine Commercial and International Bank as Branch Manager, Insular Bank of Asia & America as Branch Manager, Ladtek Corporation/Interphase Development System as Accounting Manager and the International Corporate Bank as Branch Manager. Ms. Dy received her Bachelor of Science in Commerce degree from the Assumption Convent and is a Certified Public Accountant, having passed the government board exams in 1963.

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 members include, among others, Investment & Capital Corporation of the Philippines, whose principal activities are in investment banking; ICCP Venture Partners Inc., which is in venture capital; Science Park of the Philippines, Inc., a developer of industrial parks; and Pueblo de Oro Development Corporation, a developer of residential and township projects; and Manila Exposition Complex, Inc., the owner of the World Trade Center Metro Manila. Before founding ICCP in 1988, he served as Vice Chairman and President of Republic Glass Corporation, a publicly listed company. Between 1969 and 1980, Mr. Luchangco worked with the SGV Group, the Philippines' leading auditing and consulting firm. He rose to the position of Managing Director and Regional Coordinator for management services. Mr. Luchangco serves on a number of Boards, including the following publicly listed companies in the Philippine Stock Exchange: Phinma Corporation, Globe Telecom, Inc., Ionics, Inc, and Roxas & Co., Inc. He holds a Master of Business Administration degree from the Harvard Business School and a Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, Philippines.

Meliton C. Qua, 82, 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 received his Bachelor of Science degree in Business Administration from De La Salle University, Philippines.

Medel T. Nera, 68, Filipino, is a Certified Public Accountant. He has been an Independent Director of Ionics, Inc. and Ionics EMS, Inc. since November 11, 2020. He is presently a Director of Investments, Inc., iPeople Inc., Seafront Resources Corp. and EEI Corporation. He is also an Independent Director of the National Reinsurance Corporation of the Philippines, Inc., Holcim Philippines, Inc and the Generika pharmaceutical group. His past experience 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. He served as Assurance Leader for the Financial Services Assurance practice of Ernst & Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. He 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 Banker's Program of the University of Washington, Seattle, Washington, USA.

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

Lilia De Lima, 83, Filipino, is an independent director of Ionics EMS, Inc. and Ionics, Inc. She is currently an independent director of PHINMA Corporation and a director of AC Industrial Technology Holdings, Inc., FWD Life Philippines and Dusit Thani Philippines. She is also a trustee of TOWNS Foundation, Inc. In 2017, she served as an independent advisory board member of the Rizal Commercial Banking Corporation and was also a member of the board of directors of Science Park of the Philippines and RFM Science Park of the Philippines. From 1981 to 2016, Ms. de Lima has worked in government, holding high positions in various government instrumentalities such as the Department of Trade and Industry, National Amnesty Commission, Cagayan Economic Zone Authority, Zamboanga Economic Zone Authority, PHIVIDEC Industrial Authority, and the Philippine Economic Zone Authority. Because of her stint as Director General of the Philippine Economic Zone Authority and having served the same for 21 years, she was awarded the Ramon Magsaysay Laureat in 2017. She was also a recipient of other various awards such as the Presidential Medal of Merit, awarded to her by former Presidents Benigno Aquino III and Gloria Macapagal Arroyo, The Order of the Rising Sun, Gold and Silver Star, which is the highest award given to a non-head of state by the Government of Japan for bringing hundreds of Japanese investors to the Philippines, People of the Year Award given by Peoples Asia Magazine, and Excellence in Public Service Award, which was awarded to Ms. de Lima five times by BIZNEWS ASIA. She attained her Bachelor of Laws from the Manuel L. Quezon University in 1965, and her Doctor of Laws LLD (Honoris Causa) from the same university in 2014. She passed the Philippine Bar Exams in 1966.

Earl Lawrence S. Qua, 45, Filipino, Director of Ionics EMS, Inc. and Ionics Inc. He has been Vice President of Business Development and Vice President of the Original Design Manufacturing (ODM) Group at Ionics-EMS Inc. since 2010. He conceptualized and spearheaded the Ionics Smart Factory Project in 2016. He also founded Ionics Product Solutions Inc., (IPSI) in 2015. He is Treasurer of Ionics Properties Inc., (IPI). Mr. Qua serves as the President of the Electronics Industry Association of the Philippine Inc., (EIAPI) since 2017. He is CEO and Co-Founder of Quantum Insights and Analytics Inc., an Artificial Intelligence and Machine Learning Company. He also serves as Director of VOXP Tech Inc., a Software Development Company that has developed and owns multiple patented software based solutions and cloud based services. Prior to Ionics, he was Program Manager at Marvell Technology Group Inc., (NYSE: MRVL), a Semiconductor company in Santa Clara, CA for 10 years. Mr. Qua holds a Masters Degree of Business Administration from Babson College in Wellesley, MA and a Bachelor of Arts Degree in Economics from Occidental College in Los Angeles, CA. He has also taken Electrical Engineering courses at Stanford University in Palo, Alto, CA and has completed the Owners and Presidents Management Program (OPM) at the Harvard Business School in Cambridge, MA.

Judy C. Qua, 73, Filipino, is Ionics Inc. Vice President for Corporate Affairs and Ionics EMS Inc. Vice President for Human Resources, Administration and Training. Concurrently she is the President and Chief Operating Officer of Iomni Precision Inc. She also serves as the Executive Assistant to the Chairman and CEO on special assignments. Previously she headed Business Development of Ionics EMS Inc. and was the Executive Director for Finance of IONOTE Ltd., the joint venture facility of Ionics EMS, Inc. and NOTE AB of Sweden in China. Prior to joining Ionics, her career covered a spectrum of teaching training development, advertising and marketing practice, and data management. Ms. Qua is a transformational psychologist, a professional lecturer, a certified faculty for the American Management Association and the Swedish-based CELEMI management simulation learning systems, and an author of four (4) books on changing perspectives and positive thinking. She is the lecturer-facilitator of The Second Wind Mind Works neurodynamics course. She holds a Master of Arts degree in Social and Industrial Psychology from Ateneo de Manila University and a Master of Business Administration degree from Kellogg-HKUST Business School of Northwestern University.

Manuel R. Roxas, 74, Filipino, has been the Company's Corporate Secretary for the past 26 years. His professional experience covers general corporate law practice as counsel to various companies engaged in banking, investments, pharmaceuticals, shipping, and manufacturing. Atty. Roxas received his Bachelor of Science degree in Economics from the University of Pennsylvania in 1970 and Bachelor of Laws degree from the University of the Philippines in 1975. His other professional affiliations include: Roxas de los Reyes Laurel & Rosario as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc., Mother Rosa Memorial Foundation, Inc. as Secretary, the Integrated Bar of the Philippines, Philippine Bar Association, the Wharton Club of the Philippines as member.

Krisha F. Villanueva, 31, Filipino, is the Company's Assistant Corporate Secretary. She is an associate lawyer at Roxas Delos Reyes Laurel & Rosario & Gonzales Law. She received her Bachelor of Science degree Business Administration (Cum Laude) from the University of the Philippines Diliman and her Juris Doctor degree from the University of the Philippines College of Law.

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

Cesar G. Caubalejo, 57, Filipino, is the Vice President for Internal Audit, Chief Audit Executive and Assistant Compliance Officer. He graduated from the University of the Philippines at Tacloban City, Leyte in 1988 with a degree in Bachelor of Science in Business Administration Major in Accounting. He is a Certified Public Accountant and an Internal Audit Specialist and Certified Fraud Examiner. He worked and started his career with SyCip, Gorres, Velayo and 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 when he joined the firm. He also worked for a year (1997) as a group controller in one of the diversified companies in the Philippines. He is a member of the Institute of Internal Auditors Philippines. He joined Ionics EMS, Inc. on January 5, 2009.

Ariel La Madrid, 65, Filipino, is the Company's Vice President for Inside Sales. Prior to joining Ionics, he was engaged by the International Procurement Office of IBM from 1986 to 1996 as its Supplier Engineer. He joined Ionics in 1996 as Assistant Vice President for Quality and currently holds one of the key positions in the Company. He graduated with an Electronics Communication Engineering degree from St. Louis University, Baguio.

Jay A. Chavez, 51, Filipino, is the Executive Vice President for Operations and Chief Operating Officer. He holds an Electrical Engineering degree from Mapua Institute of Technology. He joined Ionics 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, AVP for Manufacturing/Deputy for Operations, AVP for Materials Management, AVP for Supply Chain Management and VP for Operations.

Emma Y. Gerodias, 54, Filipino, is the Vice President for Manufacturing of Ionics EMS, Inc. She holds an Electronics and Communications Engineering degree from Mapua Institute of Technology. She joined Ionics in 1992 as a Production Supervisor. Since then, she went up the organizational ladder and became Production Manager, Operations Manager, Business Unit Head, AVP for Innovations, until finally VP for Manufacturing.

Valerio Carandang Jr., 54, Filipino, is the Vice President for Field Sales and Customer Service. He is a licensed Electrical Engineer, a graduate from the Technological Institute of the Philippines. He started his career in Ionics in 1992 as Quality Control Engineer until 1994. He worked with PECCO (now Nidec Copal Philippines Corp.) until his resignation from the company as Quality Control Supervisor. In 1995, he rejoined Ionics as its Quality Control and Quality Assurance Head. He later became Engineering Manager, Manufacturing Manager, Assistant VP for Quality and Engineering, Assistant Vice President for Design and Development Group.

Jonathan T. Bibal, 52, Filipino, is the Vice President for Operations. He holds an Electronics and Communications Degree from the University of Santo Tomas. He joined Ionics in 1994 as a Quality Control and Quality Assurance (QC/QA) engineer. Since then, he went up the organizational ladder and became Asst. QC/QA Manager, Supply Chain Manager, Business Unit Head covering Project Management, Supply Chain and Manufacturing Operations, Senior Customer Sales and Service Manager.

Cecila Q. Chua, 71, Filipino, was a director of Ionics Inc. from 1997 to 2000 and from 2007 up to the present. She earned her Bachelor of Science in Food Technology from the University of Sto. Tomas in 1978. She is the Treasurer of B-Pack Corporation, Vice President of CQ B-Pack Corporation and has been the Purchasing Manager of Ionics Ems, Inc. since 1985. Previous corporate affiliations include Complex Electronics Corporation, Interphase Development Corporation, Ladtek Corporation and Pimeco.

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

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

Mrs. Judy C. Qua, the Company's Senior Vice President for Corporate Affairs and Human Resource, is the spouse of Mr. Lawrence C. Qua* and Mrs. Judy C. Qua are the parents of the Company's Vice President for Business Development, Mr. Earl Lawrence S. Qua.

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

None of the directors were involved, during the past five years and up to the date hereof, in any bankruptcy petition filed by or against any business of which a director was a general partner or executive officer either at the time of the bankruptcy or within two years to that time; nor was any director convicted by final judgment in a criminal proceeding, domestic or foreign, or was subject to a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; or was subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking services; or was found by a domestic or foreign court of competent jurisdiction (in a civil action), the commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law.

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

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

Item 10. Executive Compensation

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

SUMMARY COMPENSATION TABLE
Annual Compensation

	Year	**Salary**	**Others ***
Executive Officer and Four (4) most highly compensated executive officers	2024 (estimate)	$617,785	$75,000
	2023	561,623	75,000
	2022	562,972	75,000
All officers and directors as a group unnamed	2024 (estimate)	1,005,095	337,500
	2023	913,723	337,500
	2022	887,508	337,500

***Others – includes per diem of directors**

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

1. Mr. Lawrence C. Qua*
2. Mr. Raymond Ma. C. Qua is the President and Chief Executive Officer
3. Mr. Jay A. Chavez is the Executive Vice President for Operations & Chief Operating Officer
4. Ms. Judy C. Qua is the Senior Vice President for Corporate Affairs & Human Resources
5. Mr. Ronan R. Andrade is the Vice President for Finance/Chief Risk Officer
6. Mr. Earl Lawrence S. Qua is the Vice President for Business Development and World Wide Sales

deceased

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

The Chief Executive Officer of the Company receives monthly compensation. All other executive officers receive monthly compensation.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2023

(a) Security Ownership of Certain Record and Beneficial Owner

Title of class	Name and address of Record Owner and Relationship with Issuer	Citizenship	Number of Shares Held	Percent Held
Common Preferred	Ionics, Inc. *Circuit, Street, LISPP-1, Barangay Diezmo, Cabuyao Laguna* *Shareholder*	Filipino	1,508,801,439 (R) Common 927,824,176 (R) Preferred	96.72% 100%

Security Ownership of Management

Title of class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of class
Common	Alfredo R. de Borja Director – Chairman of the Board	1(R)	Filipino	Nil
Common	Raymond Ma C. Qua Director – President & Chief Executive Officer	2(R)	Filipino	Nil
Common	Meliton C. Qua Director	2 (R)	Filipino	Nil
Common	Guillermo D. Luchangco Director	70,002 (R)	Filipino	Nil

Title of class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of class
Common	Earl Lawrence S. Qua Director – VP – Business Development	1 (R)	Filipino	Nil
Common	Virginia Judy Q. Dy Director	1(R)	Filipino	Nil
Common	Monica Siguion Reyna Villonco Director	2(R)	Filipino	Nil
Common	Medel T. Nera Director	1(R)	Filipino	Nil
Common	Lilia de Lima Director	1(R)	Filipino	Nil
	Judy C. Qua VP – Corporate Affairs/Human Resources	0	Filipino	0
	Ariel B. La Madrid VP - Inside Sales	0	Filipino	0
	Ronan R. Andrade VP–Finance/Chief Finance Officer	0	Filipino	0
	Cecilia Q. Chua Treasurer	0	Filipino	0
	Manuel R. Roxas Corporate Secretary	0	Filipino	0
	Krisha F. Villanueva Assistant Corporate Secretary	0	Filipino	0
	Cesar G. Caubalejo VP – Internal Audit/Assistant Compliance Officer	0	Filipino	0
	Jay Chavez EVP–Operations & Chief Operating Officer	0	Filipino	0
	Emma Gerodias VP – Manufacturing	0	Filipino	0
	Valerio Carandang Jr VP-Field Sales/Customer Service	0	Filipino	0
	Jonathan T. Bibal VP-Operations	0	Filipino	0
	Rosalina Vicente Senior Manager for Accounting & Budget	0	Filipino	0
	Total	70,013 (R)		Nil

(b) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more

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

Item 12. Certain Relationships and Related Transactions

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

(a) lease arrangements:

- The Company leases two factories, Plants V and VI, from its Ultimate Parent Company, Ionics, Inc. The lease agreement began on January 1, 2023 and July 1, 2022 for Plant 5 and 6 and shall continue up until December 31 and June 30, 2023, respectively. As of July 2023, the renewal of lease agreement for Plant 5 has been executed for one (1) year until June 30, 2024.

- The Company also entered into a lease agreement with IOMNI Precision, Inc., for the lease of an office space with an area of 1,500 square meters from January 16, 2022 to January 15, 2023. It was continued and renewed for another year from January 16, 2023 until January 15, 2024.
-
- The Company also leased another factory, Plant 2, from Ionics Properties Inc. with an area of 6,634 square meters from May 01,2022 to April 30, 2023. Starting May 01, 2023 to April 30, 2024 the area increased to 7,470 square meters with rental rate of $6.34 per square meters, subject to the extension or renewal upon mutual agreement of the parties.

- The Company leased another factory, Plant 4, from Ionics Properties Inc. and lease a portion of the 2^{nd} floor with an area of 798 square meters with rental rate of $6.00 per square meters from November 01, 2023 to April 30, 2024 afterwhich, additional area for a total of 1,300 square meters with rental rate of $6.00 per square meters for another six months from May 01, 2024 to October 31, 2024, subject to the extension or renewal upon mutual agreement of the parties.

(b) legal services
The Company retains for legal services the law firm *Roxas de los Reyes Laurel Rosario & Leagogo Law Offices* where the Corporate Secretary, Manuel R. Roxas, and Assistant Corporate Secretary, Krisha F. Villanueva, is a partner and associate lawyer, respectively. Management believes that the legal fees paid are reasonable for the services rendered.

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

(d) acquisition of assets
There has been no acquisition of assets for the past three years.

(e) acquisition of shares
There has been no acquisition of shares for the past three years.

PART IV – CORPORATE GOVERNANCE REPORT

Item 13. Corporate Governance

(a) Evaluation System
The Compliance Officer is currently in charge of evaluating the level of compliance of the Board of Directors and top-level management of the Corporation. The implementation of the Corporate Governance Scorecard allows the Company to properly evaluate compliance to the Manual.

(b) Compliance Report
Measures are slowly being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance and one of them is attending seminars by our Corporate Directors.

(c) Deviations
The Company is taking steps towards full compliance of its Corporate Governance Manual

(d) Plan to improve
The Company continues to improve its Corporate Governance when appropriate and warranted, in its best judgment.

PART V - EXHIBITS AND SCHEDULES

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

1. March 14, 2023 – At the regular meeting of the Corporation held on March 09, 2023, the Board of Directors approved the Annual Shareholders Meeting of the Corporation will be held on June 15, 2023 at 10:00am via remote communication, subject to any unforeseen circumstances, to give ample time to the Finance Department to prepare the First Quarter 2023 financial report which is required to be made available to the Stockholders. All stockholders of record as of the close of business hours on May 16, 2023 shall be entitled to notice of, and to vote at, said meeting.

2. June 20, 2023 – At the Annual Stockholders' meeting of the Corporation held on June 15, 2023, the Board of Directors approved that Mr. Alfredo R. de Borja, Mr. Medel T. Nera and Ms. Lilia B. de Lima were nominated and elected as independent directors in compliance with the Securities Regulation Code. SGV & Co. was re-appointed external auditor of the Corporation for the ensuing year. Mr. Alfredo R. de Borja was designated as the lead independent director.

3. October 06, 2023 – The Board of Directors and Management of Ionics EMS, Inc., with deep regret, informing the public of the passing of its beloved Founder, Chairman, President and Chief

Executive Officer, Mr. Lawrence C. Qua last October 05, 2023. A special meeting of the Board of Directors will be held as soon as possible to elect his successors to the position be held.

4. October 10, 2023 – At the joint special meeting held on October 10, 2023, the Board of Directors of Ionics EMS, Inc. and its Parent Company, Ionics Inc., in response to the untimely demise of its Founder, Chairman, President and Chief Executive Officer, Mr. Lawrence C. Qua approved the Election of Director, Election of Officers and Creation of the Investor Relations and Communication Office.
   Election of Director – The election of Mr. Earl Lawrence S. Qua as Director of Ionics Inc. and Ionics EMS, Inc. to serve for the remainder of the term of Mr. Lawrence Qua.

   Election of Officers – The election of Mr. Alfredo R. de Borja, as Chairman of the Board of Directors, Mr. Raymond Ma. C. Qua as President and Chief Executive Officer of Ionics Inc. and Ionics EMS, Inc. to serve for the remainder of the term of Mr. Lawrence Qua. The election of Ms. Cecilia Q. Chua, as Treasurer of Ionics Inc. and Ionics EMS, Inc. to serve for the remainder of the term of Mr. Raymond Ma. Qua.

   Creation of the Investor Relations and Communications Office – The reorganization of the companies to create an Investor Relations and Communications Office pursuant to the recommendations under the Code of Corporate Governance which shall act as the sole communication outlet of the companies in dealing with its shareholders and the public and the authorization of the President and CEO to appoint person to head the said office.

5. November 09, 2023 – At the regular meeting held on November 09, 2023, the Board of Directors of Ionics EMS, Inc. (the "Corporation") approved the appointment of Engr. Jay A. Chavez, as Executive Vice-President of the Corporation.

S I G N A T U R E S

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

By:

Ronan R. Andrade
Chief Finance Officer

Manuel R. Roxas
Corporate Secretary

Raymond Maria C. Qua
President & Chief Executive Officer

SUBSCRIBED AND SWORN to before me this ______day of APR 12 2024 2024 affiant(s) exhibiting to me their Passport Numbers, as follows:

NAMES	PASSPORT	DATE OF ISSUE	PLACE OFISSUE
Ronan R. Andrade	P6019614A	February 13,2018	Lucena
Raymond Maria C. Qua	P5737906A	January 24, 2018	NCR South
Manuel R. Roxas	P7678659B	September 23, 2021	Manila

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Page No. 57
Book No. XIX
Series of 20 24

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

IONICS EMS, INC AND SUBSIDIARY
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report
Consolidated Statements of Financial Position as of December 31, 2023 and 2022
Consolidated Statements of Comprehensive Income
for the years ended December 31, 2023, 2022 and 2021
Consolidated Statements of Changes in Equity
for the years ended December 31, 2023, 2022 and 2021
Consolidated Statements of Cash Flows
for the years ended December 31, 2023, 2022 and 2021
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IONICS EMS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Ionics EMS, Inc. and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ALFREDO R. DE BORJA
Chairman of the Board

RAYMOND MARIA C. QUA
President & Chief Executive Officer

RONAN R. ANDRADE
Chief Finance Officer

Signed this 4th day of April, 2024

MAKATI CITY

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

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ronan R. Andrade	P6019614A	February 13, 2018	DFA Lucena
Alfredo R. de Borja	P7893866**B**	October 16, 2021	DFA Manila
Raymond Maria C. Qua	P5737906A	January 24, 2018	DFA NCR South

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ATTY. STEPHEN ANTHONY T. ILAGUISON
Notary Public until 31 December 2024
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 10077046, Makati City, 03 January 2024
IBP No. 394875, Makati, 03 January 2024
Roll No. 47676, Appointment No. M-101
MCLE Compliance No. VII-0021489, 17 June 2022

#14 Mountain Drive, Light & Industry Park II,
Brgy. La Mesa Calamba City, Laguna
Philippines
Tel. No. : (+6349) 508-1111
Fax. No.: (+6349) 508-0073

IONICS EMS, INC.

CERTIFICATION

I, Raymond Maria C. Qua – President and Chief Executive Officer of Ionics EMS, Inc. and Subsidiary with SEC Registration No. A1999-13827 with principal office address at Circuit Street, Light Industry & Science Park of the Philippines – 1, Barrio Diezmo, Cabuyao City, Laguna, on oath state:

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

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

RAYMOND MARIA C. QUA
Affiant

APR 04 2024 MAKATI CITY

SUBSCRIBED AND SWORN to before me this _____ day of ________ affiant exhibiting me his Passport Number P5737906A and other evidence of identification.

Doc. No. 165
Page No. 34
Book No. I
Series of: 2024

ATTY. STEPHEN ANTHONY T. ILAGUISON
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Brgy. La Mesa Calamba City, Laguna
Philippines
Tel. No. : (+6349) 508-1111
Fax. No.: (+6349) 508-0073

Elmer Rayusan

From: eafs@bir.gov.ph
Sent: Sunday, 14 April 2024 3:33 pm
To: Elmer Rayusan
Cc: Rose Vicente
Subject: Your BIR AFS eSubmission uploads were received

Hi IONICS EMS, INC.,

Valid files

- EAFS203683907OTHTY122023.pdf
- EAFS203683907RPTTY122023.pdf
- EAFS203683907AFSTY122023.pdf
- EAFS203683907ITRTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-3PZ1PTQS0P4NV1PZM33RWT4S03SP2RW4X**
Submission Date/Time: **Apr 14, 2024 03:32 PM**
Company TIN: **203-683-907**

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

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

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

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 9 - 1 3 8 2 7

C O M P A N Y   N A M E

IONICS EMS, INC. AND SUBSIDIARY

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

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

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

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7,207	6/14	2023/12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Ionics EMS, Inc. and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 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.

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.

SGV
Building a better
working world

- 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 L. Aldea

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

April 4, 2024

IONICS EMS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash (Notes 5, 6, 7 and 8)	**US$4,244**	US$4,898
Receivables (Notes 4, 5, 6 and 9)	**18,092**	15,433
Contract assets (Notes 4, 5 and 10)	**6,879**	4,705
Inventories (Notes 4 and 11)	**35,559**	36,549
Advances to suppliers (Note 4)	**1,056**	2,202
Prepayments and other current assets (Note 4)	**722**	618
Total Current Assets	**66,552**	64,405
Noncurrent Assets		
Financial asset at fair value through other comprehensive income (FVOCI) (Notes 5 and 6)	**35**	26
Property and equipment (Notes 4 and 12)	**21,372**	17,354
Right-of-use assets (Notes 4, 20 and 21)	**1,895**	4,137
Refundable deposits (Notes 5, 6 and 20)	**577**	561
Deferred tax assets - net (Notes 4 and 22)	**3**	4
Total Noncurrent Assets	**23,882**	22,082
	US$90,434	US$86,487
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 5, 6, 7, 13 and 20)	**US$18,945**	US$24,413
Advances from related parties (Notes 5, 6, 7 and 20)	**20,000**	15,314
Contract liabilities (Note 10)	**6,349**	1,578
Current portion of bank loans and long-term debt (Notes 5, 6, 7 and 14)	**14,417**	18,034
Current portion of lease liabilities (Notes 3, 5, 6, 7, 20 and 21)	**1,129**	644
Income tax payable	**107**	161
Total Current Liabilities	**60,947**	60,144
Noncurrent Liabilities		
Bank loans and long-term debt - net of current portion (Notes 5, 6, 7 and 14)	**1,984**	30
Lease liabilities - net of current portion (Notes 3, 5, 6, 7, 20 and 21)	**1,068**	2,740
Net pension liability (Notes 4 and 23)	**3,226**	2,548
Total Noncurrent Liabilities	**6,278**	5,318
Total Liabilities	**67,225**	65,462

(Forward)

	December 31	
	2023	2022
Equity (Note 7)		
Capital stock (Note 15)		
Common stock	**US$7,695**	US$7,695
Preferred stock	**4,845**	4,845
Additional paid-in capital	**2,114**	2,114
Other reserves (Note 23)	**(793)**	(486)
Unrealized loss on financial asset at FVOCI	**21**	12
Retained earnings (Note 15)	**9,327**	6,845
Total Equity	**23,209**	21,025
	US$90,434	US$86,487

See accompanying Notes to Consolidated Financial Statements.

IONICS EMS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings (loss) per Share)

	Years Ended December 31		
	2023	2022	2021
REVENUE (Note 24)			
Revenue from contracts with customers	**US$92,577**	US$72,686	US$57,455
COSTS OF SALES (Notes 3, 16 and 21)	**83,576**	66,543	52,809
GROSS PROFIT	**9,001**	6,143	4,646
OPERATING EXPENSES (Notes 17 and 21)	**4,410**	3,431	3,024
INCOME BEFORE OTHER INCOME (EXPENSES)	**4,591**	2,712	1,622
OTHER INCOME (EXPENSES)			
Finance costs (Notes 14, 18 and 21)	**(1,492)**	(774)	(596)
Others - net (Note 19)	**(125)**	612	52
	(1,617)	(162)	(545)
INCOME BEFORE INCOME TAX	**2,974**	2,550	1,078
PROVISION FOR INCOME TAX (Note 22)	**492**	401	247
NET INCOME	**2,482**	2,149	831
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan (Note 23)	**(307)**	350	410
Unrealized gain on financial asset at FVOCI	**9**	7	5
	(298)	357	415
TOTAL COMPREHENSIVE INCOME	**US$2,184**	US$2,506	US$1,246
BASIC/DILUTED EARNINGS PER SHARE (Note 25)	**US$0.0015**	US$0.0013	US$0.0004

See accompanying Notes to Consolidated Financial Statements.

IONICS EMS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

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

	For the year ended December 31, 2022						
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 23)	Unrealized Gain on Financial Asset at FVOCI	Retained Earnings (Note 15)	Total
Balances at beginning of year	US$7,695	US$4,845	US$2,114	(US$836)	US$5	US$4,696	US$18,519
Net income	–	–	–	–	–	2,149	2,149
Unrealized gain on financial asset at FVOCI	–	–	–	–	7	–	7
Remeasurement gain on retirement plan (Note 23)	–	–	–	350	–	–	350
Total comprehensive income	–	–	–	350	7	2,149	2,506
Balances at end of year	US$7,695	US$4,845	US$2,114	(US$486)	US$12	US$6,845	US$21,025

	For the year ended December 31, 2021						
	Common Stock (Note 15)	Preferred Stock (Note 15)	Additional Paid-in Capital	Other Reserves (Note 23)	Unrealized Gain on Financial Asset at FVOCI	Retained Earnings (Note 15)	Total
Balances at beginning of year	US$7,695	US$4,845	US$2,114	(US$1,246)	(US$–)	US$3,865	US$17,273
Net income	–	–	–	–	–	831	831
Unrealized gain on financial asset at FVOCI	–	–	–	–	5	–	5
Remeasurement gain on retirement plan (Note 23)	–	–	–	410	–	–	410
Total comprehensive income	–	–	–	410	5	831	1,246
Balances at end of year	US$7,695	US$4,845	US$2,114	(US$836)	US$5	US$4,696	US$18,519

See accompanying Notes to Consolidated Financial Statements.

IONICS EMS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**US$2,974**	US$2,550	US$1,078
Adjustments for:			
Depreciation and amortization (Notes 12, 16, 17 and 21)	**5,128**	4,572	4,436
Finance costs (Notes 14, 18 and 21)	**1,492**	774	596
Movement in net pension liability (Note 23)	**371**	146	(206)
Interest income (Notes 8 and 19)	**(2)**	(2)	(4)
Operating income before changes in working capital	**9,963**	8,040	5,900
Changes in working capital:			
Decrease (increase) in:			
Receivables	**(2,659)**	(1,178)	(3,379)
Contract assets	**(2,174)**	(1,875)	859
Inventories	**990**	(15,298)	(7,473)
Advances to suppliers	**1,146**	1,211	(913)
Prepayments and other current assets	**(104)**	(311)	(37)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(5,521)**	9,851	1,459
Contract liabilities	**4,771**	467	(490)
Net cash provided from (used for) operations	**6,412**	907	(4,074)
Income taxes paid	**(545)**	(302)	(222)
Interest received (Notes 8, 9 and 19)	**2**	2	4
Net cash provided by (used in) operating activities	**5,869**	607	(4,292)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Notes 12 and 14)	**(2,208)**	(2,704)	(1,548)
Increase in refundable deposits	**(16)**	(67)	(8)
Proceeds from sale of property and equipment	**–**	–	19
Net cash used in investing activities	**(US$2,224)**	(US$2,771)	(US$1,537)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of (Note 5):			
Commercial loans	**US$43,000**	US$37,000	US$25,000
Bank loans	**117**	–	12
Advances from related parties	**7,000**	1,000	–
Payments of (Note 5):			
Commercial loans	**(48,000)**	(30,000)	(22,000)
Principal portion of lease liabilities	**(1,187)**	(1,622)	(1,760)
Long-term debt	**(1,429)**	(814)	(777)
Bank loans	**(47)**	(52)	(79)
Interest on bank loans, long-term debt and lease liabilities (Notes 14, 18 and 21)	**(1,439)**	(774)	(618)
Advances from related parties	**(2,314)**	(250)	(300)
Net cash provided by (used in) financing activities	**(4,299)**	4,488	(522)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	**(654)**	2,324	(6,351)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	**4,898**	2,574	8,925
CASH AND CASH EQUIVALENT AT END OF YEAR (Note 8)	**US$4,244**	US$4,898	US$2,574

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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

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

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

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. Registrations with the Philippine Economic Zone Authority (PEZA)

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

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
1. PCBA, Box build & test of IOT products used for monitoring industrial equipment	June 29, 2023	Amendment	Gross income tax incentive starting June 29, 2023
2. Manufacture of Tytocare Medical Exam Kit	June 21, 2023	Amendment	Gross income tax incentive starting June 21, 2023
3. Manufacture of Carrier Ethernet Demarcation Device	May 31, 2022	Amendment	Gross income tax incentive starting May 31, 2022
4. Human Tracking Device	April 25, 2022	Amendment	Gross income tax incentive starting April 25, 2022
5. Manufacture of Attenti Tracking Device	March 10, 2020	Amendment	Gross income tax incentive starting March 10, 2020
6. Set-up an additional production facility with an area of 6,634-sq.ms. lot	January 14, 2020	Additional	Gross income tax incentive starting January 2020
7. ReGrow Helmet Low Level Light Therapy Device	February 22, 2019	Amendment	Gross income tax incentive starting Feb. 22, 2019
8. Assembly of Smart Pill Cap	October 08, 2019	Amendment	Gross Income Tax starting October 2019
9. Assembly of Car Charger	November 07, 2019	Amendment	Gross Income Tax starting November 2019
10. Assembly of Server Adapter	November 07, 2019	Amendment	Gross Income Tax starting November 2019
11. Buddee Smart Plug fabrication	March 21, 2018	Amendment	Gross income tax incentive starting March 21, 2018
12. Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Amendment	Gross income tax incentive starting August 22, 2018

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
13. Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Amendment	Gross income tax incentive starting July 24, 2017
14. Manufacture of LCD and touch panel for mobile phone*	April 24, 2017	Amendment	Gross income tax incentive starting May 2019
15. Server repair and Upgrade	January 30, 2017	Amendment	Gross income tax incentive starting January 2017
16. Manufacture of T-Mark 340 AC	December 29, 2016	Amendment	Gross income tax incentive starting September 2016
17. Manufacture of Afimilk Tags	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
18. Manufacture of Nano Nozzle Reader	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
19. Manufacture of PCBA for Printer	April 28, 2016	Amendment	Gross income tax incentive starting February 2016
20. Manufacture of Quantum Security	April 25, 2016	Amendment	Gross income tax incentive starting April 2016
21. WI butler*	July 06, 2015	New project	Gross income tax incentive starting April 2015
22. Electronic Door Lock System*	July 15, 2015	Additional	Gross income tax incentive starting April 2015
23. LCD Projector w/ Power Supply*	July 06, 2015	New project	Gross income tax incentive starting May 2019
24. RMA or importation of defective finished goods manufactured	June 03, 2014	Amendment	Gross Income tax incentive starting June 2014
25. Manufacture of tracking device	October 07, 2014	Expansion Project	Gross Income tax incentive starting Oct 2014
26. Portable/mobile two-way radio communication equipment	July 23, 2013	Amendment	Gross Income tax incentive starting July 2013
27. XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Gross Income tax incentive starting June 2016
28. Dual Port Gigabit Ethernet Bypass Adapter*	July 18, 2011	Expansion	Gross Income tax incentive starting June 2014
29. Pole Cabinets*	July 18, 2011	New project	Gross Income tax incentive starting June 2015
30. Video Conference System*	April 05, 2011	Expansion	Gross Income tax incentive starting May 2014
31. Optical Network Terminal*	March 16, 2010	New project	Gross Income tax incentive starting March 2014
32. T2 Wi-Fi Tag*	April 29, 2009	New project	Gross Income tax incentive starting October 2012
33. Electronic Communicator and Controller Module (ECCM)*	June 24, 2009	New project	Gross Income tax incentive starting March 2013
34. PV-Max Master*	April 23, 2008	New project	Gross Income tax incentive starting May 2012
35. Re-manufacture of Mobile Phones*	May 22, 2009	New project	Gross Income tax incentive starting December 2012
36. Design and Development*	January 06, 2005	Original Project	Gross Income tax incentive starting July 2007
37. RF Tuners and Amplifiers*	July 05, 2005	New project	Gross Income tax incentive starting June 2010
38. Production of radio remote control for industrial application	November 30, 2005	New project	Gross Income tax incentive starting October 2009
39. ROHS Flex Cable Assembly*	November 30, 2005	New project	Gross Income tax incentive starting October 2009
40. Optics Telecommunication*	March 01, 2006	New project	Gross Income tax incentive starting December 2009

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
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 Parent Company to other incentives which include, among others, the duty-free importation of raw materials and capital equipment.

3. Material Accounting Policy Information

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023 and 2022, and each of the three years in the period ended December 31, 2023.

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except for the adoption of the following new standards which became effective beginning January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 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 the consolidated statement of financial position based on current and noncurrent classification. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

Recognition and Measurement of Financial Instruments

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

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

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

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

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

As of December 31, 2023 and 2022, the Group's financial assets comprise of financial assets at amortized cost and financial asset designated at FVOCI with no recycling of cumulative gains or losses upon derecognition (equity instruments).

b. Subsequent measurement - Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

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

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

As of December 31, 2023 and 2022, the Group classified cash, receivables (excluding advances to employees) and refundable deposits as financial assets at amortized cost.

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

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

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

As of December 31, 2023 and 2022, the Group elected to classify irrevocably its proprietary club share under this category.

Financial liabilities

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

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

As of December 31, 2023 and 2022, the Group's financial liabilities comprise of financial liabilities at amortized cost and other financial liabilities.

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

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

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

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

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

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

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

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

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

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

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

These are instances where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Foreign Exchange Transactions and Translation

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

Equity

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

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

Other Comprehensive Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Income Recognition

Interest income

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

Other Costs and Expenses

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

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

Operating expenses

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

Leases

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

Group as a lessee

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

a) Right-of-use assets

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

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

	Years
Building Improvements	5
Machinery, tools and equipment	5-10

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

These amounts are calculated periodically by independent qualified actuary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. **Significant Accounting Judgments Estimates and Assumptions**

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

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

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

Revenue from contracts with customers

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

- Determining the timing of revenue recognition
The Group assessed that revenue from manufacturing of goods shall be recognized over time. For turnkey contracts wherein the products created have no alternative use to the Group and the Group has right to payment for performance completed to date, including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised, revenue is recognized over time. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.

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

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

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

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

Refer to Note 21 for information on potential future lease payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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

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

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

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

	2023	2022
Advances to suppliers	**US$1,056**	US$2,202
Prepayments and other current assets	**722**	618
Property and equipment (Note 12)	**21,372**	17,354
Right-of-use assets (Note 21)	**1,895**	4,137

As of December 31, 2023 and 2022, management believes that no impairment indicator exists for the Group's nonfinancial assets.

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

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

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

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

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

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

As of December 31, 2023, and 2022, allowance for impairment losses on receivables amounted to US$0.02 million and US$0.11 million, and nil for contract assets as of both years (see Notes 9 and 10).

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

The Group recognized allowance for inventory obsolescence on its raw materials amounting to US$0.01 million in 2022 (nil in 2023). The carrying values of the inventories of the Group amounted to US$35.56 million and US$36.55 million as of December 31, 2023 and 2022, respectively (see Note 11).

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

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

Refer to Notes 12 and 21 for further details on property and equipment and right-of-use assets, respectively.

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

The Group's lease liabilities as of December 31, 2023 and 2022 amounted to US$2.20 million and US$3.38 million, respectively (see Note 21).

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

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

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

The net pension liability as at December 31, 2023 and 2022 amounted to US$3.23 million and US$2.55 million, respectively (see Note 23).

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

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

As of December 31, 2023, and 2022, the Group recognized deferred tax assets amounted to US$0.12 million and US$0.17 million, respectively (see Note 22).

5. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

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

Concentration of credit risk
The Group has concentration of credit risk due to sales to significant customers. Largest customer accounted for approximately 11.04%, 14.04% and 16.39% of total revenue from contracts with customers in 2023, 2022 and 2021, respectively. The Group's top five (5) customers accounted for approximately 51.33%, 49.47% and 59.35% of its total revenue from contracts with customers in 2023, 2022 and 2021, respectively. The Group's financial instruments are broadly diversified along industry, product and geographic lines, and transactions are entered into with a range of counterparties, thereby, mitigating any significant concentration of credit risk.

In 2023, the financial assets and contract assets of the Group are more concentrated to the consumer electronics, telecom and computer peripherals which accounted for 82.25%, while in 2022, more concentrated to the computer peripherals, telecom and consumer electronics which accounted for 76.93% of the total credit risk exposure.

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

	2023	2022
Consumer electronics	**US$14,317**	US$5,409
Telecommunications (telecom)	**5,799**	7,057
Computer peripherals	**4,341**	7,196
Banks and financial intermediaries*	**4,238**	4,892
Medical	**110**	–
Others**	**930**	1,003
Total	**US$29,735**	US$25,557

**Excludes cash on hand amounting to US$0.01 million as of December 31, 2023 and 2022.*
***Excludes nonfinancial assets amounting to US$0.05 million and US$0.03 million as of December 31, 2023 and 2022, respectively.*

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

	2023				
	Minimal Risk	**Average Risk**	**High Risk**	**Credit Impaired**	**Total**
Cash*	**US$4,238**	**US$–**	**US$–**	**US$–**	**US$4,238**
Receivables					
Trade receivables	**14,742**	**–**	**–**	**17**	**14,759**
Other receivables from customers	**3,063**	**–**	**–**	**1**	**3,064**
Advances to managers**	**83**	**–**	**–**	**–**	**83**
SSS claims receivables	**45**	**–**	**–**	**–**	**45**
Others	**108**	**–**	**–**	**–**	**108**
Contract assets	**6,879**	**–**	**–**	**–**	**6,879**
Refundable deposits	**577**	**–**	**–**	**–**	**577**
	US$29,735	**US$–**	**US$–**	**US$18**	**US$29,753**

** Excludes cash on hand amounting to US$0.01 million*
***Excludes non financial assets amounting to US$0.05 million*

	2022				
	Minimal Risk	Average Risk	High Risk	Credit Impaired	Total
Cash*	US$4,892	US$–	US$–	US$–	US$4,892
Receivables					
Trade receivables	13,190	–	–	86	13,276
Other receivables from customers	1,949	–	–	19	1,968
Advances to managers	96	–	–	–	96
SSS claims receivables	59	–	–	–	59
Others	105	–	–	–	105
Contract assets	4,705	–	–	–	4,705
Refundable deposits	561	–	–	–	561
	US$25,557	US$–	US$–	US$105	US$25,662

** Excludes cash on hand amounting to US$0.01 million*
***Excludes non financial assets amounting to US$0.03 million*

The Group classifies credit quality risk as follows:

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

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

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

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

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

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

	2023			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Credit-impaired)**	**Total**
Cash in banks	**US$4,238**	**US$–**	**US$–**	**US$4,238**
Receivables				
Advances to managers	**83**	–	–	**83**
SSS claims receivables	**45**	–	–	**45**
Others	**108**	–	–	**108**
Refundable deposits	**577**	–	–	**577**
Total	**US$5,051**	**US$–**	**US$–**	**US$5,051**

	2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	Total
Cash in banks	US$4,892	US$–	US$–	US$4,892
Receivables				
Advances to managers	96	–	–	96
SSS claims receivables	59	–	–	59
Others	105	–	–	105
Refundable deposits	561	–	–	561
Total	US$5,713	US$–	US$–	US$5,713

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

December 31, 2023:

		Trade receivables							
			Days past due						
	Contract Assets	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**121-150 days**	**>150 days**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**–**
Estimated total gross carrying amount at default	**US$6,879**	**US$11,293**	**US$2,525**	**US$402**	**US$383**	**US$–**	**US–**	**US$139**	**US$14,742**
	–	–	–	–	–	–	–	–	–
		Other receivables from customers							
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**–**
Estimated total gross carrying amount at default		**2,788**	**117**	**134**	**24**	**–**	**–**	**–**	**3,063**
		–	–	–	–	–	–	–	–
Total expected credit loss	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**

December 31, 2022:

	Contract Assets	Trade receivables							
			Days past due						
		Current	<30 days	30-60 days	61-90 days	91-120 days	121-150 days	>150 days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%	–
Estimated total gross carrying amount at default	US$4,705	US$10,869	US$1,529	US$333	US$408	US$–	US$5	US$46	US$13,190
	–	–	–	–	–	–	–	–	–
		Other receivables from customers							
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default		1,694	206	20	9	–	20	–	1,949
		–	–	–	–	–	–	–	–
Total expected credit loss	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–

In 2023, the Group has no additional specifically impaired receivables. The Group also recovered impairment losses amounting to US$0.62 million and written off amounting US$0.25 million.

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 9).

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 funding is obtained to finance cash requirements for operations and capital expenditures. Amount of credit lines are obtained from designated banks duly approved by the BOD. Surplus funds are placed with reputable banks to which the Group has outstanding loans, loan facilities and/or banking transactions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and highly liquid marketable securities and adequate committed lines of funding from major financial institutions to meet the liquidity requirements in the short and longer term.

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

	December 31, 2023						
	On demand	**Less than 1 month**	**1 to 2 Months**	**2 to 6 months**	**6 to 12 months**	**1 to 5 Years**	**Total**
Financial assets							
Cash	**US$4,244**	**US$–**	**US$–**	**US$–**	**US$–**	**US$–**	**US$4,244**
Receivables							
Trade receivables	**3,449**	**11,293**	–	–	–	–	**14,742**
Other receivables from customers	**275**	**2,788**	–	–	–	–	**3,063**
Advances to managers	–	**83**	–	–	–	–	**83**
SSS claims receivables	–	**45**	–	–	–	–	**45**
Others	**103**	**5**	–	–	–	–	**108**
Refundable deposits	–	–	–	–	–	**577**	**577**
	8,071	**14,214**	–	–	–	**577**	**22,862**
Financial liabilities							
Accounts payable and accrued expenses[1]	**6,122**	**12,412**	–	–	–	–	**18,534**
Advances from related parties	**15,000**	**5,000**	–	–		–	**20,000**
Bank loans and long-term debt[2]	–	**2,417**	**11,191**	**417**	**826**	**2,119**	**16,970**
Lease liabilities[3]	–	**102**	**191**	**319**	**627**	**1,169**	**2,408**
	21,122	**19,931**	**11,382**	**736**	**1,453**	**3,288**	**57,912**
Liquidity gap	**(US$13,051)**	**(US$5,717)**	**(US$11,382)**	**(US$736)**	**(US$1,453)**	**(US$2,711)**	**(US$35,050)**

[1]*Excludes nonfinancial liabilities amounting to US$0.41 million*
[2]*Includes future interests amounting to US$0.57 million*
[3]*Includes future interests amounting to US$0.21 million*

	December 31, 2022						
	On demand	Less than 1 month	1 to 2 Months	2 to 6 months	6 to 12 months	1 to 5 Years	Total
Financial assets							
Cash	US$4,898	US$–	US$–	US$–	US$–	US$–	US$4,898
Receivables							
Trade receivables	2,321	10,869	–	–	–	–	13,190
Other receivables from customers	255	1,694	–	–	–	–	1,949
Advances to managers	–	96	–	–	–	–	96
SSS claims receivables	–	59	–	–	–	–	59
Others	103	2	–	–	–	–	105
Refundable deposits	–	–	–	–	–	561	561
	7,577	12,720	–	–	–	561	20,858
Financial liabilities							
Accounts payable and accrued expenses[1]	10,902	13,108	–	–	–	–	24,010
Advances from related parties	15,314	–	–	–		–	15,314
Bank loans and long-term debt[2]	–	10,043	4,024	4,134	388	30	18,619
Lease liabilities[3]	–	48	218	153	296	2,840	3,555
	26,216	23,199	4,242	4,287	684	2,870	61,498
Liquidity gap	(US$18,639)	(US$10,479)	(US$4,242)	(US$4,287)	(US$684)	(US$2,309)	(US$40,640)

[1]*Excludes nonfinancial liabilities amounting to US$0.40 million*
[2]*Includes future interests amounting to US$0.56 million*
[3]*Includes future interests amounting to US$0.17 million*

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

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

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

	December 31, 2023						
	Advances from related parties (Note 21)	**Long-term Debt** (Note 14)	**Lease Liabilities** (Note 22)	**Bank Loans** (Note 14)	**Commercial Loans** (Note 14)	**Accrued Interest** (Note 13)	**Total**
Balances at beginning of year	**US$15,314**	**US$–**	**US$3,384**	**US$64**	**US$18,000**	**US$26**	**US$36,788**
Non-cash flows activities:							
Availments	–	**4,696**	–	–	–	–	**4,226**
Accretion of interest (Note 21)	–	–	**195**	–	–	**1,297**	**1,492**
Cash flows activities:							
Availments	**7,000**	–	–	**117**	**43,000**	–	**50,117**
Payments of principal	**(2,314)**	**(1,429)**	**(1,187)**	**(47)**	**(48,000)**	–	**(52,507)**
Payment of interest	–	–	**(195)**	–	–	**(1,244)**	**(1,439)**
Balances at end of year	**US$20,000**	**US$3,267**	**US$2,197**	**US$134**	**US$13,000**	**US$79**	**US$38,677**

	December 31, 2022						
	Advances from related parties (Note 21)	Long-term Debt (Note 14)	Lease Liabilities (Note 22)	Bank Loans (Note 14)	Commercial Loans (Note 14)	Accrued Interest (Note 13)	Total
Balances at beginning of year	US$14,564	US$814	US$3,310	US$116	US$11,000	US$26	US$29,830
Non-cash flows activities:							
Availments	–	–	1,696	–	–	–	1,696
Accretion of interest (Note 21)	–	–	171	–	–	604	775
Cash flows activities:							
Availments	1,000	–	–	–	37,000	–	38,000
Payments of principal	(250)	(814)	(1,622)	(52)	(30,000)	–	(32,738)
Payment of interest	–	–	(171)	–	–	(604)	(775)
Balances at end of year	US$15,314	US$–	US$3,384	US$64	US$18,000	US$26	US$36,788

Market Risk

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

Foreign currency risk

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

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

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

	2023		2022	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Cash	**US$827**	**₱45,778**	US$274	₱15,282
Receivables	**282**	**15,605**	407	22,667
Refundable deposits	**350**	**19,379**	348	19,379
	1,459	**80,762**	1,029	57,328
Less: Accounts payable and accrued expenses	**2,367**	**131,053**	2,739	152,717
Net pension liability	**3,226**	**178,609**	2,548	142,086
	5,593	**309,662**	5,287	294,803
Net exposure arising from recognized monetary assets and liabilities	**(US$4,134)**	**(₱228,900)**	(US$4,258)	(₱237,475)

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

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

Sensitivity analysis

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

	2023		2022	
Changes in foreign currency exchange rates				
Philippine Peso	**0.70%**	**(0.70%)**	8.53%	(8.53%)
Effect on income before tax				
Philippine Peso	**US$21**	**(US$21)**	US$218	(US$218)

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

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

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

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

6. Fair Value Measurement

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

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

December 31, 2023

			Fair value measurement using	
	Carrying value	**Total**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset measured at fair value				
Financial asset at FVOCI	**US$35**	**US$35**	**US$35**	**US$–**
Asset for which fair value is disclosed				
Refundable deposits	**577**	**577**	**–**	**577**
Liabilities for which fair values are disclosed:				
Long-term debt (Note 14)	**3,267**	**3,404**	**–**	**3,404**
Lease liabilities (Note 21)	**2,197**	**2,241**	**–**	**2,241**
Bank loans (Note 14)	**134**	**134**	**–**	**134**

December 31, 2022

			Fair value measurement using	
	Carrying value	Total	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset measured at fair value				
Financial asset at FVOCI	US$26	US$26	US$26	US$–
Asset for which fair value is disclosed				
Refundable deposits	561	561	–	561
Liabilities for which fair values are disclosed:				
Lease liabilities (Note 21)	3,384	3,502	–	3,502
Bank loans (Note 14)	64	64	–	64

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

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

The estimated fair values of long-term debt and lease liabilities represent the present value of the amount of estimated future cash flows expected to be paid derived using the applicable rates ranging from 5.12% to 5.92% in 2023 and 3.47% to 6.44% in 2022. This is included within Level 3 of the hierarchy.

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

In 2023 and 2022, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of the Level 3 category.

7. Capital Management

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

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

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

The leverage ratio as at December 31 follows:

	2023	2022
Current liabilities		
Accounts payable and accrued expenses*	**US$18,534**	US$24,010
Advances from related parties	**20,000**	15,314
Current portion of bank loans and long-term debt	**14,417**	18,034
Current portion of lease liabilities	**1,129**	644
	54,080	58,002
Noncurrent liabilities		
Bank loans and long-term debt - net of current portion	**1,984**	30
Lease liabilities - net of current portion	**1,068**	2,740
	3,052	2,770
Total debt	**57,132**	60,772
Less cash	**4,244**	4,898
Net debt	**52,888**	55,874
Equity	**23,209**	21,025
Total equity and net debt	**US$76,097**	US$76,899
Leverage ratio	**69.50%**	72.66%

**Excludes nonfinancial liabilities amounting to US$0.41 million and US$0.40 million as of December 31, 2023 and 2022, respectively.*

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

8. Cash

This account consists of:

	2023	2022
Cash in banks	**US$4,238**	US$4,892
Cash on hand	**6**	6
	US$4,244	US$4,898

Cash includes cash on hand and in banks.

Cash in banks earn interest at the respective bank deposit rates ranging from 0.05% to 2.50% in 2023, 2022 and 2021. Interest income earned from cash in banks amounted to US$0.002 million in 2023 and 2022, US$0.004 million in 2021 (see Note 19).

9. Receivables

This account consists of:

	2023	2022
Trade receivables	**US$14,759**	US$13,276
Other receivables from customers	**3,064**	1,968
Advances to managers	**83**	96
Advances to employees	**51**	34
SSS claims receivables	**45**	59
Others (Note 20)	**108**	105
	18,110	15,538
Less allowance for impairment losses	**18**	105
	US$18,092	US$15,433

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

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

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

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

	2022			
	Trade receivables	Other receivables from customers	Others	Total
Balances at beginning of year	US$17	US$1	US$–	US$18
Provision for impairment losses (Note 17)	69	18	–	87
Balances at end of year	US$86	US$19	US$–	US$105

In 2023 and 2021, the Group recovered receivables from customers amounting to US$0.062 million and US$0.008 million respectively, net of transaction costs, recorded under "Others - net" in the consolidated statement of comprehensive income, in which total carrying amount of the outstanding receivables have been fully provided with allowance (nil in 2022, see Note 19).

The Group recognized provision for impairment loss amounting to US$0.09 million in 2022 and has written off outstanding receivables amounting to US$0.03 million and US$0.64 million in 2023 and 2021, respectively. The management assessed that these specifically impaired receivables are no longer recoverable (see Note 19).

10. Contract Assets/Liabilities

This account consists of:

	2023	2022
Contract assets	**US$6,879**	US$4,705
Contract liabilities	**6,349**	1,578

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 that the customer contracts have original expected duration of one (1) year or less.

11. Inventories

This account consists of:

	2023	2022
At Cost:		
Raw materials	**US$34,380**	US$35,544
Spare parts and supplies	**1,179**	1,005
	US$35,559	US$36,549

The Group measures its inventories at cost. The Group recognized allowance for inventory obsolescence on raw materials amounting to US$0.01 million in 2022 (nil in 2023 and 2021).

The raw materials and supplies used in the operations amounted to US$57.38 million, US$41.99 million and US$31.56 million in 2023, 2022 and 2021, respectively (see Note 16).

12. Property and Equipment

The rollforward analysis of this account follows:

	2023							
	Machinery and Equipment	Tools and Other Equipment	Leasehold Improvements	Airconditioning Equipment	Furniture, Fixtures and Equipment	Trans- portation Equipment	Building Improvements	Total
Cost								
Balances at beginning of year	US$42,699	US$9,973	US$2,730	US$2,077	US$115	US$68	US$1,641	US$59,303
Additions	5,513	1,057	96	88	2	148	–	6,904
Transfer (Note 21)	1,719	–	–	–	–	–	–	1,719
Disposals	(122)	(150)	(46)	–	–	–	–	(318)
Reclassification	–	(16)	–	–	–	16	–	–
Balances at end of year	49,809	10,864	2,780	2,165	117	232	1,641	67,608
Accumulated depreciation and amortization								
Balances at beginning of year	28,232	7,854	2,473	1,571	113	65	1,641	41,949
Depreciation and amortization (Notes 16 and 17)	3,000	802	81	176	1	19	–	4,079
Transfer (Note 21)	526	–	–	–	–	–	–	526
Disposals	(122)	(150)	(46)	–	–	–	–	(318)
Reclassification	–	(6)	–	–	–	6	–	–
Balances at end of year	31,636	8,500	2,508	1,747	114	90	1,641	46,236
Net book values	US$18,173	US$2,364	US$272	US$418	US$3	US$142	US$–	US$21,372

	2022							
	Machinery and Equipment	Tools and Other Equipment	Leasehold Improvements	Airconditioning Equipment	Furniture, Fixtures and Equipment	Trans- portation Equipment	Building Improvements	Total
Cost								
Balances at beginning of year	US$40,319	US$9,155	US$2,624	US$1,877	US$115	US$68	US$1,641	US$55,799
Additions	1,318	1,080	106	200	–	–	–	2,704
Transfer (Note 21)	1,062	–	–	–	–	–	–	1,062
Disposals	–	(262)	–	–	–	–	–	(262)
Balances at end of year	42,699	9,973	2,730	2,077	115	68	1,641	59,303
Accumulated depreciation and amortization								
Balances at beginning of year	25,497	7,373	2,394	1,430	112	64	1,641	38,511
Depreciation and amortization (Notes 16 and 17)	2,528	743	79	141	1	1	–	3,493
Transfer (Note 21)	207	–	–	–	–	–	–	207
Disposals	–	(262)	–	–	–	–	–	(262)
Balances at end of year	28,232	7,854	2,473	1,571	113	65	1,641	41,949
Net book values	US$14,467	US$2,119	US$257	US$506	US$2	US$3	US$–	US$17,354

In 2023 and 2022, the Group retired/disposed certain machineries and equipment, tools and other equipment, and airconditioning equipment that are no longer used in the production with cost amounting to US$0.32 million and US$0.26 million, respectively.

In February 2023, the Parent Company acquired property and equipment amounting to US$4.70 million by entering into three (3)-year financing agreements with a supplier (see Note 14). The financing agreements are secured by a chattel mortgage over machineries and equipment of the Parent Company located at its premises. The Group 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.

The Group's cost of fully depreciated property and equipment still in use amounted to US$24.70 million and US$23.31 million as of December 31, 2023 and 2022, respectively.

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

	2023	2022	2021
Cost of sales (Note 16)	**US$4,020**	US$3,438	US$3,355
Operating expenses (Note 17)	**59**	55	64
	US$4,079	US$3,493	US$3,419

13. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Trade payables		
Third parties	**US$15,385**	US$20,501
Related parties (Note 20)	**88**	803
Accrued expenses	**3,168**	2,536
Others	**304**	573
	US$18,945	US$24,413

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

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

	2023	2022
Accrued sales commission	**US$1,124**	US$714
Accrued handling	**509**	358
Accrued utilities	**414**	638
Accrued professional fees	**397**	241
Accrued salaries, wages and other benefits	**357**	379
Accrued contracted labor	**106**	89
Accrued interest	**79**	26
Accrued taxes	**31**	31
Accrued rent	**23**	2
Other accrued expenses	**128**	58
	US$3,168	US$2,536

Other accrued expenses mainly include other contracted labor.

14. **Bank Loans and Long-term Debt**

This account consists of:

	2023	2022
Commercial loans		
Current	**US$13,000**	US$18,000
Long-Term Debt		
Current	**1,377**	–
Noncurrent	**1,890**	–
Bank loans		
Current	**40**	34
Noncurrent	**94**	30
	US$16,401	US$18,064

	2023	2022
Current	**US$14,417**	US$18,034
Noncurrent	**1,984**	30
	US$16,401	US$18,064

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

Long-term debt:

- In November and December 2019, the Parent Company entered into another three (3)-year financing agreements with a supplier with contract prices amounting to US$2.88 million and US$0.08 million, respectively, accounted as property and equipment, which are subject to 1.14% quarterly interest and will mature in October and November 2022, respectively. The financing agreements are secured by a chattel mortgage over machineries and equipment of the Parent Company located at its premises (see Note 12). The Parent Company made payments in relation to these financing agreements amounting to US$0.81 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, the Parent Company entered into three (3)-year financing agreements with a supplier with contract prices amounting to US$4.70 million, accounted as property and equipment, which are subject to 2.11% quarterly interest and will mature on January 31, 2026, respectively. The financing agreements are secured by a chattel mortgage over machineries and equipment of the Parent Company located at its premises (see Note 12). The Group 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.

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

	2023	2022	2021
Within one year	**US$1,563**	US$–	US$837
After one year but not more than five years	**2,011**	–	–
	US$3,574	US$–	US$837

Bank loans:

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

Commercial loans:

- In 2023, the Parent Company 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, the Parent Company 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, the Parent Company 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, the Parent Company 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, the Parent Company 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, the Parent Company paid US$10.00 million in 2022 and US$6.00 million in 2023.

- In 2022, the Parent Company 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, the Parent Company paid US$9.00 million in 2022 and US12.00 million in 2023.

- The Parent Company 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. The Parent Company already paid US$6.00 million on January 05, 2022 and March 4, 2022. The Parent Company 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.

- The Parent Company 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 Parent Company paid US$6.00 million in 2021.

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

There are no debt covenants related to these loans.

Interests and other financing costs arising from the above bank loans and long-term debt as included under “Finance costs” in the consolidated statements of comprehensive income amounted to US$1.30 million, US$0.57 million and US$0.37 million in 2023, 2022 and 2021, respectively (see Note 18).

15. **Capital Stock**

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

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

The details of the Group’s capital stock as of December 31, 2023 and 2022 are as follows (amounts in thousands, except for par value figures):

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

The Parent Company has authorized 2,072,176 common capital stock and 927,824 preferred stock at ₱0.25 par value, out of which 1,560,000 shares and 927,824 shares were issued and outstanding as of December 31, 2023 and 2022. As at December 31, 2023 and 2022, the number of holders of common shares of stock and preferred shares of stock were 7,206 and 1, respectively.

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

Dividend in arrears pertaining to preferred shares amounted to US$2.07 million and US$1.93 million as of December 31, 2023 and 2022, respectively.

Retained earnings

The Group's retained earnings amounted to US$9.33 million and US$6.85 million as of December 31, 2023 and 2022, respectively.

The Group's retained earnings are further restricted for the payment of dividends to the extent of the deferred tax assets recognized in profit or loss as of December 31, 2023. The Group's retained earnings available for dividend declaration as of December 31, 2023 and 2022 amounted to US$9.20 million and US$6.60 million, respectively.

The unappropriated retained earnings include accumulated losses of its subsidiary amounting to US$1.35 million and US$1.30 million in 2023 and 2022, respectively.

16. Cost of Sales

This account consists of:

	2023	2022	2021
Materials and supplies used (Note 11)	**US$57,379**	US$41,985	US$31,562
Direct labor, salaries and benefits	**14,862**	13,958	12,229
Depreciation and amortization (Notes 12, 20 and 21)	**5,054**	4,510	4,366
Occupancy cost and utilities (Notes 20 and 21)	**4,471**	4,644	3,414
Others	**1,810**	1,446	1,238
	US$83,576	US$66,543	US$52,809

Direct labor, salaries and benefits account include pension expense amounting to US$0.37 million, US$0.38 million and US$0.39 million in 2023, 2022 and 2021, respectively (see Note 23).

17. Operating Expenses

This account consists of:

	2023	2022	2021
General and administrative expenses	**US$1,673**	US$1,631	US$1,601
Selling expenses	**2,737**	1,800	1,423
	US$4,410	US$3,431	US$3,024

General and administrative expenses consist of the following:

	2023	2022	2021
Salaries, wages, and benefits	**US$995**	US$948	US$987
Professional fees	**142**	253	295
Occupancy cost and utilities (Note 21)	**281**	231	213
Depreciation and amortization (Notes 12, 20 and 21)	**59**	52	56
Impairment of receivables (Note 9)	**2**	87	–
Other expenses - net	**194**	60	50
	US$1,673	US$1,631	US$1,601

Selling expenses consist of the following:

	2023	2022	2021
Sales commission and agent's fee	**US$2,169**	US$1,313	US$965
Salaries and benefits	**408**	333	349
Professional fees	**49**	52	26
Occupancy cost and utilities (Note 21)	**78**	68	60
Depreciation and amortization (Notes 12, 20 and 21)	**15**	11	14
Other expenses	**18**	23	9
	US$2,737	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 cost.

Salaries and benefits include pension expense amounting to US$0.01 million in 2023, 2022 and 2021 (see Note 23).

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

18. **Finance Costs**

This account consists of:

	2023	2022	2021
Interests on:			
Commercial loans and bank loans (Note 14)	**US$1,013**	US$555	US$318
Lease liabilities (Notes 3 and 21)	**195**	171	224
Long-term debt (Note 14)	**284**	17	54
Others	**–**	31	–
	US$1,492	US$774	US$596

19. **Others - Net**

This account consists of:

	2023	2022	2021
Recoveries from impairment loss (Note 9)	**US$62**	US$−	US$8
Interest income (Note 8)	**2**	2	4
Bank charges	**(49)**	(120)	(70)
Foreign currency exchange gain (loss) - net	**(143)**	709	82
Miscellaneous	**3**	21	28
	(US$125)	US$612	US$52

20. **Related Party Transactions**

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

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

	2023			
Category	**Amount/ Volume**	**Due from (Due to)**	**Terms**	**Conditions**
Ultimate Parent				
a. Lease liabilities	**633**	**(770)**	30-day; Non-interest bearing	Unsecured
Right-of-use assets	**502**	**586**	30-day; Non-interest bearing	Unsecured; No impairment
b. Advances from related parties	**164**	**(11,400)**	On demand; Non-interest bearing	Unsecured
c. Other receivables	**1**	**1**	30 day; end of month; Non-interest bearing	Unsecured; No impairment
Entities Under Common Control				
a. Rent expense	**692**	−	30-day; Non-interest bearing	Unsecured
b. Refundable deposits	**32**	**166**	Non-interest bearing; Application to unpaid rental and last 3 months rentals	Unsecured; No impairment
c. Advances from related parties	**(4,850)**	**(8,600)**	Non-interest bearing	Unsecured
d. Other receivables	**9**	**9**	Non-interest bearing	Unsecured; No impairment
e. Trade payable (purchases)	**758**	**(88)**	30 day; end of month; Non-interest bearing	Unsecured

Category	Amount/ Volume	Due from (Due to)	Terms	Conditions
	2022			
Ultimate Parent				
a. Lease liabilities	480	(1,403)	30-day; Non-interest bearing	Unsecured
Right-of-use assets	502	1,088	30-day; Non-interest bearing	Unsecured; No impairment
b. Advances from related parties	(1,000)	(11,564)	On demand; Non-interest bearing	Unsecured
d. Trade payable (purchases)	–	(295)	30 day; end of month; Non-interest bearing	Unsecured
Entities Under Common Control				
a. Rent expense	644	–	30-day; Non-interest bearing	Unsecured
Refundable deposits	24	156	Non-interest bearing; Application to unpaid rental and last 3 months rentals	Unsecured; No impairment
b. Advances from related parties	250	(3,750)	Non-interest bearing	Unsecured
c. Other receivables	1	2	Non-interest bearing	Unsecured; No impairment
d. Trade payable (purchases)	996	(508)	30 day; end of month; Non-interest bearing	Unsecured

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

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

Ultimate Parent Company
The Group entered into lease agreements with the Ultimate Parent Company for the lease of factory buildings (Plants 5 and 6). The lease agreement began on January 1, 2023 and July 1, 2022 for Plant 5 and 6 and shall continue up until December 31 and June 30, 2023, respectively. As of July 1, 2023, the renewal of lease agreement for Plant 5 has been executed for one (1) year until June 30, 2024.

In 2023 and 2022, the Group paid US$0.63 million and US$0.48 million of the related outstanding lease liabilities, respectively, and recognized depreciation expense amounting to US$0.50 million in relation to the right-of-use assets recognized (see Note 21).

Entities Under Common Control
Iomni Precision, Inc. (Iomni)
The Group entered into a sub-lease agreement with Iomni, entity under common control of the Ultimate Parent Company, for the lease of office space with a total floor area of 1,500 sq. m. The lease agreement began on September 1, 2013, subject to one (1) year extension. It was continued and renewed for another year from January 16, 2023 until January 15, 2024. The lease agreement was scoped under PFRS 16 but the Group has availed the practical expedient of applying the recognition exemption and continue to account this as an operating lease.

The lease agreement provides for the payment of advance rental and security deposit equivalent to three (3) months rental each. The advance rental shall be applied against the rentals due for the last three (3) months of the lease. The Group recognized rent expense pertaining to this lease under cost of sales and operating expenses amounting to US$0.12 million in 2023, 2022 and 2021 (see Notes 16 and 17).

The future minimum lease payments pertaining to this lease agreement amounts to US$0.01 million as at December 31, 2023 and 2022.

Ionics Properties, Inc. (IPI)
On September 27, 2019, the Group entered into a lease agreement with IPI, entity under common control of the Ultimate Parent Company, for the lease of a factory building (Plant 2). The lease agreement for one (1) year commenced on May 1, 2022. It was renewed for another year on May 1, 2023, subject to the extension or renewal upon mutual agreement of the parties. The lease agreement was scoped under PFRS 16, but the Group has availed the practical expedient of applying the recognition exemption and continue to account this as an operating lease.

The lease agreement provides for the payment of advance rental and security deposit equivalent to two (2) months rental each amounting to US$0.19 million. The advance rental shall be applied against the rentals due for the last two (2) months of the lease. The Group recognized rent expense pertaining to this lease under cost of sales amounting to US$0.56 million in 2023, US$0.52 million in 2022, and US$0.47 million in 2021.

In 2023, another lease agreement with IPI, for the lease of a factory building (Plant 4). The lease agreement commenced on November 1, 2023, until October 31, 2024, subject to the extension or renewal upon mutual agreement of the parties. The Group recognized rent expense pertaining to this lease under cost of sales amounting to US$0.01 million in 2023.

The lease agreement provides for the payment of advance rental and security deposit equivalent to two (2) months rental each amounting to US$0.019 million. The advance rental shall be applied against the rentals due for the last two (2) months of the lease.

b. Advances from related parties
The Ultimate Parent Company, Ionics Circuits, Ltd. (ICL) and Ionics Properties, Inc., an entity under common control of the Ultimate Parent Company, are financially committed to support operations of the Group through cash advances. In 2023 and 2022, the Parent Company received additional advances amounting to US7.00 million and US$1.00 million, respectively. In 2023 and 2022, the Parent Company partially paid the advances amounting to US$2.31 million and S$0.25 million, respectively. The outstanding advances from related parties as of December 31, 2023 and 2022 amounted to US$20.00 million and US$15.31 million, respectively.

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

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

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

The prices quoted to or paid by the Group shall not exceed current prices charged by Iomni to its other customers for the same or similar products; otherwise the excess prices shall be refunded to the Group. In case of end-of-life (EOL) of the product, the Group shall inform Iomni two (2) months before the actual EOL date in order for Iomni to immediately adjust ordering of raw materials. The outstanding trade payables as of December 31, 2023 and 2022 amounted to US$0.09 million and US$0.51 million, respectively (see Note 13).

The key management personnel of the Group include executives and directors. The summary of compensation of the key management personnel included in "salaries, wages and benefits" account under cost of sales and operating expenses in the consolidated statements of comprehensive income follows (see Notes 16 and 17):

	2023	2022	2021
Executive officers' compensation	**US$562**	US$563	US$493
Directors' remuneration	**337**	337	337
Short-term employee benefits	**98**	94	85
Post-employment benefits	**58**	55	50
	US$1,055	US$1,049	US$965

21. **Leases**

Group as Lessee

- The Group entered and leases its plant facilities from related parties including with the Ultimate Parent Company as discussed in Note 20. At the end of the terms of the respective leases, all additions or improvements made and constructed by the Group, which when removed would deface the immovable portion to which they may be attached, shall become the property of the lessors and be surrendered with the premises as a part thereof.

  In 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 amount of related right-of-use assets on these leases amounted to US$1.19 million and US$1.42 million as of December 31, 2021 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$1.06 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.

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

	2023		
	Building	**Machinery, Tools and Equipment**	**Total**
Cost			
Balances at beginning of year	**US$5,846**	**US$1,719**	**US$7,565**
Transfer (Note 12)	**–**	**(1,719)**	**(1,719)**
Balances at end of year	**5,846**	**–**	**5,846**
Accumulated Depreciation			
Balances at beginning of year	**2,960**	**468**	**3,428**
Depreciation (Notes 16, 17 and 20)	**991**	**58**	**1,049**
Transfer (Note 12)	**–**	**(526)**	**(526)**
Balances at end of year	**3,951**	**–**	**3,951**
Net Book Values	**US$1,895**	**US$–**	**US$1,895**

	2022		
	Building	Machinery, Tools and Equipment	Total
Cost			
Balances at beginning of year	US$4,150	US$2,781	US$6,931
Additions	1,696	–	1,696
Transfer (Note 12)	–	(1,062)	(1,062)
Balances at end of year	5,846	1,719	7,565
Accumulated Depreciation			
Balances at beginning of year	2,123	433	2,556
Depreciation (Notes 16, 17 and 20)	837	242	1,079
Transfer (Note 12)	–	(207)	(207)
Balances at end of year	2,960	468	3,428
Net Book Values	US$2,886	US$1,251	US$4,137

In 2023 and 2022, the depreciation charges of the Group related to right-of-use assets included in the consolidated statements of comprehensive income under cost of sales amounted to US$1.05 million and US$1.08 million, respectively, and under operating expenses amounted to US$0.01 million (see Notes 16 and 17).

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

	2023	2022
Balance at beginning of year	**US$3,384**	US$3,310
Additions	**–**	1,696
Accretion of interests (Note 18)	**195**	171
Payment of principal (Note 5)	**(1,187)**	(1,622)
Payment of interests (Note 18)	**(195)**	(171)
Balance at end of year	**US$2,197**	US$3,384

The Group had a total cash outflows for leases of US$1.38 million, US$1.79 million and US$1.98 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$1,129**	US$644
Noncurrent	**1,068**	2,740
	US$2,197	US$3,384

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

	2023	2022
Depreciation of right-of-use assets (Notes 16 and 17)	**US$1,049**	US$1,079
Accretion of interest (Note 18)	**195**	171
Rent expense relating to short-term lease (Notes 16, 17 and 20)	**692**	644

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

	2023	2022
Within one year	**US$1,239**	US$715
After one year but not more than five years	**1,169**	2,840
	US$2,408	US$3,555

22. **Income Taxes**

Provision for income tax consists of:

	2023	2022	2021
Current	**US$491**	US$392	US$248
Deferred	**1**	9	(1)
	US$492	US$401	US$247

Provision for current income tax pertains to GIT and RCIT of the Parent Company in 2023, 2022 and 2021.

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

	2023	2022	2021
Statutory income tax	**US$766**	US$619	US$268
Additions to (deductions from) income tax resulting from:			
Income from operations subject to lower preferential rate without NOLCO	**(600)**	(492)	(210)
Non- deductible expenses	**312**	261	181
Foreign exchange rate changes	**53**	40	23
Movement in unrecognized deferred tax assets	**(34)**	(27)	(13)
Reversal of allowance	**(5)**	–	(2)
Provision for income tax	**US$492**	US$401	US$247

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

	2023	2022
Deferred tax assets on:		
Lease liabilities	**US$110**	US$160
Past service costs	**5**	6
	115	166
Deferred tax liabilities on:		
Right-of-use assets	**96**	146
Contract assets	**16**	16
	112	162
	US$3	US$4

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

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

	2023	2022	2021
Net pension liability	**US$3,226**	US$2,548	US$2,752

Under Republic Act (R.A.) No. 7916 on Special Zones and PEZA, a PEZA-registered enterprise is exempt from national and local taxes. In lieu of the said national and local taxes, 5% of the gross income earned by all businesses and enterprises within the ecozone shall be remitted to the local and national government (see Note 2).

23. **Net Pension Liability**

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

Under the existing regulatory framework, R.A. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The Group's retirement plan meets the minimum retirement benefit specified under R.A. 7641. The law does not require minimum funding of the plan.

The components of retirement costs included in "Salaries, wages and benefits" account recognized as part of the cost of sales and operating expenses in the consolidated statements of comprehensive income (see Notes 16 and 17). Details are as follows:

	2023	2022	2021
Current service cost	**US$219**	US$267	US$303
Net interest cost	**158**	114	99
	US$377	US$381	US$402

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

	2023	2022	2021
Defined benefit obligation	**US$309**	(US$374)	(US$433)
Plan assets	**(2)**	24	23
	US$307	(US$350)	(US$410)

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$3,435**	US$3,123
Fair value of plan assets	**(209)**	(575)
	US$3,226	US$2,548

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

	2023	2022
Balance at beginning of year	**US$3,123**	US$3,483
Current service	**219**	267
Interest cost	**188**	141
Benefits paid	**(437)**	(98)
Effect of changes in foreign exchange rates	**24**	(296)
Remeasurement (gains) losses arising from:		
Experience adjustments	**28**	132
Changes in financial assumptions	**281**	(506)
Net acquired obligation due to employee transfer	**9**	–
Balance at end of year	**US$3,435**	US$3,123

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 rollforward of the net pension liability is as follows:

	2023	2022
Balance at beginning of year	**US$2,548**	US$2,752
Retirement expense	**377**	381
Contributions	**(36)**	–
Remeasurement losses	**307**	(350)
Net acquired obligation due to employee transfer	**9**	–
Effects of changes in foreign exchange rates	**21**	(235)
Balance at end of year	**US$3,226**	US$2,548

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

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

	2023	2022
Assets		
Cash in banks	**US$178**	US$305
Investment in equity securities	**7**	6
Investment in government securities:		
Fixed rate treasury notes	**134**	40
Retail treasury bonds	**229**	222
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);
- Investments in stocks - includes investment in common shares traded in the Philippine Stock Exchange (PSE);
- Investment in government securities - includes investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs); and,
- Others - includes accrued interest on fixed income securities.

As at December 31, 2023 and 2022, the trust fund has no investments in the securities (debt or equity) of any related party.

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

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

	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	**7.24%**	5.07%	3.82%
End of year	**6.10%**	7.24%	5.07%
Salary increase rate			
Beginning of year	**3.5% - 5%**	3.5% - 5%	3.5% - 5%
End of year	**3.5% - 5%**	3.5% - 5%	3.5% - 5%

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

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

	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$249)**	+1.0%	(US$183)
	-1.0%	**288**	-1.0%	210
Future salary increase rate	**+1.0%**	**US$307**	+1.0%	US$229
	-1.0%	**(270)**	-1.0%	(203)

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

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

	2023					
	Less than 1 year	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**15 to 20 years**	**More than 20 years**
Normal retirement	**US$558**	**US$9**	**US$140**	**US$808**	**US$717**	**US$2,847**
Other than normal retirement	**202**	**939**	**1,699**	**2,004**	**1,947**	**3,428**
	US$760	**US$948**	**US$1,839**	**US$2,812**	**US$2,664**	**US$6,275**

	2022					
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Normal retirement	US$872	US$129	US$69	US$632	US$636	US$2,526
Other than normal retirement	194	773	1,385	1,764	1,684	3,120
	US$1,066	US$902	US$1,454	US$2,396	US$2,320	US$5,646

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

24. Segment Information

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

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

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

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

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

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

The revenues from major customer under the telecommunications amounted to US$10.22 million in 2023, while under computer peripherals industry amounted to US$10.21 million in 2022 and US$9.41 million in 2021. Total revenues from these customers exceeded approximately 10% of the Group's total revenue from contracts with customers.

The Group's segment information as of and for the years ended December 31, 2023, 2022 and 2021, which presents revenue and certain assets and liabilities attributed to each business segment are summarized in the following tables:

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

**Excluding unallocated assets amounting to US$7,789.*
***Excluding unallocated liabilities amounting to US$56,413.*

	December 31, 2022			
	Computer Peripherals	Telecom	Consumer Electronics and others	Total
Revenue from contracts with customers	US$24,852	US$19,005	US$28,829	US$72,686
Income from operations	1,394	478	840	2,712
Foreign exchange gain – net	346	153	210	709
Interest expense – net	(259)	(186)	(327)	(772)
Provision for income tax	(189)	(88)	(124)	(401)
Miscellaneous expenses	(30)	(24)	(45)	(99)
Net income	US$1,262	US$333	US$554	US$2,149
Total assets*	US$19,888	US$28,437	US$26,508	US$74,833
Total liabilities**	US$1,658	US$3,813	US$1,717	US$7,188
Capital expenditures	US$1,536	US$812	US$356	US$2,704
Depreciation and amortization	US$3,282	US$862	US$428	US$4,572
Allowance for impairment losses on receivables	US$18	US$–	US$87	US$105

**Excluding unallocated assets amounting to US$11.65 million*
Excluding unallocated liabilities amounting to US$58.27 million

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

**Excluding unallocated assets amounting to US$10.15 million*
***Excluding unallocated liabilities amounting to US$45.40 million*

Sales represent revenues from external customers. During 2023, 2022 and 2021, there are no inter-segment sales.

The BOD analyzes cash flows at a consolidated level.

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

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

Segment Revenue

	2023	2022	2021
Asia	**US$80,839**	US$61,133	US$44,250
North America	**5,227**	8,282	10,331
Europe	**6,511**	3,271	2,874
	US$92,577	US$72,686	US$57,455

Segment Assets

	2023	2022	2021
Asia	**US$90,251**	US$86,234	US$66,725
North America	**183**	253	94
	US$90,434	US$86,487	US$66,819

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

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

The Group's revenue from manufacturing goods recognized over time amounted to US$92.58 million, US$72.69 million and US$57.46 million in 2023, 2022 and 2021, respectively.

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

25. **Earnings per Share**

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

	2023	2022	2021
Net income	**US$2,482**	US$2,149	US$831
Dividend attributable to preference shares	**(145)**	(145)	(145)
Total income attributable to common shares	**US$2,337**	US$2,004	US$686
Weighted average number of outstanding common shares	**1,560,000**	1,560,000	1,560,000
Basic/diluted earnings per share	**US$0.0015**	US$0.0013	US$0.0004

In 2023, 2022 and 2021, there were no convertible preferred stocks that have dilutive effect on the basic earnings per share of the Group.

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

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ionics EMS, Inc. and subsidiary (the Group) as at December 31, 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 April 4, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

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

April 4, 2024

IONICS EMS, INC. AND SUBSIDIARY
INDEX TO THE SUPPLEMENTARY SCHEDULES
December 31, 2023

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

Annex III Schedule of Financial Soundness Indicators

Annex IV Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration

IONICS EMS, INC. AND SUBSIDIARY

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

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 consolidated financial statements. All amounts are rounded to the nearest thousand (US$000) except when otherwise indicated.

Schedule A. Financial Assets

Below is the schedule of financial asset at FVOCI of the Group as of December 31, 2023:

Name of issuing entity and association of each issue	% Ownership	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet
FVOCI			
Unquoted:			
The Palms Country Club	N/A	–	US$35

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

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

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

As of December 31, 2023, the Group has no eliminated receivables from related parties.

Schedule D. Long-term Debt

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

Type of Obligation	Amount authorized by indenture	Current	Noncurrent	Total
Long-term debt	Not applicable	US$1,377	US$1,890	US$3,267
Lease liabilities	Not applicable	1,129	1,068	2,197
Bank loans	Not applicable	40	94	134
		US$2,546	US$3,052	$5,598

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

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

Schedule F. Guarantees of Securities of Other Issuers

As of December 31, 2023, the Group has no guaranteed securities by other issuers.

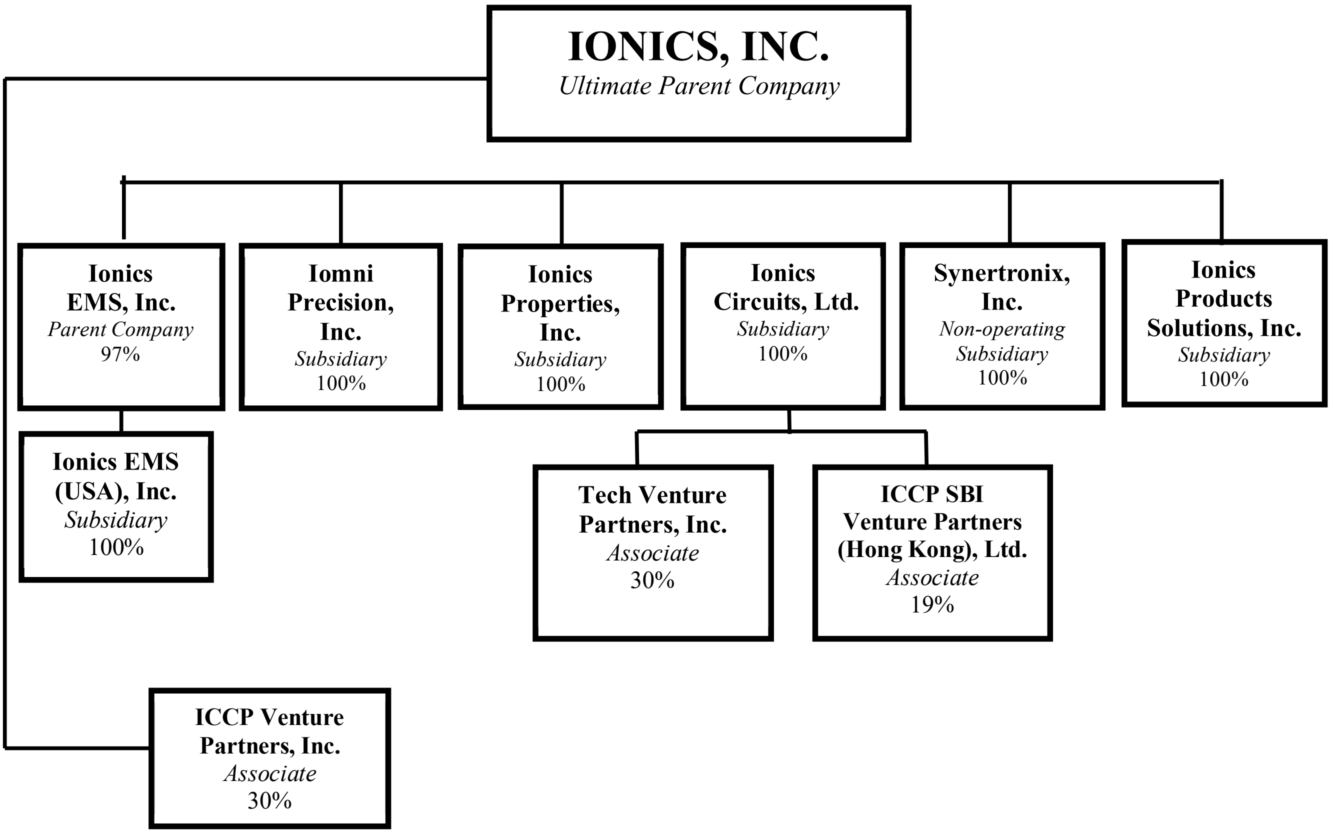
Schedule G. Capital Stock

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

**In thousands*

IONICS, INC. AND SUBSIDIARIES
GROUP STRUCTURE

Below is a map showing the relationship between and among the Company, Ultimate Parent Company and subsidiaries as of December 31, 2023:



SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ionics EMS, Inc. and subsidiary (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 4, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. 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
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079893, January 5, 2024, Makati City

April 4, 2024

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

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

Financial ratios		**2023**	2022
Liquidity Ratios			
Current ratio	Current assets / Current liabilities	**1.09:1**	1.07:1
Acid Test Ratio	Cash and receivables / Current liabilities	**0.38:1**	0.37:1
Leverage ratio	Net debt / Net debt and equity	**0.72:1**	0.73:1
Debt-to-equity ratio	Total debt / Total equity	**2.90:1**	3.11:1
Asset-to-equity ratio	Total assets / Total equity	**3.90:1**	4.11:1
Profitability Ratio			
Interest rate coverage ratio	Income before income tax and finance costs / Finance costs	**2.99:1**	4.29:1
Revenue Growth	*CY revenue - **PY revenue / **PY revenue	**27.37%**	26.51%
Gross Profit Margins	Gross profit / Total Revenue	**9.72%**	8.45%
Net Income Margins	Net income / Total Revenue	**2.68%**	2.96%
Return on Equity	Net income / Total equity	**10.69%**	10.22%

**CY - current year*
***PY - prior year*

IONICS EMS, INC. AND SUBSIDIARY
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2023

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

Unappropriated Retained Earnings, beginning of reporting period		**US$6,597**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Others	–	–
Less: Category B: Items that are directly credited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	–	
Retained Earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Others	–	–
Unappropriated retained earnings, as adjusted		**6,597**
Add/Less: Net Income (loss) for the current year		**2,553**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends Declared	–	
Unrealized foreign exchange gain, except those attributable to cash and	–	
cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	
Sub-total		–
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	–	
Sub-total		–

Add: Category C-3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) Of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of previously recorded fair value gain of Investment property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	–	
Sub-total		–
Adjusted Net Income/Loss		**2,553**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Sub-total		–
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote 3)		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others (describe nature)	–	
Sub-total		–
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	**51**	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	–	
Adjustment due to deviation from PFRS/GAAP — gain (loss)	–	
Others (describe nature)	–	
Sub-total		**51**
Total Retained Earnings, end of the reporting period available for Dividend		**US$9,201**