IONICS INC.

2022 Annual Report

NOTICE OF REGULAR MEETING
INFORMATION STATEMENT

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NOTICE OF ANNUAL SHAREHOLDERS' MEETING

To All Shareholders:

Notice is hereby given that the Annual Shareholders' Meeting of Ionics, Inc. will be conducted through remote communication on Thursday, 15 June 2023 at 2:00 p.m.

The Agenda for the said meeting shall be as follows:

1. **Call to Order**
2. **Proof of Notice of Meeting**
3. **Certification of Quorum**
4. **Reading and Approval of the Minutes of the Previous Meeting**
5. **Management Report for the Fiscal Year 2022**
6. **Ratification of All Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation from the date of the last Annual Shareholders' Meeting to the present**
7. **Election of Directors**
8. **Appointment of External Auditors**
9. **Adjournment**

The details and rationale of each item in the Agenda are explained briefly under Annex A of the Information Statement which will be posted at www.ionicsgroup.com/agm2023 and at the Corporation's PSE EDGE profile.

Only shareholders of record at the close of business hours on 16 May 2023 will be entitled to notice of, and to vote at, the meeting.

As with the previous years, the Company will conduct its Annual Shareholders' Meeting via remote communication. Shareholders who wish to attend the meeting or vote through remote communication should register using the Company's registration portal provided at www.ionicsgroup.com/agm2023 on or before 13 June 2023. The requirements and procedure for registration, participation and voting through remote communication are set out in the Company's Information Statement and shall be made available at the Company website. In compliance with the requirements of the Securities and Exchange Commission, there will be an audio and video recording of the meeting.

Stockholders who cannot attend the meeting may designate their authorized representative by submitting a signed proxy form via email to Ioncorp.agm@ionics-ems.com no later than the close of business hours on 13 June 2023. All proxies received will be validated on 14 June 2023. A sample proxy form may be downloaded at www.ionicsgroup.com/agm2023.

Shareholders of record may send their queries and comments about the items in the agenda to Ioncorp.agm@ionics-ems.com on or before 13 June 2023.

Copies of this Notice of Meeting, Definitive Information Statement, Management Report, Annual Report (SEC Form 17A), and Quarterly Report (SEC Form 17Q) for the First Quarter of 2023 will be made available at the Company's website at www.ionicsgroup.com/agm2023 and at the Company's PSE EDGE profile.

Makati City, 19 May 2023.

MANUEL R. ROXAS
Corporate Secretary

Information Statement

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1.	[ ] Preliminary Information Statement [√] Definitive Information Statement		
2.	Name of Registrant as specified in its charter	:	**IONICS, INC.**
3.	Province, country or other jurisdiction of incorporation or organization	:	**PHILIPPINES**
4.	SEC Identification Number	:	**107432**
5.	BIR Tax Identification Number	:	**000-124-671**
6.	Business Address	:	**Circuit St., Light Industry and Science Park of the Philippines (LISPP) I, Bo. Diezmo, Cabuyao, Laguna 4025**
7.	Registrant's telephone number	:	**(049) 508-1111** **(02) 519-4416**
8.	Date of Meeting Time of Meeting Place of Meeting	: : :	**15 June 2023** **2:00 p.m.** **The meeting will be conducted through remote communication via Zoom. The link to the virtual meeting room will be provided to shareholders who have successfully registered. The Chairman will preside over the meeting from the principal office of the Corporation at the address above.**
9.	Approximate date on which the Information Statement is first to be uploaded to the Company website	:	**24 May 2023**

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

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

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

Yes [√] No [ ]

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

Philippine Stock Exchange / Common Stock

GENERAL INFORMATION

DATE, TIME AND PLACE OF MEETING OF SHAREHOLDERS

(a) Date of Meeting : 15 June 2023

Time of Meeting : 2:00 p.m.

Place of Meeting : The meeting will be conducted through remote communication via Zoom. The link to the virtual meeting room will be provided to shareholders who have successfully registered. The Chairman will preside over the meeting from the principal office of the Corporation at Circuit Street, Light Industry and Science Park of the Philippines, Bo. Diezmo, Cabuyao, Laguna.

(b) This Information Statement, copies of the Company's Management Report, Annual Report (SEC Form 17A) and Quarterly Report (SEC Form 17Q) for the First Quarter of 2023 shall be made available at the Company's website and PSE EDGE on or before 24 May 2023.

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

DISSENTER'S RIGHT OF APPRAISAL

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

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

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

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

(a) Each of the persons who has been a director or officer of the Company from the beginning of the fiscal year 2022, as well as each of the nominees for the election as director for the year 2023-2024, together with any associate of any of the foregoing, has not expressed any interest in any matter to be acted upon.

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

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Total Number of Shares Issued and Outstanding as of 30 April 2023
837,130, 992 exclusive of 20,844,000 treasury shares

Foreign Equity Ownership as of 30 April 2023: The Company's foreign equity ownership is presented, as follows:

	No. of Shares	Percentage Ownership
Shares held by Philippine nationals	807,951,059 Common	96.51%
Shares held by Foreign nationals	29,179,933 Common	3.49%
Total	**837,130,992** Common	

Record Date: All shareholders of record as of 16 May 2023 will be entitled to notice of, and to vote at, the Annual Shareholders' Meeting.

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

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

Security Ownership of Certain Record and Beneficial Shareholders of More than 5% of the Company's Voting Securities as of 30 April 2023

Title of Class	Names and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage Held
Common	**Aqua Holdings, Inc.** *c/o Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna* *Shareholder*	Lawrence C. Qua, Meliton C. Qua, Raymond C. Qua, Virginia Judy Q. Dy *(shareholders of Aqua Holdings, Inc.)*	Filipino	335,153,100 (R)	40.04%
Common	**Leonardo T. Siguion Reyna*** 7 Tanguile Road, North Forbes Park Makati City *Shareholder*	N/A	Filipino	75,006,000 (R)	8.96%
Common	**Social Security System** *SSS Bldg., East Ave., Diliman, Quezon City* *Shareholder*	Republic of the Philippines	Filipino	17,701,198 (B)	2.1%

**deceased*

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

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

The Social Security System is likewise expected to submit a proxy authorizing Commissioner Robert Joseph M. de Claro to vote its shares in the Company.

Security Ownership of Management as of 30 April 2023

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	**Lawrence C. Qua** Chairman/President/CEO	**27,454,760** Direct **1,950,000** Indirect	Filipino	3.28% 0.23%
Common	**Meliton C. Qua** Director	**6,497,362** Direct	Filipino	0.78%
Common	**Guillermo D. Luchangco** Director	**19,620,000** Indirect	Filipino	2.34%
Common	**Alfredo R. de Borja** Independent Director	**14,000** Direct	Filipino	Nil
Common	**Robert Joseph M. de Claro** Director	**1** Direct	Filipino	Nil
Common	**Virginia Judy Q. Dy** Director	**1,033,603** Direct **4,887,140** Indirect	Filipino	0.12% 0.58%
Common	**Raymond C. Qua** Director/SVP-Treasurer/ Compliance Officer	**8,562,350** Direct	Filipino	1.02%
Common	**Cecilia Q. Chua** Director	**5,584,412** Direct **3,000** Indirect	Filipino	0.67% Nil
Common	**Monica Siguion Reyna Villonco** Director	**24,000** Direct **127,000** Indirect	Filipino	Nil 0.02%
Common	**Medel T. Nera** Independent Director	**1,000** Direct	Filipino	Nil
Common	**Lilia B. De Lima** Independent Director	**50,000** Indirect	Filipino	0.01%
Common	**Judy C. Qua** SVP - Corporate Affairs & Human Resources	-0-	Filipino	-0-
Common	**Manuel R. Roxas** Corporate Secretary	**14,500** Direct	Filipino	Nil
Common	**Krisha F. Villanueva** Assistant Corporate Secretary	-0-	Filipino	-0-
Common	**Ronan R. Andrade** VP – Finance / Chief Risk Officer	-0-	Filipino	-0-
Common	**Cesar G. Caubalejo** VP- Internal Audit and Assistant Compliance Officer	-0-	Filipino	-0-
	TOTAL	**75,823,128**		**9.05%**

Voting Trust Holders of 5% or more

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

Change in control

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

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Name / Position	Age	Citizenship
1. **Lawrence C. Qua** - Chairman	76	Filipino
2. **Alfredo R. de Borja** - Member (Independent)	78	Filipino
3. **Medel T. Nera** - Member (Independent)	67	Filipino
4. **Virginia Judy Q. Dy** - Member	83	Filipino
5. **Guillermo D. Luchangco** - Member	83	Filipino
6. **Meliton C. Qua** - Member	80	Filipino
7. **Raymond C. Qua** - Member	72	Filipino
8. **Cecilia Q. Chua** - Member	70	Filipino
9. **Monica Siguion Reyna Villonco** - Member	69	Filipino
10. **Lilia B. De Lima** - Member (Independent)	82	Filipino
11. **Robert Joseph M. de Claro** - Member	51	Filipino

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

The following are the Chairman and members of the Corporate Governance Committee for the year 2022 - 2023:

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

The following individuals were nominated to the Board of Directors of the Company for the ensuing year, and have been approved for election by the Board of Directors:

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

The members of the Nomination Committee for the year 2022-2023 are as follows:

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

Nominated as independent directors are Mr. Alfredo R. de Borja, Mr. Medel T. Nera and Ms. Lilia B. De Lima. The Nomination Committee determined that the nominees for independent director possess all of the qualifications of an independent director provided for in the Revised Corporation Code, the Company's By-laws and the Amended Manual of Corporate Governance of the Company. Mr. de Borja, Mr. Nera and Ms. de Lima were all nominated by Mr. Lawrence C. Qua and Mr. Raymond C. Qua, both stockholders and directors of the Company. Neither Mr. L. Qua nor Mr. R. Qua is related to any of the nominated independent directors.

The Independent Directors were advised of SEC Memorandum Circular No. 4, Series of 2017 on the term limits for Independent Directors. Based on the Memorandum Circular, Mr. Alfredo R. de Borja has served the maximum cumulative term of nine years. The Board resolved to approve the re-nomination of Mr. de Borja for the position of independent director for the term 2023-2024. The Board considered Mr. de Borja's in-depth knowledge of the Company's business as well as that of its subsidiaries due to his length of service as an independent director of the Company. Furthermore, the technical nature of the Company's business and the industry in which it belongs require specialized knowledge which Mr. de Borja has contributed to the Company for many years. The Board believes that retaining Mr. de Borja as independent director will be instrumental in attaining its goals for the ensuing year. The Board therefore decided that it is to the best interest of the Company if Mr. de Borja will be re-nominated and re-elected.

Executive Officers

Name	Rank / Title	Age	Citizenship
1. **Lawrence C. Qua**	Chairman / President / Chief Executive Officer	76	Filipino
2. **Raymond C. Qua**	SVP – Treasurer / Compliance Officer	72	Filipino
3. **Judy C. Qua**	SVP - Corporate Affairs & Human Resources	72	Filipino
4. **Manuel R. Roxas**	Corporate Secretary	73	Filipino
5. **Ronan R. Andrade**	VP – Finance	52	Filipino
6. **Cesar G. Caubalejo**	VP - Internal Audit / Assistant Compliance Officer	56	Filipino

Profile of Incumbent Directors, Nominees, and Officers

DIRECTORS

LAWRENCE C. QUA, 76, is the founding Chairman and Chief Executive Officer (CEO) of Ionics, Inc. and Subsidiaries, consisting of Ionics EMS, Inc., Ionics Properties Inc., Iomni Precision Inc., and Ionics Circuits Ltd. He is also the Chairman and Director of Aqua Holdings, Inc. He is, further, a director and member of the investment committee of ICCP Venture Partners, Inc. and a director of various companies engaged in retailing and property development. He has been a trustee of the Semiconductor & Electronics Industry of the Philippines Inc. since its organization. He served as a board trustee of the Graduate Business School of De la Salle University for three years. Mr. Qua graduated from De La Salle University with a Bachelor of Science degree in Mechanical Engineering.

ALFREDO DE BORJA, 78, Filipino, has been an independent director of Ionics, Inc. since 2004. He has also been an independent director of its subsidiaries, Ionics EMS, Inc. and Iomni Precision, Inc. since 2007 and 2013, respectively. He is a director of Central Azucarera de Bais, Inc., Ionics Properties, Inc., Makiling Farms, Inc., E. Murio, Inc., Investment Capital Corp. of the Phil. ("ICCP"), ICCP Venture Partners, ICCP Holdings, Inc., Pueblo de Oro Development Corp., Regatta Properties, Inc., Science Park of the Philippines, Inc. (SPPI), Cebu Light Industrial Park, Inc., and RFM-Science Park of the Philippines, Inc. He is an independent director of Lake Mainit Hydro Holdings Co. He has also served as director of several companies, including First Metro Investment Corp., Alsons, Inc., Alsons Power, Alsons Cement, Iligan Cement, Lima Land, Manila Memorial Park, Philcom, Shopwise, and Republic Glass Corp. He was the President of Gervel, Inc. from 1973 to 1986; Director and Chairman of the Executive Committee of First Metro Investment Co. from 1978 to 1983; Director and Vice President of Iligan Cement Corp. from 1973 to 1977; Professorial Lecturer of the University of the Philippines Graduate School of Business from 1971 to 1974; Executive Assistant to the Vice President of PLDT from 1970 to 1973; and Executive Assistant to the Vice President of Investment Managers, Inc. from 1966 to 1968. He holds a Master of Business Administration degree from Harvard University and a Bachelor of Science in Economics from the Ateneo de Manila University.

VIRGINIA JUDY Q. DY, 83, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. She has been a director of Aqua Holdings, Inc. for the last nine years. She was a Finance Director of DVPRO Solutions, Inc. Her previous corporate affiliations include Philippine Commercial and International Bank as Branch Manager, Insular Bank of Asia & America as Branch Manager, Ladtek Corporation/Interphase Development System as Accounting Manager and the International Corporate Bank as Branch Manager. Ms. Dy received her Bachelor of Science in Commerce degree from the Assumption Convent and is a Certified Public Accountant, having passed the government board exams in 1963.

GUILLERMO D. LUCHANGCO, 83, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1991. He is the Chairman and Chief Executive Officer of the ICCP Group, whose members include among others: Science Park of the Philippines, Inc., a developer of industrial parks; Pueblo de Oro Development Corporation, a developer of residential and township projects; and Manila Exposition Complex, Inc., the owner of the World Trade Center Metro Manila, Chairman of Investment & Capital Corporation of the Philippines and ICCP Ventures, which is in venture capital. Before founding ICCP in 1988, he served as Vice Chairman and President of Republic Glass Corporation, a publicly-listed company. Between 1969 and 1980, Mr. Luchangco worked with the SGV Group. He rose to the position of Managing Director and Regional Coordinator for management services. Mr. Luchangco previously served on the Boards of Directors of the following publicly-listed companies in the Philippine Stock Exchange: Phinma Corporation, Trans-Asia Oil & Energy Development Corp., and Roxas & Co., Inc. He holds a Master of Business Administration degree from the Harvard Business School and a Bachelor of Science degree in Chemical Engineering (magna cum laude) from De La Salle University, Philippines.

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

RAYMOND MA. C. QUA, 72, Filipino, has been a member of the Board of Directors of Ionics, Inc. since 1985 and holds the positions of Senior Vice President, Treasurer and Compliance Officer. He is also a director of Ionics Inc.'s subsidiaries, namely Ionics EMS, Inc., Iomni Precision, Inc., Ionics Properties, Inc., Ionics Products Solutions, Inc. and Synertronix, Inc. He is the President and Chief Operations Officer of Ionics Properties, Inc. Previously, he was the Senior Vice President and General Manager of Synertronix, Inc. and the Vice President for Administration of Ionics, Inc. Mr. Qua is presently affiliated with various organizations and 14 associations serving as head, ranking officer or member. Mr. Qua received his Bachelor of Science degree in Commerce from De La Salle University, Philippines.

CECILIA Q. CHUA, 70, Filipino, was a director of Ionics Inc. from 1997 to 2000 and from 2007 up to present. She earned her Bachelor of Science in Food Technology from the University of Sto. Tomas in 1978. She is the Treasurer of B-Pack Corporation and Vice-President of CQ B-Pack Corporation. She has been the NPR Purchasing Manager of Ionics EMS Inc., a subsidiary of Ionics, Inc., since 1985. Her previous corporate affiliations include Ionics Circuits Inc., Interphase Development Systems, Ladtek Inc., Complex Electronics Corporation and Philippine Meat Corporation.

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

MEDEL T. NERA, 67, Filipino, is a Certified Public Accountant. He has been an Independent Director of the Corporation since November 11, 2020.Mr. Nera is presently a Director of House of Investments, Inc., iPeople Inc., Seafront Resources Corporation, EEI Corporation and Ionics Properties, Inc. He is also an Independent Director of the National Reinsurance Corporation of the Philippines, Inc. and Holcim Philippines, Inc., and a former Independent Director of Erikagen, Inc., Actimed, Inc., Pharm

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

LILIA DE LIMA, 82, Filipino, is an Independent Director of Ionics, Inc. and Ionics EMS, Inc. She is currently an independent director of PHINMA Corporation, FWD Life Philippines, Dusit Thani Philippines, RFM-Science Park of the Philippines, Inc., Science Park of the Philippines, Inc., Regatta Properties, Inc., and Pueblo de Oro Development Corporation. She is also a member of the Board of Directors of Cadence Property Development Corporation, Rizal Commercial Banking Corporation, and a Trustee at the Fatima Center for Human Development. She presently serves as an Advisory Board Member of AC Industrials and the Executive-in-Residence of Asian Institute of Management. From 1981 to 2016, Ms. de Lima worked in government, holding high positions in various government instrumentalities such as the Department of Trade and Industry, National Amnesty Commission, Cagayan Economic Zone Authority, Zamboanga Economic Zone Authority, PHIVIDEC Industrial Authority, and the Philippine Economic Zone Authority. Because of her stint as Director General of the Philippine Economic Zone Authority and having served the same for 21 years, she was awarded the Ramon Magsaysay Laureate in 2017. She was also a recipient of various awards such as the Presidential Medal of Merit, awarded to her by former Presidents Benigno Aquino III and Gloria Macapagal Arroyo, The Order of the Rising Sun, Gold and Silver Star, which is the highest award given to a non-head of state by the Government of Japan for bringing hundreds of Japanese investors to the Philippines, People of the Year Award given by Peoples Asia Magazine, and Excellence in Public Service Award, which was awarded to Ms. de Lima five times by BIZNEWS ASIA. She attained her Bachelor of Laws from the Manuel L. Quezon University in 1965, and her Doctor of Laws LLD (Honoris Causa) from the same university in 2014. She passed the Philippine Bar Exams in 1966.

ROBERT JOSEPH M. DE CLARO, 51, Filipino, is a member of the Social Security Commission (SSC), which serves as the governing board of the Social Security System. He was designated as Chairperson of the SSC Information Technology and Collection Committee and Member of the SSC Audit Committee. He is currently the President and CEO of Transpotech and Services, OPC, and represents the Social Security System in the Board of Directors of Union Bank of the Philippines, a publicly listed company. He also held various roles in numerous companies such as President and CEO for People4u, Inc.; Operating Partner for FutureNow Business Services, Inc.; President and General Manager for JMango Philippines, Inc.; and General Manager, APAC for GlobalOne Solutions, Inc. and Cloud Sherpas. Comm. de Claro holds a Bachelor of Science in Computer Science degree with specialization in Information Technology from the De La Salle University.

OFFICERS

JUDY C. QUA, 72, Filipino, is the Senior Vice-President for Corporate Affairs & Human Resources of Ionics, Inc. and Ionics EMS, Inc. She previously served as the Executive Assistant to the Chairman and CEO on special assignments. She is concurrently the President and Chief Operating Officer of Iomni Precision, Inc. She was the Executive Director for Finance of IONOTE Ltd., the joint venture facility of Ionics EMS, Inc. and NOTEAB of Sweden in China. Prior to joining the Ionics, Inc., she was in college teaching, advertising and marketing practice, data management, and was a consulting resource for Ionics in people management and corporate communications. Ms. Qua is a transformational psychologist, a professional lecturer, a certified faculty for the American Management Association and the Swedish-based CELEMI management simulation learning systems, and an author of four (4) books on life essays. She is the lecturer-facilitator of The Second Wind Mind Works neurotraining course. She holds a Master of Arts degree in Social and Industrial Psychology from the Ateneo de Manila University and a Master of Business Administration degree from Kellogg-HKUST Business School of Northwestern University.

RONAN ANDRADE, 52, Filipino, is the Vice-President for Finance and Chief Risk Officer of the Corporation. He graduated from San Beda College in 1991 and passed the Certified Public Accountant Board Examination in the same year. He worked with Sycip Gorres & Velayo Auditing Firm-Audit Division from 1992 to 1998, starting as an audit staff member until he became audit supervisor. He joined Ionics, Inc. in 1999 as Senior Manager for Finance and became Assistant Vice President and Acting Finance Head of the Company, prior to his transfer to Internal Audit as Vice President. In 2007, Mr. Andrade was appointed as Vice President of Finance of the Company.

MANUEL R. ROXAS, 73, Filipino, has been the Company's Corporate Secretary for the past twenty-six (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 & Gonzales as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc. as Trustee, Mother Rosa Memorial Foundation, Inc. as Corporate Secretary and the Integrated Bar of the Philippines as member.

KRISHA F. VILLANUEVA, 30, Filipino, is the Company's Assistant Corporate Secretary. Atty. Villanueva is an associate lawyer at Roxas de los Reyes Laurel Rosario & Gonzales Law Offices. Her professional experience covers general corporate law practice and litigation. She received her Bachelor of Science degree in Business Administration from the University of the Philippines Diliman and her Juris Doctor degree from the University of the Philippines College of Law. While in law school, Atty. Villanueva served as legal intern at the UP Office of Legal Aid and the Office of the Government Corporate Counsel. She is a member of the Integrated Bar of the Philippines and the UP Women Lawyers Circle.

CESAR G. CAUBALEJO, 56, Filipino, is the Vice-President for Internal Audit and Assistant Compliance Officer. He graduated from the University of the Philippines at Tacloban City, Leyte in 1988 with a degree in Bachelor of Science in Business Administration Major in Accounting. He is a Certified Public Accountant, an Internal Audit Specialist and Certified Fraud Examiner. He worked and started his career with SyCip, Gorres, Velayo & Co. (SGV) in 1988 until his resignation from the firm as a Senior Director under the Business Risk Services in December 2008. During his stint with SGV, he was assigned to work in other countries such as US, France, Vietnam, Malaysia and Kingdom of Saudi Arabia. In his short stint in 2004 with KPMG Audit and Accounting Practice, he became its Country Manager in Lao PDR. He also worked for a year (1997) as a group controller in one of the diversified companies in the Philippines. He is a member of the Institute of Internal Auditors Philippines. He joined Ionics EMS, Inc. on January 5, 2009.

Additional Information on the members of the Board of Directors

- The directors of the Company are elected at the Annual Shareholders' Meeting and shall hold office until the next succeeding annual meeting and until their respective successors have been elected.
- No director has transacted with the Company in his/her personal capacity.
- None of the directors has informed the Company that he/she intends to oppose any action to be taken by the Company at the meeting.
- Directors Guillermo D. Luchangco and Alfredo R. de Borja participated in the online Corporate Governance Seminar conducted by SGV & Co. on 4 November 2022. Director Lilia B. de Lima attended the Annual Corporate Governance Seminar with the topic "Going from Good to Great" provided by the Yuchengco Group of Companies on 19 November 2022. All the other members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar conducted by SGV & Co. on 13 December 2022.

Significant Employees

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

Certain Relationships and Directors' Self-Dealing and Related Transactions

As of April 30, 2023, the Company has no significant related party transactions with its shareholders, directors, officers and affiliated companies except as follows:

1. *Lease Arrangements*

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

   Ionics EMS, Inc. also entered into a lease agreement with IOMNI Precision, Inc., a wholly- owned subsidiary of Ionics, Inc. for its corporate office with an area of 1,500 square meters from January 16, 2022 to January 15, 2023, subject to renewal annually. The rental rates was based on the current market rates and the rate of another tenant within the building.

Ionics EMS, Inc. also leased another factory, Plant 2, from Ionics Properties, Inc. with an area of 7,470 square meters from 01 May 2022 to 30 April 2023.

2. *Legal Services*

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

3. *Financial Advisors*

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

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

Family Relations

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

Mrs. Judy C. Qua, the Company's Senior Vice President for Corporate Affairs & Human Resources, is the spouse of the President/Chairman/Chief Executive Officer, Mr. Lawrence C. Qua.

Involvement in Legal Proceedings (as of 19 May 2023)

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

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

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary Compensation Table

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

SUMMARY COMPENSATION TABLE
Annual Compensation

	Year	Salary	Others*
Chief Executive Officer and four (4) most highly compensated executive officers	2023 (estimate)	$ 560,022	$ 99,419
	2022	$ 509,111	$ 57,963
	2021	$ 434,086	$ 11,979
All officers and directors as a group unnamed	2023 (estimate)	$ 964,451	$ 230,014
	2022	$ 876,774	$ 139,556
	2021	$ 711,249	$ 41,894

**Others -includes per diem of directors*

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

1. Mr. Lawrence C. Qua. is the Chairman of the Board of Directors, the Chief Executive Officer and the President of the Company.
2. Mr. Raymond C. Qua is the Senior Vice President, Treasurer and Compliance Officer.
3. Ms. Judy C. Qua is the Senior Vice President for Corporate Affairs & Human Resources.
4. Mr. Ronan R. Andrade is the Vice President for Finance.
5. Mr. Cesar G. Caubalejo is the Vice President of Internal Audit.

In compliance with Sections 29 and 49 of the Revised Corporation Code, the total compensation received by the members of the Board of Directors for the fiscal year 2022 will be presented to the stockholders during the Annual Stockholders' Meeting. The following are the total individual per diem received by each director for the years 2022 and 2021:

Name of Director	Year	Total Per Diem Received (In USD)
Lawrence C. Qua	2022	1,110.82
	2021	1,218.27
Raymond C. Qua	2022	1,403.39
	2021	1,218.27
Meliton C. Qua	2022	2,221.64
	2021	2,436.53
Cecilia Q. Chua	2022	1,110.82
	2021	1,218.27
Virginia Judy Q. Dy	2022	1,403.39
	2021	1,218.27
Guillermo D. Luchangco	2022	1,110.82
	2021	1,218.27
Monica S. Villonco	2022	1,110.82
	2021	1,218.27
Alfredo R. de Borja	2022	2,514.21
	2021	2,436.53
Lilia B. De Lima	2022	1,110.82
	2021	1,218.27
Medel T. Nera	2022	2,221.64
	2021	2,436.53
Ricardo L. Moldez*	2022	1,110.82
	2021	1,218.27
Robert Joseph M. de Claro**	2022	N/A
	2021	N/A

**Resigned in January 2023*
*** Elected March 9, 2023*

Standard Arrangements

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

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

Employment contract or compensatory plan or arrangement

As of 30 April 2023, no executive officer of the Company is under employment contract.

INDEPENDENT PUBLIC ACCOUNTANTS

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

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

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

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

EXTERNAL AUDIT FEES AND SERVICES

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

Audit and Audit-Related Fees

1. The Auditing firm of Sycip Gorres Velayo & Co. (SGV) has been the external auditor of the Company since 1992. The Auditing partner-in-charge of the accounts of the Company for the financial year ended December 31, 2022 is Ms. Maria Antoniette L. Aldea who took office after her appointment at the June 17, 2022 stockholders' meeting of the Company. The audit fee in 2022 was One Hundred Thirty-three Thousand Four Hundred Five US dollars (US$133,405) and One Hundred Thirty Nine Thousand Two Hundred Eighteen US Dollars (US$139,218) in 2021. The fees are generally based on the complexity of the issues involved, the work to be performed, the special skills required to complete the work, the experience level of the team members and most importantly, the ability to provide the auditors' report expressing an opinion on the financial statements of the Company.

2. There are no assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of Ionics, Inc.'s financial statements.

Tax Fees - None

All Other Fees

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

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

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

The Chairman and members of the Audit Committee for the year 2022-2023 are the following:

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

COMPENSATION PLANS

Stock Options, Warrants or Rights Plan.

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

ISSUANCE AND EXCHANGE OF SECURITIES

AUTHORIZATION OR ISSUANCE OF SECURITIES OTHERWISE THAN FOR EXCHANGE

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

MODIFICATION OR EXCHANGE OF SECURITIES

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

FINANCIAL AND OTHER INFORMATION

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

1. Audited Financial Statements as of 31 December 2022;
2. Management Discussion and Analysis or Plan of Operation; and,
3. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

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

MERGER, CONSOLIDATIONS, ACQUISITION AND SIMILAR MATTERS

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

ACQUISITION OR DISPOSITION OF PROPERTY

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

RESTATEMENT OF ACCOUNT

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

OTHER MATTERS

In compliance with the Notice dated 13 March 2023 and Memorandum Circular No. 3 series of 2020 of the Securities and Exchange Commission and Section 49 of the Revised Corporation Code, the Notice of Meeting will be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days, with the last publication date being not later than twenty-one (21) days prior to the date of the Annual Stockholders' Meeting.

ACTION WITH RESPECT TO REPORTS

Approval of the Minutes of the Previous Shareholders' Meeting

The minutes of the last Annual Shareholders' Meeting held on 17 June 2022 will be submitted for approval of the shareholders. While a copy of the said minutes was posted on the corporate governance page of the Corporation's website before 24 June 2022 in compliance with the Code of Corporate Governance, a copy thereof will also be made available at www.ionicsgroup.com/agm2023 on or before 24 May 2023 to any shareholder desiring to review the same.

The following were the significant matters discussed at the 2022 Annual Shareholders' Meeting:

(i) Approval of the Minutes of the Previous Stockholders' Meeting
(ii) Management Report for Fiscal Year 2021;
(iii) Ratification of Acts, Proceedings and Resolutions of the Board of Directors and Officers of the Corporation for the Fiscal Year 2021;
(iv) Election of Eleven (11) Directors; and
(v) Appointment of External Auditor.

During the previous annual meeting, the stockholders were given the opportunity to send their queries and clarifications on the items in the Agenda from the start of the registration period until 15 June 2022. However, the Company did not receive any questions related to the matters to be discussed in the meeting during the period allotted. In this regard, no information can be disclosed pertaining to questions asked and answers given.

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

The list of directors, officers and stockholders who attended the previous stockholders' meeting is attached to this Information Statement as Annex "B". A summary of the matters discussed, resolutions reached and voting results is recorded in the Minutes of the 2022 Annual Stockholders' Meeting which is posted at www.ionicsgroup.com/agm2023.

Management Report and Financial Statements

Management shall report on the significant business transactions undertaken and the financial targets and achievements for the fiscal year 2022. The Management Report and the audited financial statements for the period ending 31 December 2022 of the Company are reflected in the Annual Report to Shareholders.

ACTIONS PROPOSED

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

Copies of the minutes of the meetings of the Board of Directors held from the date of the last Annual Shareholders' Meeting on 17 June 2022 until the present meeting will be made available for inspection to any shareholder desiring to review the same. Please direct all such requests to the Corporate Secretary, Atty. Manuel R. Roxas, at the 19/F BDO Plaza, 8737 Paseo de Roxas, Makati City, Metro Manila.

Election of Directors

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

Appointment of External Auditor

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

VOTING PROCEDURES

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

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

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

i. Every shareholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on 16 May 2023. Any shareholder who cannot attend the meeting may designate his/her authorized representative by submitting a signed proxy form via email to Ioncorp.agm@ionics-ems.com no later than the close of business hours on 13 June 2023. Only votes submitted on or before 13 June 2023 shall be honoured for purposes of voting.

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

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

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

Registration for the 2023 Annual Shareholders' Meeting

Shareholders of record as of 16 May 2023 who wish to attend the meeting and vote in absentia should register through the Company's registration portal at www.ionicsgroup.com/agm2023 on or before 13 June 2023 ("Registration Period").

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

Individual Shareholders

- Scanned copy of the front and back portions of the shareholder's valid government-issued photo ID.[1]
- Valid and active corporate or personal e-mail address; and
- Valid and active contact number (landline or mobile number).

Corporate Shareholders

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

For Shareholders with Joint Accounts

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

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

INFORMATION STATEMENT

For Shareholders represented by Proxy

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

For Shareholders under Broker Accounts

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

Upon completion of the validation and verification procedure, each registered shareholder will receive an email confirmation which includes the link which the shareholder may use to access the virtual meeting room for the 2023 Annual Shareholders' Meeting of Ionics, Inc. together with the voting form.

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

a. For items other than the election of directors, registered shareholders have the option to vote "For", "Against", or "Abstain";
b. For election of Directors, the system of cumulative voting shall be followed. Each registered shareholder has a number of votes equal to the number of shares he/she owns, times the number of directors to be elected. Under this voting system, the registered shareholder has the option to (i) cast all his/her votes in favor of one (1) nominee, or (ii) distribute those votes among as many nominees as he/she may deem fit;
c. Once the registered shareholder has completed voting, he/she can submit his/her votes by sending the voting form to Ioncorp.agm@ionics-ems.com. Upon submission, the registered shareholder may no longer change his/her votes.

The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. All votes should be submitted no later than 13 June 2023.

OTHER INFORMATION

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

The conduct of the 2023 Annual Shareholders' Meeting will be streamed live. In order to be admitted by the host to the virtual meeting room, please join using your full name, turn-on your camera and mute your microphone.

Votes and queries cannot be submitted during the livestream. Registered shareholders may send their queries or comments related to the items in the agenda to Ioncorp.agm@ionics-ems.com on or before 13 June 2023.

The proceedings will be recorded in video and audio format. The Minutes of the Meeting will be uploaded to the Company website within five (5) business days upon the adjournment of the Annual Shareholders' Meeting.

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

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 19 May 2023.

IONICS, INC.

By:

MANUEL R. ROXAS
Corporate Secretary

ANNEX A

AGENDA
DETAILS AND RATIONALE

1. **Call to Order**

   The Chairman will formally open the 2023 Annual Shareholders' Meeting of Ionics EMS, Inc. (the "Company").

2. **Proof of Notice of Meeting**

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

3. **Certification of Quorum**

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

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

   The minutes of the 2022 Annual Shareholders' Meeting are posted on the Company's website.
   A resolution approving the minutes will be presented to the shareholders for approval.

5. **Management Report for the Fiscal Year 2022**

   The President will present to the shareholders the highlights of the Company in 2022.

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

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

7. **Election of Directors**

   The Corporate Secretary will present to the shareholders the nominees for election to the Board of Directors for the term 2023-2024.

8. **Appointment of External Auditors**

   The appointment of SGV & Co. as the Company's external auditor for the year 2023 will be presented to the shareholders for confirmation and ratification.

9. **Adjournment**

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

INFORMATION STATEMENT

ANNEX B

List of Directors, Stockholders and Other Individuals who Attended the 2022 Annual Stockholders Meeting Held on 17 June 2022

Board of Directors

Lawrence C. Qua
Raymond Ma. C. Qua
Meliton C. Qua
Virginia Judy Q. Dy
Cecilia Q. Chua
Guillermo D. Luchangco
Monica Siguion Reyna Villonco
Alfredo R. de Borja
Lilia B. de Lima
Medel T. Nera
Ricardo L. Moldez

Stockholders*

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

Officers

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

Management

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

External Auditor

Ma. Antoniette L. Aldea

*All members of the Board of Directors are stockholders.

MESSAGE FROM THE CHAIRMAN

"Covid 19 no longer constitutes a global health emergency," the World Health Organization (WHO) declared.

The statement that this global pandemic, which for over three years has killed millions of people, wreaked economic havoc, and deepened inequalities, no longer poses a public health threat of international concern heaved a great sigh of encouraging relief.

Earlier the world's biggest economy, US, begun dismantling its domestic state of emergency for COVID and stopped funding for the vaccines and testing and shifted the responsibility to the commercial market. China likewise ended its prolonged severe COVID restrictions in key cities with an end-effect of re-opening its market to the world.

Significantly the consequential impact of the economy rebounding resulting in the easing of shortage of some key electronics components of long lead-time and the smoothing of the supply chain woes enabled The Ionics Group to register a noteworthy performance in 2022.

The Group posted a consolidated revenue increase of 25% to US$75.26 million in the past year from US$60.28 million in 2021. It registered a 69% hike in the consolidated net income of US$4.45 million from the prior year of US$2.63 million attributable to the equity holders of the Parent Company.

Ionics EMS Inc. (IEMS), the Group's major operating subsidiary engaged in electronics manufacturing, upped its sales to US$72.69 million, or 27% over the US$57.46 million in the preceding year. The current customers' orders picked up due to improved market demand. Its net income rose 159% to US$2.15 million in 2022 from US$0.83 million the previous year.

Ionics Properties. Inc. (IPI), maintained its consistent profitability in the real estate business rentals with a net income upside of US$2.28 million in 2022 from a lower US$1.88 million in 2021 with an additional lessee.

Iomni Precision, Inc. (Iomni) grew its sales slightly to US$3.57 million from US$3.54 million but achieved a reversal of net loss in 2021 with a remarkable gain of US$0.12 million from a deficit of US$0.15 million through more effective operational controls.

Ionics Circuits Limited (ICL) continued to post a slight net loss amounting to US$0.02 million in 2022, as it did in 2021, owing to the increase in the share of the net loss of the investee firms.

As of December 31, 2022, the consolidated assets of the Group amounted to US$120.66 million which is US$19.73 million higher than the 2021 year-end of US$100.93 million. The positive variance in the Group's total assets is accounted for in the increases in the receivables, the inventory, pre-payments, and other current and contract assets.

Current ratio dipped to 1.69:1 in 2022 from 1.84:1 the year earlier due to the additional bank loan and accounts payable and accrued expenses.

IEMS is focused to drive further growth by optimizing its manufacturing processes to increase productivity, expanding its customer portfolio in tapping new market segments and evolving customized solutions to meet their specific requirements. New manufacturing facilities in strategic locations are to be set up. Production footprint and capacity are to be increased to accommodate the growing customer base and their demands. Top of the line equipment are to be added to enhance efficiency and throughput.

Advancements in technology have always been the cornerstone of the Ionics' thrust. Industry 4.0 is the new mantra for business entities to wield a competitive advantage in the current time. There will be a continuing investment in advanced technologies of automation, artificial intelligence, machine learning, and Internet of Things (IoT).

In a recent Smart Industry Readiness Index (SIRI) assessment conducted by TUV SUD, a global testing, inspection, and certification company, a panel of industry and academic experts have validated IEMS to be ahead of its peers in several key areas of Industry 4.0, or commonly referred to as a Smart Factory, implementation.

In valuing the role of human capital, IEMS is committed to strengthening organizational development and enhancing employee training. Relationships with suppliers of components are deemed vital to ensure a reliable supply to meet demands on time.

For Iomni, with its positive financial outcome, it projects to have a continuing growth trajectory in 2023 with increasing current customer demand and prospects in the pipeline. More machines are to be acquired to address the tight production capacity.

The plastic injection molding market is expected to be driven by rising demand for plastic components from various end-user sectors such as packaging, automotive, telecom, household appliances, medical devices, and electricals and electronics.

As the injection molding industry gains greater value catering to different sectors, it is seen to become more sophisticated with other industries and the performance, more powerful. With increasing degree of intelligence, automation, and mechanization of the injection molding machine, the industry projects to develop in the direction of intelligence.

For IPI, it has acquired a large property in an industrial park with which to expand for manufacturing use internally and build either production or warehousing facilities for customers and external leases. Given more opportunities for suitable sites, it would consider more buys for land banking purpose.

The Group is greatly appreciative of the unrelenting support of its shareholders throughout the years. For 2022, a 10 per cent cash dividend has been declared and we look forward to continue to enhance shareholder value.

Lawrence C. Qua

LAWRENCE C. QUA
Chairman

Ionics EMS is focused to drive further growth by optimizing its manufacturing processes to increase productivity, expanding its customer portfolio in tapping new market segments and evolving customized solutions to meet their specific requirements.

MANAGEMENT REPORT

BUSINESS

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

Ionics, Inc. (the "Parent Company")

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

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

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

Ionics EMS, Inc. ("IEMS")

On February 25, 2000, IEMS offered its shares of stock to the public and became a public company listed in the Singapore Exchange. In accordance with the Singapore Exchange Listing Rule 1311, IEMS gave notice to the Singapore Exchange on March 4, 2008 that it has recorded: (a) pre-tax losses for the three most recently completed consecutive financial years; and (b) an average daily market capitalization of less than SGD$40.00 million over the last 120 days on which trading was not suspended for a full market day. Pursuant to the said listing rule, IEMS was notified of its inclusion on the watchlist effective March 5, 2008. On March 2, 2010, IEMS and the Parent Company jointly announced the proposed voluntary delisting of IEMS from the official list of Singapore Exchange pursuant to Rules 1307 and 1309 of the Listing Manual of the SGX-ST. Subsequently, SGX-ST confirmed that the last day of trading was June 8, 2010 and the closing date was June 15, 2010. On June 23, 2010, the Company was officially delisted from the SGX-ST.

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

Ionics Properties, Inc. ("IPI")

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

Ionics Circuits, Limited ("ICL")

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

Iomni Precision, Inc. ("Iomni")

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

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

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

Synertronix, Inc. ("SI")

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

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

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

Ionics Products Solutions, Inc. (IPSI)

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

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

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

Line of Business

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

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

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

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

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

DIRECTORS AND OFFICERS

Please refer to Item 5 of the Information Statement.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT PLAN FOR THE YEAR 2023

Ionics EMS, Inc. (IEMS)

Ionics EMS Inc. is committed to achieving further growth by optimizing its manufacturing processes, expanding its customer base, investing in advanced technologies, and prioritizing employee development and training. As a leader in electronics manufacturing, Ionics EMS Inc. has also been recognized for its expertise in Industry 4.0 implementation. The company recently underwent a SIRI assessment conducted by TUV, which found that Ionics EMS Inc. is ahead of its peers in several key areas of Industry 4.0 implementation.

Building on this recognition, Ionics EMS Inc. will continue to invest in advanced technologies such as automation, artificial intelligence, and machine learning to further enhance its manufacturing processes and increase productivity. The company will also focus on expanding its customer base by identifying new market segments and developing customized solutions to meet their specific needs.

Ionics EMS Inc. recognizes the need to increase its production space and capacity to accommodate its growing customer base and meet increasing demand. To achieve this, the company will be investing in expanding its existing manufacturing facilities and upgrading its production equipment to increase efficiency and throughput. Ionics EMS Inc. will also be exploring opportunities to establish new manufacturing facilities in strategic locations, enabling the company to better serve its customers and provide support.

Ionics EMS Inc. is committed to supporting its workforce by providing opportunities for employee development and training, which will help to ensure that the company remains at the forefront of technological advancements in the industry. Finally, Ionics EMS Inc. will continue to work closely with its suppliers to ensure a reliable supply of components and minimize disruptions to production. By managing its supply chain effectively, Ionics EMS Inc. can maintain high levels of production efficiency and meet the demands of its growing customer base.

Through these actions, Ionics EMS Inc. will achieve sustainable growth and maintain its position as a leader in electronics manufacturing, while also continuing to build on its recognized expertise in Industry 4.0 implementation.

Iomni Precision, Inc. (Iomni)

Despite 2021 being in the Covid-19 pandemic mode still, there was a significant growth over the year The year 2022 was significant with a positive financial outcome. It is projected to have a continuing growth trajectory in 2023 with increasing current customer demand and prospects in the pipeline.

More machines are to be acquired to address the tight production capacity.

The plastic injection molding market is expected to be driven by rising demand for plastic components from various end-user sectors such as packaging, automotive, telecom, household appliances, medical devices, and electricals and electronics.

As the injection molding industry gains greater value catering to different sectors, it is seen to become more sophisticated with other industries and the comprehensive performance, more powerful. With increasing degree of intelligence, automation, and mechanization of the injection molding machine, the industry projects to develop in the direction of intelligence.

With the roles of science and technology, the manufacturing of precision parts with strong technical strength and consistent quality will get more opportunities. This is the thrust to be pursued by Iomni.

The global plastic injection molding market is expected to grow at a CAGR of 4.8% from 2021 to 2030.

Ionics Properties, Inc. (IPI)

The management plan for 2023 is to expand its real estate holding by investment in the purchase of real estate and constructing buildings and warehouses for lease.

Below are the consolidated key financial ratios for the years ended December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
Revenue Growth	**25.43%**	16.27%
Gross Profit Margins	**12.47%**	11.65%
Net Income Margins	**5.77%**	4.26%
Return on Equity	**7.44%**	4.72%
Current Ratio	**1.69:1**	1.84:1
Leverage Ratio	**0.38:1**	0.30:1
Debt-to-Equity Ratio	**0.99:1**	0.79:1
Asset-to-Equity Ratio	**1.99:1**	1.79:1
Interest Coverage Ratio	**5.77:1**	5.85:1

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

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

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

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

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

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

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

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

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

For the year 2022 and the First Quarter of 2023, the Management is not aware of:

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

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in pages 6 to 14 of this Report.

FINANCIAL PERFORMANCE

QUARTER 1 2023

The summarized revenues and net income (losses) of the Group for the three months ended March 31, 2023 and 2022 are presented as follows (amounts in US Dollars):

March 31, 2023 (3 months)

	REVENUE				
COMPANY	**Sales**	**Rent Income and Other Income**	**Total**	**Operating Expense**	**Net Income (Loss)***
Parent	–	159,783	159,783	147,925	(15,348)
EMS and a Subsidiary	22,841,516	–	22,841,516	1,088,192	765,197
IPI	–	894,139	894,139	29,738	584,333
ICL	–	–	–	1,850	(6,142)
Iomni	1,141,177	36,555	1,177,732	41,113	101,540
Synertronix	–	–	–	9	(9)
IPSI	–	–	–	652	(103)
TOTAL	23,982,693	1,090,477	25,073,170	1,309,355	1,429,797
Eliminations	(233,698)	(325,808)	(559,738)	(37,805)	(17,476)
Consolidated	23,748,995	764,669	24,513,432	1,285,550	1,412,321

March 31, 2022 (3 months)

	REVENUE				
COMPANY	Sales	Rent Income and Other Income	Total	Operating Expense	Net Income (Loss)*
Parent	–	152,998	152,998	114,379	9,230
EMS and a Subsidiary	12,935,335	(60,381)	12,874,954	647,441	151,763
IPI	–	805,268	805,268	44,276	596,696
ICL	–	(2,431)	(2,431)	1,822	(4,253)
Iomni	935,618	42,501	978,119	44,943	11,482
Synertronix	–	–	–	10	(10)
IPSI	–	(445)	(446)	606	(1,052)
TOTAL	13,870,953	937,510	14,808,462	853,477	763,856
Eliminations	(295,140)	(267,093)	(562,233)	(30,670)	9,310
Consolidated	13,575,813	670,417	14,246,229	822,807	773,166

**Net income (loss) attributable to equity holders of the Parent Company.*

The Group's sales increased by US$10.17 million or by 75% from US$13.58 million for the three months ended March 31, 2022 to US$23.75 million in March 31, 2023 due to higher customer demands. Gross profit increased by US$1.86 million from US$1.77 million or 105% for the three months ended March 31, 2022 to US$3.63 million in March 31, 2023 because of higher sales.

Operating expenses increased by US$0.46 million from US$0.82 million in three months ended March 31, 2022 to US$1.29 million in March 31, 2023 due to the increase in commission expenses resulting from higher sales subject to commission. Interest expense increased from US$0.21 million to US$0.46 million because of higher bank loans and interest rates. The Group posted net other expense in the amount of US$0.25 in three months ended March 31, 2023 due to foreign exchange loss and reported a net other income of US$0.10 million in March 31, 2022 due to foreign exchange gain as a result of the appreciation of Philippine peso.

With the foregoing, the Group reported an increase in the consolidated net income attributable to equity holders of the Parent Company in the amount of US$1.39 million from US$0.77 million for the three months ended March 31, 2023 and 2022, respectively.

INDIVIDUAL RESULTS OF OPERATIONS

Ionics, Inc.

The Parent Company reported a net loss of US$0.02 million and net income of US$0.09 million for the three months ended March 31, 2023 and 2022, respectively.

The individual performances of the subsidiaries for the three months ended March 31, 2023 and 2022 are as follows:

Ionics EMS, Inc. and a Subsidiary

Revenue increased by US$9.91 million or 77% from US$12.94 million for the three months ended March 31, 2022 to US$22.84 million for the same period of 2023 due to higher customer demands. With the foregoing, gross profit increased by 184% or US$1.69 million from US$0.92 million for the three months ended March 31, 2022 to US$2.615 million for the same period of 2023.

Operating expenses increased by US$0.44 million from US$0.65 million for the three-month period ended March 31, 2022 to US$1.09 million in the same period of 2023 primarily due to increase in commission expenses resulting from higher sales subject to commission. Interest expense increased to US$0.24 million for the three-month period ended March 31, 2023 from US$0.14 million for the same period in 2022 because of higher bank loans and interest rates. From net foreign exchange gain of US$0.08 million for the three months ended March 31, 2022, IEMS reported net foreign exchange loss of US$0.22 million for the same period in 2023.

With the foregoing, IEMS reported a net income of US$0.77 million and US$0.15 million for the three-month period ended March 31, 2023 and 2022, respectively.

Ionics Properties, Inc. (IPI)

IPI contributed rent income and other income of US$0.89 million and US$0.81 million for the three months ended March 31, 2023 and 2022, respectively. Net income decreased from US$0.60 million to US$0.58 million for the three months ended March 31, 2023 and 2022, respectively, the decrease was due to the payment of bank loan interest.

Ionics Circuits, Limited (ICL)

ICL reported a net loss amounting to US$0.01 million for the three months ended March 31, 2023 and 2022. This is due to the lower share in net losses of investees.

Iomni Precision, Inc. (Iomni)

Iomni's revenue for the three months ended March 31, 2023 increased to US$1.18 million from US$0.98 million for three months ended March 31, 2022. Iomni reported a gross profit of US$0.20 and US$0.07 million for the three months ended March 31, 2023 and 2022, respectively.

The Company's performance resulted in a net income of US$0.10 million and US$0.01 million for the three months ended March 31, 2023 and 2022, respectively.

Synertronix, Inc. (SI)

SI reported nil for the nine months ended March 31, 2023 and 2022.

Ionics Products Solutions, Inc. (IPSI)

IPSI reported net loss amounting to US$103 and US$1,052 for the three months ended March 31, 2023 and 2022, respectively.

FULL YEAR 2022

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

(In US Dollars)

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

CONSOLIDATED FINANCIAL POSITION

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

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

INDIVIDUAL RESULTS OF OPERATIONS

Ionics, Inc. (the "Parent Company")

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

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

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

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

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

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

Ionics Properties, Inc. ("IPI")

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

Iomni Precision, Inc. ("Iomni")

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

Operating expenses amounted to US$0.18 million and US$0.17 million in 2022 and 2021, respectively. With the foregoing, the Company's performance resulted in a net income of US$0.12 million and a net loss of US$0.15 million in 2022 and 2021, respectively.

Ionics Circuits, Limited ("ICL")

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

FULL YEAR 2021

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

(In US Dollars)

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

CONSOLIDATED FINANCIAL POSITION

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

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

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

INDIVIDUAL RESULTS OF OPERATIONS

Ionics, Inc. (the "Parent Company")

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

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

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

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

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

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

Ionics Properties, Inc. ("IPI")

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

Ionics Circuits, Limited ("ICL")

ICL, the offshore investment subsidiary reported net losses amounting to US$0.02 million and US$0.04 million in 2021 and 2020, respectively. This is due to the increase in the share in net loss of investees during the period.

Synertronix, Inc. ("SI")

SI reported a net loss of US$0.001 million in 2021 and 2020.

Iomni Precision, Inc. ("Iomni")

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

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

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

FULL YEAR 2020

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

(In US Dollars)

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

CONSOLIDATED FINANCIAL POSITION

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

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

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

INDIVIDUAL RESULTS OF OPERATIONS

Ionics, Inc. (the "Parent Company")

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

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

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

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

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

With the foregoing, the net loss after tax decreased by 120.50% from a net income of US$2.66 million in 2019 to a net loss of US$0.55 million in 2020.

Ionics Properties, Inc. ("IPI")

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

Ionics Circuits, Limited ("ICL")

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

Synertronix, Inc. ("SI")

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

Iomni Precision, Inc. ("Iomni")

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

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

With the foregoing, the Company's performance resulted to a net loss of US$0.13 million and US$0.04 million in 2020 and 2019, respectively.
Below is the summary of Balance Sheet Accounts with more than 5% increase (decrease)

	December 31	
	2022 %	2021 %
ASSETS		
Cash and cash equivalents	**16**	(21)
Receivables	**17**	29
Contract assets	**58**	(21)
Inventories	**70**	54
Advances to suppliers	**(37)**	36
Prepayments and other current assets	**110**	36
Financial assets at FVOCI	**(16)**	62
Investment in associate	**(29)**	(17)
Property, plant and equipment - net	**N/A**	(8)
Investment properties	**N/A**	66
Right-of-use assets	**N/A**	34
LIABILITIES		
Accounts payable and other liabilities	**50**	13
Contract liabilities	**42**	(31)
Bank loans and long-term debt	**36**	68
Lease liabilities	**9**	N/A
Income tax payable	**83**	72
Net pension liabilities	**(8)**	(18)
Deferred tax liabilities - net	**(52)**	(163)
Other noncurrent liabilities	**N/A**	60

FIRST QUARTER 2023

Cash decreased as a result of net cash flows used in operations and the downpayment for machines acquired during the First Quarter of 2023. Receivables increased due to higher sales for the quarter. Contract assets increased due to higher level of work-in-process and finished goods recognized as contract assets under PFRS 15. The increase in prepayments and other current assets was due to prepayment made during the quarter. Financial assets at FVOCI increased due to additional investments. Additional deferred tax assets-net were recognized for the lease liability. Property and equipment increased due to acquisitions of machinery during the quarter. Right-of-use assets (ROU) decreased due to amortization for the quarter. Contract liabilities increased due to payment received from customers for advance ordering of materials. Bank loans and long-term debt increased because of the acquisition of machines under long-term debt. Lease liabilities increased due to the new warehouse facility and the lease of existing warehouse. Income tax increased due to provision for income taxes during the quarter. Net pension liability increased due to accrual of pension expense during the quarter. Income tax payable increased as a result of the provision for income tax set up for the quarter. Deferred tax liabilities - net increased due to the increase on fair value of financial assets at FVOCI. The increase in accounts payable and accrued expenses was attributable to the increase in materials and sales for the quarters.

2022

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

2021

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

2020

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

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

	(Amounts in US Dollar)		(Amounts in PhP)	
	HIGH	LOW	HIGH	LOW
17 May 2023 (latest practicable date)	0.01	0.01	0.76	0.73
2023				
First Quarter	0.01	0.01	0.62	0.58
2022				
First Quarter	0.01	0.01	0.70	0.68
Second Quarter	0.01	0.01	0.59	0.54
Third Quarter	0.01	0.01	0.55	0.50
Fourth Quarter	0.01	0.01	0.56	0.54

	(Amounts in US Dollar)		(Amounts in PhP)	
	HIGH	LOW	HIGH	LOW
2021				
First Quarter	0.023	0.022	1.11	1.09
Second Quarter	0.023	0.022	1.13	1.08
Third Quarter	0.017	0.017	0.88	0.86
Fourth Quarter	0.014	0.014	0.72	0.69
2020				
First Quarter	0.022	0.020	1.04	0.94
Second Quarter	0.022	0.021	1.04	1.00
Third Quarter	0.021	0.020	1.00	0.98
Fourth Quarter	0.025	0.024	1.21	1.15

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

The number of shareholders of record as of April 30, 2023 is 844 holding a total of 837,130,992 outstanding common shares.

The following were the top 20 stockholders based on the number of shares held and percentage to total shares outstanding as of April 30, 2023:

Class of Securities	Name	No. of Shares	%
Common	Aqua Holdings, Inc.	335,153,100.00	40.04
Common	PCD Nominee Corp (Filipino)	324,576,117.00	38.77
Common	Siguion Reyna, Leonardo	75,006,000.00	8.96
Common	PCD Nominee Corp (Non-Filipino)	28,479,233.00	3.40
Common	Qua, Lawrence C.	20,102,760.00	2.40
Common	Ionics Properties, Inc.	14,059,000.00	1.68
Common	Qua, Raymond C.	8,562,350.00	1.02
Common	Qua, Lawrence C.	7,352,000.00	0.88
Common	Qua, Meliton C.	6,497,362.00	0.78
Common	Chua, Cecilia Q.	5,584,412.00	0.67
Common	Cedilla, Ma. Asuncion Q.	4,640,616.00	0.55
Common	Dy, Virginia Judy Q.	1,033,603.00	0.12
Common	Geli, Benjamin S.	470,000.00	0.06
Common	Yang, Teh Min.	466,000.00	0.06
Common	Telengtan Brothers & Sons Inc.	400,000.00	0.05
Common	Uy, Abeto A.	250,000.00	0.03
Common	Villonco &/Or Thelma V. Mabanta, Romeo.	100,000.00	0.01
Common	Efipania F. Qua	100,000.00	0.01
Common	Liong Hee, Que.	100,000.00	0.01
Common	Dy, Arsenia C.	99,000.00	0.01

Voting Rights

Each share is entitled to one (1) vote.

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

Dividends per Share

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

The Corporation did not declare any dividend in the years 2022, 2021 and 2020.

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

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

Recent Sales of Unregistered or Exempt Sales

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

Description of Registrant's Securities

The registrant has an authorized capital stock of 1,000,000,000 shares with a par value of PhP1.00 per share. The issued and outstanding shares as of 31 March 2023 are 837,130,992.

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

Debt Securities

There are no issuances of debt securities.

Stock Options

There are no issuances of stock options.

Securities Subject to Redemption or Call

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

Warrants

There are no issuances of warrants.

Market Information for Securities Other Than Common Equity

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

Other Securities

There are no issuances of other securities.

CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

CORPORATE GOVERNANCE[1]

a. *Evaluation, Appraisal and Performance Report System*

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

b. *Compliance Report*

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

c. *Deviations*

Ionics, Inc. is taking steps towards full compliance with its Corporate Governance Manual. As of 30 April 2023, there were no material deviations from the Company's Amended Manual of Corporate Governance which would necessitate the imposition of sanctions.

d. *Plan to improve*

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

As part of continuing education in corporate governance, the directors and key management officials attended corporate governance seminars conducted by various training providers in 2022. Directors Guillermo D. Luchangco and Alfredo R. de Borja participated in the online Corporate Governance Seminar conducted by SGV & Co. on 4 November 2022. Director Lilia B. de Lima attended the Annual Corporate Governance Seminar with the topic "Going from Good to Great" provided by the Yuchengco Group of Companies on 19 November 2022. All the other members of the Board of Directors and key officers of the Company attended an online Corporate Governance Seminar conducted by SGV & Co. on 13 December 2022.

UNDERTAKING TO PROVIDE ANNUAL REPORT

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

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[1]*As of 30 April 2023*

Board of Directors

Board of Directors

Virginia Judy Q. Dy
MEMBER

Lawrence C. Qua
CHAIRMAN

Alfredo R. De Borja
MEMBER (Independent)

Monica Siguion-Reyna Villonco
MEMBER

Guillermo D. Luchangco
MEMBER

Atty. Manuel R. Roxas
CORPORATE SECRETARY

Meliton C. Qua
MEMBER

Cecilia Q. Chua
MEMBER

Lilia De Lima
MEMBER (Independent)

Raymond C. Qua
MEMBER

Medel T. Nera
MEMBER (Independent)

Robert De Claro
MEMBER

Consolidated Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Ionics, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

LAWRENCE C. QUA
Chairman of the Board, President &
Chief Executive Officer

RAYMOND C. QUA
Treasurer/Senior Vice President &
Compliance Officer

RONAN R. ANDRADE
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Ionics, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of Raw Materials Inventories

The carrying value of the Group's raw materials inventories as of December 31, 2021 amounted to US$21.76 million and accounts for 22% of its total consolidated assets as of the same date. The Group's inventories are carried at lower of cost and net realizable value (NRV). This is significant to our audit because the Group is operating in an industry characterized by rapid technological change, short-term customer commitments, and constant changes in demand. These factors increase the risk of inventory obsolescence, thereby decreasing the value of the Group's raw material inventories.

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

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 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, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Maria Antoniette L. Aldea.

SYCIP GORRES VELAYO & CO.

Maria Antoniette 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
SEC Partner Accreditation No. 116330-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-147-2022, November 27, 2022, valid until November 6, 2025
PTR No. 9564643, January 3, 2023, Makati City

March 9, 2023

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 5, 6 and 7)	**US$16,936**	US$14,577
Receivables (Notes 3, 4, 5 and 8)	**16,498**	14,748
Contract assets (Notes 3, 4 and 9)	**4,768**	3,025
Inventories (Notes 3 and 10)	**36,964**	21,757
Advances to suppliers (Note 3)	**2,275**	3,506
Prepayments and other current assets (Note 3)	**777**	416
Total Current Assets	**78,218**	58,029
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 4, 5 and 11)	**1,761**	2,095
Investments in associates (Notes 3 and 12)	**676**	746
Property, plant and equipment (Notes 3 and 13)	**21,869**	21,659
Investment properties (Notes 3 and 14)	**13,568**	13,929
Right-of-use assets (Notes 3 and 24)	**3,947**	3,975
Deferred tax assets - net (Notes 3 and 26)	**40**	46
Other noncurrent assets (Notes 4 and 5)	**582**	449
Total Noncurrent Assets	**42,443**	42,899
	US$120,661	US$100,928
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Notes 4, 5, 6 and 15)	**US$25,176**	US$17,271
Contract liabilities (Note 9)	**1,579**	1,111
Current portion of bank loans and long-term debt (Notes 4, 5, 6, and 16)	**18,575**	11,871
Current portion of lease liabilities (Notes 3, 4, 5, 6 and 24)	**867**	1,133
Income tax payable	**211**	114
Total Current Liabilities	**46,408**	31,500
Noncurrent Liabilities		
Bank loans and long-term debt - net of current portion (Notes 4, 5, 6, and 16)	**7,418**	7,207
Lease liabilities - net of current portion (Notes 3, 4, 5, 6, and 24)	**1,985**	1,488
Net pension liabilities (Notes 3 and 28)	**2,709**	2,952
Deferred tax liabilities - net (Note 26)	**60**	123
Other noncurrent liabilities (Notes 4, 5, 6 and 15)	**1,324**	1,285
Total Noncurrent Liabilities	**13,496**	13,055
Total Liabilities	**US$59,904**	US$44,555

(Forward)

	December 31	
	2022	2021
Equity		
Equity Attributable to the Equity Holders of the Parent Company (Note 6):		
Capital stock (Note 17)	**US$17,633**	US$17,633
Additional paid-in capital (Notes 17 and 31)	**9,072**	9,072
Retained earnings (Note 17)	**37,431**	32,982
Other comprehensive income (loss):		
Unrealized losses on financial assets at FVOCI (Note 11)	**(2,046)**	(1,546)
Exchange differences (Notes 12 and 14)	**893**	909
Other reserves (Notes 12 and 28)	**(394)**	(763)
Adjustment to non-controlling interests (Note 17)	**(943)**	(943)
Treasury shares (Note 17)	**(1,365)**	(1,365)
	60,281	55,979
Non-controlling interests	**476**	394
Total Equity	**60,757**	56,373
	US$120,661	US$100,928

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUE (Note 29)			
Revenue from contracts with customers	**US$75,262**	US$60,281	US$52,098
Rental income (Notes 14 and 24)	**3,094**	2,187	1,627
	78,356	62,468	53,725
COST OF SALES AND RENTAL SERVICES			
Cost of sales (Note 19)	**67,849**	54,775	48,829
Cost of rental services (Notes 14, 20 and 24)	**737**	414	407
	68,586	55,189	49,236
GROSS PROFIT	**9,770**	7,279	4,489
OPERATING EXPENSES (Note 21)	**4,371**	3,845	3,231
OTHER INCOME (EXPENSES)			
Share in net earnings of associates (Notes 12 and 29)	**37**	22	78
Finance costs (Notes 16, 22 and 24)	**(1,069)**	(623)	(443)
Others - net (Notes 7, 8 and 18)	**727**	191	(168)
	(305)	(410)	(533)
INCOME BEFORE INCOME TAX	**5,094**	3,024	725
PROVISION FOR INCOME TAX (Note 26)	**574**	363	263
NET INCOME	**4,520**	2,661	462
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss:			
Exchange differences (Notes 12 and 14)	**(16)**	(5)	12
Items that may not be reclassified to profit or loss:			
Fair value gain (loss) on financial assets at FVOCI (Note 11)	**(500)**	426	(853)
Share in other comprehensive income (loss) of associates (Note 12)	**(15)**	2	11
Remeasurement gains (losses) on retirement plan (Notes 3 and 28)	**395**	445	(283)
	(120)	873	(1,125)
Total Comprehensive Income (Loss)	**(136)**	868	(1,113)
TOTAL COMPREHENSIVE INCOME (LOSS)	**US$4,384**	US$3,529	(US$651)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 27)	**US$4,449**	US$2,634	US$480
Non-controlling interests	**71**	27	(18)
	US$4,520	US$2,661	US$462
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**US$4,302**	US$3,448	(US$625)
Non-controlling interests	**82**	41	(26)
	US$4,384	US$3,529	(US$651)
BASIC/DILUTED EARNINGS PER SHARE (Note 27)			
For net income for the year attributable to ordinary equity holders of the Parent Company	**US$0.0054**	US$0.0032	US$0.0006

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Retained Earnings (Note 17)	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 11)	Adjustment to Non-Controlling Interests (Note 17)	Exchange Differences (Notes 12 and 14)	Other Reserves (Note 28)	Treasury Shares (Note 17)	Total	Non-Controlling Interests	Total
	Attributable to the equity holders of the Parent Company										
	For the Year Ended December 31, 2022										
Balances at beginning of year	**US$17,633**	**US$9,072**	**US$32,982**	**(US$1,546)**	**(US$943)**	**US$909**	**(US$763)**	**(US$1,365)**	**US$55,979**	**US$394**	**US$56,373**
Net income	**–**	**–**	**4,449**	**–**	**–**	**–**	**–**	**–**	**4,441**	**71**	**4,520**
Other comprehensive income (loss)	**–**	**–**	**–**	**(500)**	**–**	**(16)**	**369**	**–**	**(147)**	**11**	**(136)**
Total comprehensive income (loss)	**–**	**–**	**4,449**	**(500)**	**–**	**(16)**	**369**	**–**	**4,294**	**82**	**4,384**
Balances at end of year	**US$17,633**	**US$9,072**	**US$37,431**	**(US$2,046)**	**(US$943)**	**US$893**	**(US$394)**	**(US$1,365)**	**US$60,273**	**US$476**	**US$60,757**
	For the Year Ended December 31, 2021										
Balances at beginning of year	US$17,633	US$9,072	US$30,348	(US$1,972)	(US$943)	US$914	(US$1,196)	(US$1,365)	US$52,491	US$353	US$52,844
Net income	–	–	2,634	–	–	–	–	–	2,634	27	2,661
Other comprehensive income (loss)	–	–	–	426	–	(5)	433	–	854	14	868
Total comprehensive income (loss)	–	–	2,634	426	–	(5)	433	–	3,488	41	3,529
Balances at end of year	US$17,633	US$9,072	US$32,982	(US$1,546)	(US$943)	US$909	(US$763)	(US$1,365)	US$55,979	US$394	US$56,373
	For the Year Ended December 31, 2020										
Balances at beginning of year	US$17,633	US$9,072	US$29,868	(US$1,119)	(US$943)	US$902	(US$932)	(US$1,365)	US$53,116	US$379	US$53,495
Net income	–	–	480	–	–	–	–	–	480	(18)	462
Other comprehensive income (loss)	–	–	–	(853)	–	12	(264)	–	(1,105)	(8)	(1,113)
Total comprehensive income (loss)	–	–	480	(853)	–	12	(264)	–	(625)	(26)	(651)
Balances at end of year	US$17,633	US$9,072	US$30,348	(US$1,972)	(US$943)	US$914	(US$1,196)	(US$1,365)	US$52,491	US$353	US$52,844

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**US$5,094**	US$3,024	US$725
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 19, 20, 21 and 24)	**5,272**	4,800	4,456
Finance costs (Notes 16, 22 and 24)	**1,069**	623	443
Movement in net pension liabilities (Note 28)	**152**	(184)	508
Share in net earnings of associates (Note 12)	**(37)**	(22)	(78)
Interest income (Notes 7 and 18)	**(10)**	(22)	(55)
Operating income before working capital changes	**11,540**	8,219	5,999
Changes in working capital:			
Decrease (increase) in:			
Receivables	**(1,750)**	(3,325)	152
Contract assets	**(1,743)**	813	36
Inventories	**(15,207)**	(7,632)	(1,838)
Advances to suppliers	**1,231**	(976)	(1,633)
Prepayments and other current assets	**(361)**	4	(31)
Other noncurrent assets	**(133)**	(71)	(23)
Increase (decrease) in:			
Accounts payable and other liabilities	**7,994**	1,921	3,863
Contract liabilities	**468**	(490)	(59)
Other noncurrent liabilities	**39**	479	209
Net cash generated from (used in) operations	**2,078**	(1,058)	6,675
Income taxes paid	**(477)**	(325)	(293)
Interest received	**10**	22	86
Net cash provided by (used in) operating activities	**1,611**	(1,361)	6,468
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 13 and 16)	**(3,127)**	(1,899)	(4,292)
Investment properties (Note 14)	**(270)**	(5,912)	(4,641)
Financial assets at FVOCI (Note 11)	**(250)**	(298)	(100)
Proceeds from sale of property, plant and equipment	**–**	20	–
Proceeds from liquidation of investments in associates (Note 12)	**26**	–	–
Net cash used in investing activities	**(3,621)**	(8,089)	(9,033)

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of (Note 4):			
Commercial loans	**US$37,000**	US$25,000	US$16,000
Bank loans	**800**	5,600	1,641
Payments of (Note 4):			
Commercial loans	**(30,000)**	(22,000)	(12,000)
Principal portion of lease liabilities	**(1,465)**	(1,552)	(1,872)
Long-term debt	**(814)**	(778)	(754)
Bank loans	**(71)**	(70)	(124)
Interests on bank loans, long-term debt and lease liabilities (Notes 16, 22 and 24)	**(1,081)**	(633)	(433)
Net cash provided by financing activities	**4,369**	5,567	2,458
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,359**	(3,883)	(107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,577**	18,460	18,567
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**US$16,936**	US$14,577	US$18,460

See accompanying Notes to Consolidated Financial Statements.

IONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. **Corporate Information**

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

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

The Parent Company is listed in the Philippine Stock Exchange.

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 9, 2023.

2. **Summary of Significant Accounting Policies**

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

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

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

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

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority owned subsidiaries as at December 31, 2022 and 2021:

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2022, and 2021, the Group has non-controlling interests pertaining to EMS. The percentage of equity held by non-controlling interests in 2022 and 2021 is 3.28%.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended accounting pronouncements which became effective January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020* Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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. These are currently assessed to have no significant impact to the Group but it will reconsider the effects on the consolidated financial statements as these become effective and applicable.

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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*

Significant Accounting Policies

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

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

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

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

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

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

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

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

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

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

Financial liabilities

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

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

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

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

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

This accounting policy applies to the accounts payable and other liabilities and bank loans and long-term debt that meet the above definition (other than liabilities covered by other accounting standards, such as net pension liabilities, income tax payable, and other statutory liabilities).

Impairment of Financial Assets and Contract Assets

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

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

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

The key inputs in the model include the Group's definition of default, historical data of three (3) years for the origination, and default date. The Group considers trade receivables in default when contractual payments are 150 days past due.

However, in certain cases, the Group may also consider a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements made by the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognized impairment loss is increased or reduced by adjusting the allowance account and crediting 'Recovery of impairment losses' or debiting 'Provision for impairment losses' in the consolidated statement of comprehensive income.

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria

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

Qualitative criteria

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

These are instances where:

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

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

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

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

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

Derecognition of Financial Instruments

Financial assets

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

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

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

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

Financial liabilities

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

Offsetting of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

Land is measured at cost less accumulated impairment losses recognized.

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

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

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

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

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

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

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

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

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

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

	Years
Building	30
Building improvements	5 – 7

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

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

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets
Property, plant and equipment, investment properties, right-of-use assets and other nonfinancial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

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

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

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

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

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

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

Revenue and Cost Recognition
a) Revenue from contracts with customers
The Group is in the business of providing electronic manufacturing and other related services to various customers. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. 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 120 days upon billing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Years
Machineries, tools and equipment	5-10
Building	5

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Determination of lease term of contracts with renewal and termination options – Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal period for lease of warehouse facility is not included as part of the lease term since at the date of initial application of PFRS 16, it is not reasonably certain that the Group will exercise the renewal option. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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

Impairment of nonfinancial assets
The Group reviews its nonfinancial assets for impairment considering the following indicators of impairment:

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

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

	2022	2021
Advances to suppliers	**US$2,275**	US$3,506
Prepayments and other current assets	**777**	416
Investments in associates (Note 12)	**676**	746
Property, plant and equipment (Note 13)	**21,869**	21,659
Investment properties (Note 14)	**13,568**	13,929
Right-of-use assets (Note 24)	**3,947**	3,975

Management believes that no impairment indicator exists for the other nonfinancial assets of the Group as of December 31, 2022 and 2021.

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

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

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

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

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

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

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

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

As of December 31, 2022 and 2021, allowance for impairment losses on receivables amounted to US$0.11 million and US$0.06 million, respectively, and nil for contract assets for both years (see Notes 8 and 9).

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

The Group's allowance for inventory obsolescence amounted to US$0.04 million and US$0.03 million as of December 31, 2022 and 2021, respectively. The carrying values of inventories of the Group amounted to US$36.96 million and US$21.76 million as of December 31, 2022 and 2021, respectively (see Note 10).

Valuation of unquoted equity investments designated as financial assets at FVOCI
Valuation of unquoted investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

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

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

As of December 31, 2022 and 2021, the Group's unquoted equity investments amounted to US$1.74 million and US$2.08 million, respectively (see Note 11).

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

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

Estimating the incremental borrowing rate
The Group has various lease contracts from which it cannot determine the interest rate implicit to the lease.

For these lease contracts, the Group used incremental borrowing rate (IBR) to measure the related lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to US$2.85 million and US$2.62 million as of December 31, 2022 and 2021, respectively (see Note 24).

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

The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in discount rate and future salary increase rate assumptions. All assumptions are reviewed at each reporting date. While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The net pension liabilities as at December 31, 2022 and 2021 amounted to US$2.71 million and US$2.95 million, respectively (see Note 28).

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

The Group did not recognize certain deferred tax assets on temporary differences and carry forward benefits of NOLCO and MCIT of the Parent Company and on certain subsidiaries as of December 31, 2022 and 2021 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, 2022 and 2021, the Group recognized deferred tax assets – net amounting to US$0.04 million and US$0.05 million, respectively (see Note 26).

4. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents are placed in various banks. Material amounts are held by banks which belong to top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

Concentration of credit risk
The Group has concentration of credit risk due to sales to significant customers. One customer accounted for approximately 13.56%, 15.62% and 16.16% of its total revenue from contracts with customers in 2022, 2021 and 2020, respectively. The Group's top five customers accounted for approximately 47.78%, 56.56% and 58.47% of its total revenue from contracts with customers in 2022, 2021 and 2020, respectively. In 2022, the financial and contract assets of the Group are more concentrated to the banks and financial intermediaries, computer peripherals and telecom, which accounted for 79.82% of the total credit risk exposure. In 2021, the financial and contract assets of the Group are more concentrated to the banks and financial intermediaries, telecom and consumer electronics, which accounted for 82.84% of the total credit risk exposure.

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

	2022	2021
Banks and financial intermediaries*	**US$16,927**	US$14,568
Computer peripherals	**7,196**	3,953
Telecommunications (Telecom)	**7,083**	6,629
Consumer electronics	**5,416**	5,932
Automotive	**217**	144
Real estate	**656**	48
Others**	**1,241**	1,475
Total	**US$38,736**	US$32,749

**Excludes cash on hand amounting to US$0.009 million for both December 31, 2022 and 2021, respectively.*
***Excludes nonfinancial assets amounting to US$0.039 million and US$0.041 million as of December 31, 2022 and 2021, respectively.*

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

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

**Excludes cash on hand amounting to US$0.009 million*
***Excludes nonfinancial assets amounting to US$0.039 million*

	2021				
	Minimal Risk	Average Risk	High Risk	Credit-Impaired	Total
Cash and cash equivalents*	US$14,568	US$–	US$–	US$–	US$14,568
Receivables					
Trade receivables	8,202	–	–	58	8,260
Other receivables from customers	6,018	–	–	1	6,019
Rent receivables	48	–	–	–	48
Advances to managers	77	–	–	–	77
SSS claims receivables	112	–	–	2	114
Others	250	–	–	–	250
Contract assets	3,025	–	–	–	3,025
Other noncurrent assets					
Refundable deposits	449	–	–	–	449
	US$32,749	US$–	US$–	US$61	US$32,810

**Excludes cash on hand amounting to US$0.009 million*
***Excludes nonfinancial assets amounting to US$0.041 million*

The Group classifies credit quality risk as follows:

Minimal risk – accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instance of defaults or discrepancies in payment.

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

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

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

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

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

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

	2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	Total
Cash and cash equivalents*	US$14,568	US$–	US$–	US$14,568
Receivables				
Rent receivables	48	–	–	48
Advances to managers	77	–	–	77
SSS claims receivables	112	–	2	114
Others	250	–	–	250
Other noncurrent assets				
Refundable deposits	449	–	–	449
Total	US$15,504	US$–	US$2	US$15,506

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

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

December 31, 2022:

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

December 31, 2021:

	Trade receivables								
			Days past due						
	Contract Assets	Current	<30 days	30-60 days	61-90 days	91-120 days	121-150 days	>150 days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	US$3,025	US$6,516	US$798	US$639	US$124	US$17	US$53	US$55	US$8,202
	–	–	–	–	–	–	–	–	–
	Other receivables from customers								
Expected credit loss rate		0%	0%	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default		4,296	1,630	42	40	–	10	–	6,018
		–	–	–	–	–	–	–	–
Total expected credit loss	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–	US$–

Liquidity Risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases. Short-term and long-term funding are obtained to finance cash requirements for operations and capital expenditures. Amount of credit lines are obtained from designated banks duly approved by the BOD. Surplus funds are placed with reputable banks to which the Group has outstanding loans and loan facilities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and highly liquid marketable securities and adequate committed lines of funding from major financial institutions to meet the short and long-term liquidity requirements of the Group.

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

	2022					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Financial assets						
Cash and cash equivalents	**US$16,936**	**US$–**	**US$–**	**US$–**	**US$–**	**US$16,936**
Receivables[1]	**13,407**	**2,873**	**181**	**–**	**–**	**16,461**
Refundable deposits[2]	**–**	**–**	**–**	**582**	**–**	**582**
	30,343	**2,873**	**181**	**582**	**–**	**33,979**
Financial liabilities						
Accounts payable and other liabilities[3]	**11,624**	**13,108**	**227**	**–**	**–**	**24,959**
Bank loans and long-term debt[4]	**–**	**14,173**	**5,320**	**6,364**	**2,327**	**28,184**
Lease liabilities[5]	**–**	**268**	**623**	**2,581**	**–**	**3,472**
Security deposits[6]	**–**	**606**	**–**	**–**	**–**	**606**
	11,624	**28,155**	**6,170**	**8,945**	**2,327**	**57221**
Liquidity gap	**US$18,719**	**(US25,282)**	**(US$5,989)**	**(US$8,363)**	**(US$2,327)**	**(US$23,242)**

[1]Excludes nonfinancial assets amounting to US$0.037 million
[2]Included under noncurrent assets
[3]Excludes nonfinancial liabilities amounting to US$0.217 million
[4]Including future interest payable amounting to US$2.191 million
[5]Including future interest payable amounting to US$0.620 million
[6]Included under accounts payable and other liabilities and other noncurrent liabilities

	2021					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets						
Cash and cash equivalents	US$12,034	US2,543	US$–	US$–	US$–	US$14,577
Receivables[1]	11,182	3,274	251	–	–	14,707
Refundable deposits[2]	–	–	–	449	–	449
	23,216	5,817	251	449	–	29,733
Financial liabilities						
Accounts payable and other liabilities[3]	7,046	9,708	194	–	–	16,948
Bank loans and long-term debt[4]	–	11,224	669	4,461	2,808	19,162
Lease liabilities[5]	–	372	1,084	1,496	–	2,952
Security deposits[6]	–	–	–	478	–	478
	7,046	21,788	1,959	5,939	2,808	39,540
Liquidity gap	US$16,170	(US$15,971)	(US$1,708)	(US$5,490)	(US$2,808)	(US$9,807)

[1]Excludes nonfinancial assets amounting to US$0.041 million
[2]Included under noncurrent assets
[3]Excludes nonfinancial liabilities amounting to US$0.323 million
[4]Including future interest payable amounting to US$0.084 million
[5]Including future interest payable amounting to US$0.331 million
[6]Included under accounts payable and other liabilities and other noncurrent liabilities

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

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

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

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

	2022		2021	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Cash	**US$705**	**₱39,334**	US$747	₱38,106
Receivables	**819**	**45,674**	562	28,656
Financial assets at FVOCI	**1,101**	**61,399**	3,453	176,066
Refundable deposits	**449**	**25,024**	395	20,147
	3,074	**171,431**	5,157	262,975
Accounts payable and other liabilities	**6,856**	**382,268**	9,919	505,763
Net exposure arising from recognized assets and liabilities	**(US$3,782)**	**(₱210,837)**	(US$4,762)	(₱242,788)

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

Currency	**Source**	**2022**	**2021**
Philippine Peso	Bankers Association of the Philippines (BAP) closing rate	US$0.017936	US$0.019612

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

	2022		2021	
Changes in foreign currency exchange rates				
Philippine Peso	**(8.55%)**	**8.55%**	5.82%	(5.82%)
Effect on income before tax				
Philippine Peso	**(US$435.61)**	**US$435.61**	US$175.96	(US$175.96)

The Group based the percentage of increase and decrease in foreign exchange rate on percentage change of the foreign exchange rates as of the reporting date and year-end forecasted closing rate for 2022 and 2021 from third-party forecast.

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

The sensitivity analysis has been determined assuming that the change in foreign currency exchange rates has occurred at the reporting date and has been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, interest rates in particular, remain constant. The Group does not expect the impact of the volatility on other currencies to be material.

The stated changes represent management's assessment of reasonably possible changes in foreign currency exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent the effects on the Group's consolidated income (loss) before income tax measured in the respective functional currencies, translated into US dollars at the exchange rate ruling at the reporting date for presentation purposes.

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

	December 31, 2022					
	Long-term Debt (Note 16)	**Bank Loan** (Note 16)	**Commercial Loan** (Note 16)	**Lease Liabilities** (Note 24)	**Accrued Interest** (Note 15)	**Total**
Balances at beginning of year	US$814	US$7,264	US$11,000	US$2,621	US$38	US$21,737
Non-cash flows activities:						
Availments	–	–	–	1,696	–	1,696
Accretion of interest (Note 22)	–	–	–	156	913	1,069
Cash flows activities:						
Availments	–	800	37,000	–	–	37,800
Payments of principal	(814)	(71)	(30,000)	(1,465)	–	(32,350)
Payment of interest	–	–	–	(156)	(925)	(1,081)
Balances at end of year:	**US$–**	**US$7,993**	**US$18,000**	**US$2,852**	**US$26**	**US$28,871**

	December 31, 2021					
	Long-term Debt (Note 16)	Bank Loan (Note 16)	Commercial Loan (Note 16)	Lease Liabilities (Note 24)	Accrued Interest (Note 15)	Total
Balances at beginning of year	US$1,592	US$1,734	US$8,000	US$2,395	US$48	US$13,769
Non-cash flows activities:						
Lease concession (Note 24)	–	–	–	(27)	–	(27)
Availments	–	–	–	1,805	–	1,805
Accretion of interest (Note 22)	–	–	–	196	427	623
Cash flows activities:						
Availments	–	5,600	25,000	–	–	30,600
Payment of principal	(778)	(70)	(22,000)	(1,552)	–	(24,400)
Payment of interest	–	–	–	(196)	(437)	(633)
Balances at end of year	US$814	US$7,264	US$11,000	US$2,621	US$38	US$21,737

5. **Fair Value Measurement**

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

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

December 31, 2022

			Fair value measurement using		
	Carrying value	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Asset measured at fair value:					
Financial assets at FVOCI (Note 11)	**US$1,761**	**US$1,761**	**US$19**	**US$212**	**US$1,530**
Asset for which fair value are disclosed:					
Other noncurrent assets Refundable deposits	**582**	**582**	**–**	**–**	**582**
Liabilities for which fair values are disclosed:					
Lease liabilities (Note 24)	**2,852**	**3,183**	**–**	**–**	**3,183**
Bank loans (Note 16)	**7,993**	**7,361**	**–**	**–**	**7,361**
Other liabilities Security deposits	**606**	**748**	**–**	**–**	**748**

December 31, 2021

			Fair value measurement using		
	Carrying value	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset measured at fair value					
Financial assets at FVOCI (Note 11)	US$2,095	US$2,095	US$19	US$167	US$1,909
Asset for which fair value are disclosed					
Other noncurrent assets Refundable deposits	449	449	–	–	449
Liabilities for which fair values are disclosed:					
Long-term debt (Note 16)	814	814	–	–	814
Lease liabilities (Note 24)	2,621	3,038	–	–	3,038
Bank loans (Note 16)	7,264	7,336	–	–	7,336
Other liabilities Security deposits	478	676	–	–	676

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

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

The estimated fair values of long-term debt and lease liabilities represent the present value of the amount of estimated future cash flows expected to be collected or paid derived using the applicable rates ranging from 0.34% to 6.85% in 2022 and 0.09% to 4.82% in 2021.

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

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

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

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

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

	2022	2021
Balance at beginning of year	**US$1,909**	US$1,132
Unrealized gain (loss) - net of tax	**(379)**	777
Balance at end of year	**US$1,530**	US$1,909

In 2022 and 2021, there were no transfer between Level 1 and Level 2 of the fair value hierarchy, and no transfer into and out of the Level 3 category.

6. **Capital Management**

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

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

The leverage ratio as at December 31, 2022 and 2021 follows:

	2022	2021
Current liabilities		
Accounts payable and other liabilities*	**US$25,328**	US$16,948
Current portion of bank loans and long-term debt	**18,575**	11,871
Current portion of lease liabilities	**867**	1,133
	44,770	29,952
Noncurrent liabilities		
Security deposits - net of current portion**	**606**	478
Bank loans and long-term debt - net of current portion	**7,418**	7,207
Lease liabilities–- net of current portion	**1,985**	1,488
	10,009	9,173
Total debt	**US$54,779**	US$39,125
Less cash and cash equivalents	**16,936**	14,577
Net debt	**37,483**	24,548
Equity	**60,757**	56,373
Total equity and net debt	**US$98,600**	US$80,921
Leverage ratio	**38.38%**	30.34%

**Excluding nonfinancial liabilities amounting to US$0.217 million and US$0.323 million as of December 31, 2022 and 2021, respectively*
***Included under other noncurrent liabilities*

The Group has no externally-imposed capital requirements as of December 31, 2022 and 2021.

7. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**US$9**	US$9
Cash in banks	**16,927**	12,025
Cash equivalents	**–**	2,543
	US$16,936	US$14,577

Cash in banks and cash equivalents earn interest at the respective bank deposit rates ranging from 0.05% to 2.50% in 2022 and 0.05% to 0.15% in 2021. Interest income earned on cash and cash equivalents amounted to US$0.01 million, US$0.02 million, and US$0.06 million in 2022, 2021, and 2020, respectively (see Note 18).

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

8. Receivables

This account consists of:

	2022	2021
Trade receivables	**US$13,668**	US$8,260
Other receivables from customers	**1,968**	6,019
Rent receivables	**656**	48
Advances to managers	**96**	118
Advances to employees	**39**	
SSS claims receivables	**63**	114
Others	**115**	250
	16,605	14,809
Less allowance for impairment losses	**107**	61
	US$16,498	US$14,748

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

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

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

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

	2021			
	Trade receivables	Other receivables from customers	Others	Total
Balances at beginning of year	US$521	US$189	US$2	US$712
Recovery of impairment losses (Note 18)	(8)	–	–	(8)
Receivables written off	(455)	(188)	–	(643)
Balances at end of year	US$58	US$1	US$2	US$61

The Group recovered receivables from customers amounting to US$0.008 million in 2021 (nil 2022). These are net of transaction costs, recorded under "Others - net" in the consolidated statement of comprehensive income, in which total carrying amount of the outstanding receivables have been fully provided with allowance (see Note 18).

As of December 31, 2022 and 2021, the management has written-off outstanding receivables amounting to US$0.041 million and US$0.64 million, respectively. The management assessed that these receivables are no longer recoverable.

9. Contract Balances

This account consists of:

	2022	2021
Contract assets	**US$4,768**	US$3,025
Contract liabilities	**1,579**	1,111

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 2022 and 2021, the Group assessed that there are no expected credit losses on contract assets.

Contract liabilities include advance payments received from customers for advance ordering of materials and customer advances for aging inventories as part of the buy-back arrangement.

The Group applied the practical expedient under PFRS 15 on the disclosure of information about the transaction price allocated to remaining performance obligations given the customer contracts have original expected duration of one (1) year or less.

10. Inventories

	2022	2021
At Cost:		
Raw materials	**US$35,928**	US$20,777
Spare parts and supplies	**1,036**	980
	US$36,964	US$21,757

The Group measures its inventories at cost. The Group's allowance for inventory obsolescence amounted to US$0.04 million and US$0.03 million as of December 31, 2022 and 2021, respectively.

The raw materials and supplies used in the operations amounted to US$42.95 million, US$32.98 million and US$28.73 million in 2022, 2021 and 2020, respectively (see Note 19).

11. Financial Assets at FVOCI

As of December 31, this account consists of:

	2022	2021
Quoted		
Balance at beginning and end of year	**US$19**	US$19
Unquoted		
Balance at beginning of year	**2,076**	1,276
Additional investments	**250**	298
Fair value gain (loss) during the year	**(584)**	502
Balance at end of year	**1,742**	2,076
	US$1,761	US$2,095

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

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

	2022	2021
Balance at beginning of year	**(US$1,546)**	(US$1,972)
Fair value gain (loss)	**(500)**	426
Balance at end of year	**(US$2,046)**	(US$1,546)

The Group did not received dividends from Beacon Property Ventures, Inc. and Tech Venture II, Ltd. in 2022, 2021 and 2020.

12. Investments in Associates

This account consists of:

	2022	2021
Acquisition cost		
Balance at beginning of year	**US$580**	US$580
Liquidation	**(62)**	–
Balance at end of year	**518**	580
Accumulated equity in net earnings		
Balance at beginning of year	**254**	230
Liquidation	**(14)**	–
Share in net earnings	**37**	22
Share in other comprehensive income	**(15)**	2
Balance at end of year	**262**	254
Equity in cumulative translation adjustment		
Balance at the beginning of year	**(88)**	(83)
Exchange differences	**(16)**	(5)
Balance at end of year	**(104)**	(88)
Net book value	**US$676**	US$746

	Country of Incorporation and Business	Effective Percentage Ownership (%)	
		2022	2021
ICCP Ventures Partners, Inc. (IVPI)	Philippines	**30%**	30%
ICCP Ventures, Inc. (IVI)	Philippines	**–**	24
Tech Ventures Partners, Ltd. (TVPL)	Cayman Islands	**30**	30
ICCP SBI Venture Partners (Hong Kong) Limited (ISVP-HK)	Hong Kong	**19**	19

Share in net earnings in 2022, 2021 and 2020 amounted to US$0.04 million, US$0.02 million and US$0.08 million, respectively. The Group did not recognize share in equity losses from ISVP-HK amounting to US$0.17 million, US$0.19 million and US$0.04 million in 2022, 2021 and 2020, respectively, as the investment has been reduced to nil amount due to prior losses and there is no commitment to cover the losses beyond the cost of the investment. In 2022, the Group liquidated its investment in IVI with net proceeds of $0.026 million.

As of December 31, 2022 and 2021, there are no significant restrictions on the ability to access or use the assets and settle the liabilities of the Group.

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

	2022		
	IVPI	**TVPL**	**ISVP-HK**
Current assets	**US$2,228**	**US$494**	**US$270**
Noncurrent assets	**174**	**1,040**	**386**
Total assets	**US$2,402**	**US$1,534**	**US$656**
Current liabilities	**US$1,216**	**US$285**	**US$1,525**
Noncurrent liabilities	**201**	**65**	**–**
Total liabilities	**US$1,417**	**US$350**	**US$1,525**
Income (loss)	**US$208**	**(US$12)**	**US$268**
Expenses	**162**	**10**	**309**
Net income (loss)	**46**	**(22)**	**(41)**
Other comprehensive loss	**–**	**(11)**	**–**
Total comprehensive income (loss)	**US$46**	**(US$33)**	**(US$41)**

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

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

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

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

	2021				
	IVI	IVPI	TVPL	ISVP-HK	Total
Net asset of associate attributable to common shareholders	US$327	US$909	US$1,315	(US$1,027)	US$1,524
Proportionate ownership in the associate	24%	30%	30%	19%	
Share in net identifiable asset	US$78	US$273	US$395	US$–	US$746
Carrying values	US$78	US$273	US$395	US$–	US$746

13. Property, Plant and Equipment

The rollforward analyses of this account follows:

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

	2021							
	Land	Machineries and Equipment	Building, Building Improvements and Leasehold Improvements	Tools and Other Equipment	Air-conditioning Systems	Furniture, Fixtures and Equipment	Transpor-tation Equipment	Total
Cost								
Balances at beginning of year	US$2,546	US$42,941	US$9,172	US$8,698	US$1,813	US$269	US$263	US$65,702
Additions	–	905	166	598	208	–	22	1,899
Retirement	–	(287)	–	(142)	(82)	–	–	(511)
Reclassifications	–	122	(161)	–	39	–	–	–
Transfer from right-of-use assets (Note 24)	–	–	601	–	–	–	–	601
Balances at end of year	2,546	43,681	9,778	9,154	1,978	269	285	67,691
Accumulated depreciation and amortization								
Balances at beginning of year	–	25,496	8,056	6,727	1,494	262	242	42,277
Depreciation and amortization (Notes 19 and 21)	–	2,544	173	792	112	7	17	3,645
Retirement	–	(269)	–	(141)	(81)	–	–	(491)
Reclassifications	–	(7)	14	–	(7)	–	–	–
Transfer from right-of-use assets (Note 24)	–	–	601	–	–	–	–	601
Balances at end of year	–	27,764	8,844	7,378	1,518	269	259	46,032
Net book values	US$2,546	US$15,917	US$934	US$1,776	US$460	–	US$26	US$21,659

In 2021, the Group reviewed the EUL of certain machineries and equipment used in the production. Upon reassessment, the Group determined that the normal life span of the machineries and equipment is more than the current useful life being used. With this, Iomni increased the useful life from ten (10) years to fifteen (15) years. The Group accounted the change in useful life effective January 1, 2021 for those machineries and equipment with carrying values as of effectivity date. The effect of change in useful life was prospectively recognized in the consolidated statement of comprehensive income (see Note 3).

In 2022 and 2021, the Group retired certain fully depreciated machineries and equipment that are no longer used in the production totaling to US$0.26 and US$0.51 million, respectively. There are no contractual commitments arising from awarded contracts for the acquisition, development and construction of property and equipment. There are no restrictions on its property and equipment and if these have been pledged as security for its obligations.

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

	2022	2021	2020
Cost of sales	**US$3,695**	US$3,555	US$3,231
General and administrative expenses	**71**	77	101
Selling expenses	**7**	12	16
	US$3,773	US$3,644	US$3,348

14. **Investment Properties**

The rollforward analyses of this account follows:

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

	2021				
	Land	Building	Building Improvements	Construction-In-Progress	Total
Cost					
Balances at beginning of year	US$1,769	US$4,823	US$3,999	US$4,572	US$15,163
Additions	–	10,365	119	(4,572)	5,912
Balances at end of year	1,769	15,188	4,118	–	21,075
Accumulated Depreciation					
Balances at beginning of year	US$–	US$3,102	US$3,662	US$–	US$6,764
Depreciation (Note 20)	–	208	168	–	376
Balances at end of year	–	3,310	3,830	–	7,140
Exchange Reserves	(6)	–	–	–	(6)
Net Book Values	US$1,763	US$11,878	US$288	(US$–)	US$13,929

The Group obtained appraisal reports from independent third-party professionally qualified appraisers, on January 12, 2023, and March 2, 2022. Based on the appraisal reports, the fair values of land and depreciable investment properties amounted to US$10.06 million and US$23.59 million, respectively, in 2022 and US$13.14 million and US$15.58 million, respectively, in 2021. Management believes that the fair values as of December 31, 2022 and December 31, 2021, are not materially different from that of January 12, 2023 and March 2, 2022, respectively.

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

In the Cost approach, an estimate is made of the cost of construction of the replaceable properties at current prices in accordance with the prevailing market prices for materials, labor, overhead and all other attendant costs associated with its acquisition, installation and construction in place.

Adjustments, which include consideration of cost to cure improvements to become marketable, as well as market resistance factors, are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence that may exist to arrive at a reasonable valuation.

Rental income earned from the investment properties amounted to US$3.09 million, US$2.19 million, US$1.63 million in 2022, 2021 and 2020, respectively (see Note 24). Cost of rental services from investment properties amounted to US$0.74 million, US$0.41 million and US$0.41 million in 2022, 2021 and 2020, respectively (see Notes 20 and 24).

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

15. **Accounts Payable and Other Liabilities**

This account consists of:

	2022	2021
Trade payables	**US$19,898**	US$11,721
Accrued expenses	**3,038**	2,965
Unearned rent income (Note 24)	**718**	807
Security deposit (Note 24)	**606**	478
Non-trade payables	**1,050**	43
Others	**1,190**	1,764
	26,500	18,556
Less noncurrent portion of unearned rent and security deposits (Note 24)	**1,324**	1,285
	US$25,176	US$17,271

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

Others mainly include other contracted labor and employee benefits payable.

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

	2022	2021
Accrued utilities	**US$661**	US$664
Accrued sales commission	**714**	564
Accrued salaries, wages and other benefits	**646**	486
Accrued handling charges	**363**	365
Accrued professional fees	**263**	330
Accrued direct materials	**8**	19
Accrued rent	**2**	–
Other accrued expenses	**381**	537
	US$3,038	US$2,965

Other accrued expenses mainly include accrued interest and accrued medical or dental expenses.

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

This account consists of:

	2022	2021
Long-term debt		
Current	**US$–**	US$814
Bank loans		
Current	**575**	57
Noncurrent	**7,418**	7,207
Commercial loans		
Current	**18,000**	11,000
	US$25,993	US$19,078
Current	**US$18,575**	US$11,871
Noncurrent	**7,418**	7,207
	US$25,993	US$19,078

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

Bank loans:

- In 2021 and 2020, the Group entered into credit loan agreements with local banks for the car loan fleet financing of certain employees with payment terms ranging from three (3) to five (5) years amounting to US$0.10 million (nil, 2022). These loans are subject to monthly interest rates ranging from 0.63% to 0.83% in 2021 and 2020. As of December 31, 2022 and 2021, the outstanding balance of these bank loans amounted to US$0.06 million and US$0.11 million, respectively.

- In 2020, IPI entered into a secured term loan agreement aggregating to US$8.00 million with a term of ten (10) years (inclusive of the two (2)-year grace period on the principal payment) for the construction of a two (2)-storey build-to-suit production facility to be leased out to its existing third-party lessee (see Note 14). This loan is subject to 3.75% interest for the first five (5) years and for the next five (5) years, interest shall be repriced annually at 12-month LIBOR plus 2.75% spread inclusive of the 10% FCDU withholding tax. IPI made its 5th drawdown on May 20, 2022 amounting to US$0.08 million. The term loan is secured by a real estate mortgage over the land which said build-to-suit production facility is being constructed.

As of December 31, 2022 and 2021, the outstanding balance of this loan amounted to US$7.93 million and US$7.15 million, respectively, subject to amortization.

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

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

As of December 31, 2022 and 2021, all covenants set forth in the agreement have been fully met by IPI.

Commercial loans:

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

- On December 3, 2020, EMS renewed its credit facility with a third party bank with interest rate of 3.50% per annum. On December 28, 2020, EMS made a drawdown amounting to US$2.00 million which matured and was paid on April 27, 2021.

- EMS made a drawdown for a four (4)-month short term loan with interest rates ranging from 3.40% to 3.50% 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, US$2.00 million on October 26, 2021 and US$3.00 million on December 17, 2021. Out of the US$13.00 million drawdowns, EMS paid US$8.00 million in 2021. The remaining outstanding balance amounting to US$5.00 million was paid on February 4, 2022 and April 4, 2022.

- In August 2021, the EMS applied for a credit facility with third-party bank for a four (4)-month short term loan up to US$6.00 million, with interest rate of 3.40%, domestic bills purchase line up to ₱10.00 million, foreign exchange settlement line up to US$1.00 million and foreign exchange pre-settlement risk line up to ₱9.71 million each and corporate credit card line up to ₱5.00 million, which expired on April 30, 2022. EMS made drawdowns for a four (4)-month short term loan with interest rate of 3.50% amounting to US$4.00 million on May 7, 2021, US$2.00 million on July 7, 2021, US$4.00 million on September 9, 2021 and US$2.00 million on November 15, 2021. Out of the US$12.00 million drawdowns, EMS paid U$6.00 million in 2021. The remaining outstanding balance amounting to US$6.00 million was paid on January 5, 2022 and March 4, 2022.

- EMS made a drawdown for a four (4)-month short term loan with interest rate of 3.50% amounting to US$2.00 million on February 15, 2022, US$5.00 million on May 10, 2022 and US$2.00 million on June 20, 2022. Additional 5% short-term loan amounting to US$5.00 million was availed each on September 7, 2022 and September 27, 2022, and US$2.00 million on October 26, 2022. Out of the US$21.00 million drawdowns, the Parent Company paid US$9.00 million in 2022. The remaining outstanding balance amounting to US$12.00 million will mature on January 5, 2023, January 25, 2023 and February 2023.

- EMS made a drawdown for a four (4)-month short term loan with interest rate of 3.40% amounting to US$4.00 million on January 14, 2022 and six (6)-month short term loan with interest rates ranging from 3.50% to 6.20% 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, the Parent Company paid US$10.00 million in 2022. The remaining outstanding balance of US$6.00 million will mature on February 20, 2023 and May 24, 2023.

There are no debt covenants related to these loans.

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

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

  As of December 31, 2022 and 2021, the carrying values of the outstanding long-term debt relating to these agreements amounted to nil and US$0.81 million, respectively.

In 2022, 2021 and 2020, interests and other financing costs arising from the above bank loans and long-term debt as included under "Finance costs" in the consolidated statements of comprehensive income amounted to US$0.89 million, US$0.39 million and US$0.28 million, respectively (see Note 22).

17. Equity

Capital Stock
The Parent Company's capital stock consists of 1,000,000,000 authorized common stock at ₱1.00 par value per share, with 837,130,992 issued shares amounting to ₱837.13 million (US$17.63 million) as of December 31, 2022, and 2021. The Parent Company has additional paid-in capital amounting to ₱800.00 million (US$9.07 million) as of December 31, 2022 and 2021.

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

As of December 31, 2022, and 2021, the Parent Company has 20,844,000 treasury shares amounting to 36.94 million (US$1.00 million).

In 2012, IPI, a wholly-owned subsidiary of the Ionics, Inc., acquired 14,059,000 shares of the Ionics, Inc. with a cost of US$0.37 million. This is presented as treasury shares in the consolidated statements of financial position as at December 31, 2022 and 2021.

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

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

	Number of Shares Registered	Issue/ Offer Price	Date of Approval	Number of Holders as of Year-end
Movement	(9,190,000)		May 20, 2016	(8)
December 31, 2017	837,130,992			866
Movement	–			(4)
December 31, 2018	837,130,992			862
Movement	–			(10)
December 31, 2019	837,130,992			852
Movement	–			(2)
December 31, 2020	837,130,992			850
Movement	–			(5)
December 31, 2021	837,130,992			845
Movement	–			(1)
December 31, 2022	837,130,992			844

Retained Earnings
The Parent Company's retained earnings available for dividend declaration amounted to US$10.77 million, US$10.81 million and US$11.29 million as of December 31, 2022, 2021 and 2020, respectively.

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries and associates amounting to US$21.29 million and US$20.10 million as of December 31, 2022 and 2021, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

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

Non-controlling Interests
On February 25, 2000, EMS offered its shares of stock to the public and became publicly listed in the Singapore Exchange. On September 25, 2009, Philippine SEC approved EMS' equity restructuring, which ultimately offset its remaining deficit and improved its debt to equity ratio. Low daily turnover and low daily market capitalization prompted EMS to reconsider its continued listing in the Singapore Exchange.

On September 25, 2009, Philippine SEC approved EMS' equity restructuring. The equity restructuring resulted to issuance of common and preferred shares to the Parent Company, which consequently increased the ownership of EMS by 15%. The non-controlling interests were adjusted to reflect the increase in ownership in the amount of US$0.13 million.

On March 2, 2010, the Parent Company and EMS jointly announced the proposed voluntary delisting of EMS from the Singapore Exchange. In compliance with the delisting proposal, the Parent Company offered to purchase the common shares issued to the non-controlling shareholders of EMS. In 2010, the Parent Company acquired an additional 104,801,455 shares or 6.72% ownership of EMS for a total consideration of US$1.17 million.

The difference between the amount by which the non-controlling interests were adjusted and the consideration paid to the non-controlling shareholders amounted to US$0.58 million. The transaction costs of US$0.23 million incurred in relation to the equity transaction was recognized directly in equity.

18. Others - Net

This account consists of:

	2022	2021	2020
Foreign currency exchange gains (loss) - net	**US$812**	US$220	(US$292)
Interest income (Note 7)	**10**	22	55
Recoveries from impairment loss (Note 8)	**–**	8	106
Bank charges	**(123)**	(74)	(52)
Miscellaneous	**28**	15	15
	US$727	US$191	(US$168)

Miscellaneous income includes proceeds from the liquidation of its investment in an associate amounting to $0.026 million.

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19. Cost of Sales

This account consists of:

	2022	2021	2020
Raw materials and supplies used (Note 10)	**US$42,952**	US$32,979	US$28,730
Salaries, wages and benefits (Notes 23 and 28)	**14,617**	12,856	11,449
Depreciation and amortization (Notes 2, 13 and 24)	**4,352**	4,189	3,854
Occupancy cost and utilities (Note 24)	**4,031**	3,036	3,008
Handling and freight charges	**788**	611	709
Others (Note 3)	**1,109**	1,104	1,079
	US$67,849	US$54,775	US$48,829

Pension expense included in the salaries, wages and benefits account amounted to US$0.39 million, US$0.40 million and US$0.36 million in 2022, 2021 and 2020, respectively.

20. Cost of Rental Services

This account consists of:

	2022	2021	2020
Depreciation (Notes 14 and 24)	**US$721**	US$402	US$390
Taxes and licenses	**14**	5	8
Others	**2**	7	9
	US$737	US$414	US$407

Others include occupancy cost, utilities, and insurance.

21. Operating Expenses

This account consists of:

	2022	2021	2020
General and administrative expenses	**US$2,571**	US$2,422	US$2,014
Selling expenses	**1,800**	1,423	1,217
	US4,371	US$3,845	US$3,231

General and administrative expenses consist of the following:

	2022	2021	2020
Salaries and benefits	**US$1,222**	US$1,304	US$1,221
Professional fees	**385**	439	295
Occupancy cost and utilities	**263**	128	30
Management bonus	**213**	121	21
Depreciation and amortization (Notes 13 and 24)	**188**	194	192
Provision for impairment losses (Note 8)	**87**	–	–
Insurance	**80**	69	61
Taxes and licenses	**30**	16	14
Other expenses	**103**	151	180
	US$2,571	US$2,422	US$2,014

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

Selling expenses consist of the following:

	2022	2021	2020
Sales commission and agent's professional fee	**US$1,365**	US$991	US$796
Salaries and benefits	**333**	349	335
Depreciation and amortization (Notes 13 and 24)	**11**	15	20
Occupancy cost and utilities	**23**	–	–
Other expenses	**68**	68	66
	US$1,800	US$1,423	US$1,217

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

Pension expense included in the salaries, wages and benefits account amounted to US$0.02 million, US$0.02 million and US$0.03 million in 2022, 2021, and 2020, respectively (see Note 28).

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

22. Finance Costs

This account consists of:

	2022	2021	2020
Interests on:			
Bank loans and long-term debt (Note 16)	**US$887**	US$394	US$283
Lease liabilities (Note 24)	**156**	196	145
Others (Note 16)	**26**	33	15
	US$1,069	US$623	US$443

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

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related parties may be individuals or corporate entities.

There are no transactions with related parties outside of the Group in 2022, 2021 and 2020.

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:

	2022	2021	2020
Executive officers' compensation	**US$624**	US$534	US$559
Directors' remuneration	**354**	359	348
Short-term employee benefits	**94**	85	92
Post-employment benefits	**56**	51	54
	US$1,128	US$1,029	US$1,053

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

As of December 31, 2022, and 2021, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

24. Leases

Group as Lessee

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

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

	2022	2021
Within one year	**US$597**	US$1,094
After one year but not more than five years	**1,578**	461
	US$2,175	US$1,555

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

	2022	2021
Within one year	**US$330**	US$361
After one year but not more than five years	**1,319**	1,443
	US$1,649	US$1,804

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

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

	2021		
	Building	Machineries, Tools and Equipment	Total
Cost			
Balances at beginning of year	US$1,306	US$2,781	US$4,087
Additions	1,805	–	1,805
Reclassifications (Note 13)	(601)	–	(601)
Balances at end of year	2,510	2,781	5,291
Accumulated Depreciation			
Balances at beginning of year	956	155	1,111
Depreciation (Notes 19, 20 and 21)	528	278	806
Reclassifications (Note 13)	(601)	–	(601)
Balances at end of year	883	433	1,316
Net Book Values	US$1,627	US$2,348	US$3,975

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

	2022	2021
Balance at beginning of year	**US$2,621**	US$2,395
Additions	**1,696**	1,805
Accretion of interest expense (Note 22)	**156**	196
Payment of principal (Note 4)	**(1,465)**	(1,552)
Payment of interest (Note 22)	**(156)**	(196)
Lease concession adjustment	**–**	(27)
Balance at end of year	**US$2,852**	US$2,621

In April 2020 and August 2021, the Group received lease concession in a form of lease discount for nine (9) months covering the period of April to December 2020 and for five (5) months covering the period of August to December 2021, respectively. Management assessed and determined that this lease concession is directly related to COVID-19 pandemic.

Accordingly, the Group opted to apply practical expedient and accounted lease concession directly through profit or loss. This resulted to reduction of depreciation expense for the year ended and lease liabilities as of December 31, 2021 and 2020 amounting to US$0.03 million and US$0.07 million, respectively (nil 2022) (see Notes 19 and 21).

The Group had a total cash outflows for leases of US$1.62 million, US$1.75 million, and US$2.03 million in 2022, 2021 and 2020, respectively.

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

	2022	2021
Current	**US$867**	US$1,133
Noncurrent	**1,985**	1,488
	US$2,852	US$2,621

The following are the amounts recognized in consolidated statements of comprehensive income in 2022, 2021, and 2020.

	2022	2021	2022
Depreciation of right-of-use assets (Notes 19 and 21)	**US$868**	US$779	US$751
Accretion of interest expense (Note 22)	**156**	196	145
Foreign exchange loss	**(120)**	(77)	(19)
	US$904	US$898	US$877

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Iomni Precision, Inc. - as a Lessee

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

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

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

Ionics EMS, Inc.

- In 2017, EMS entered into a five (5) year lease agreement for 5,331 sq.m. office factory warehouse from third party starting September 15, 2017 to September 14, 2022. The lease agreement provides 5% annual escalation cost beginning September 15, 2018.

  The contract of lease was renewed for a period of five (5) years amounting to US$1.098 million commencing on September 15, 2022 and expiring on September 15, 2027 unless sooner terminated by either party for cases provided for in the agreement. Management exercises significant judgement in determining whether renewal and termination options embedded in the contract are reasonably certain to be exercised.

  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, 2022.

- 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 (previously, finance lease).

  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.

  In 2022 and 2021, the Group reclassified to machineries and equipment (2022); Building Improvements (2021) from right-of-use assets totaling US$1.60 million and US$0.60 million as a result of full payment of lease liabilities.

- In 2022, EMS entered into another three (3) years lease agreement for office factory warehouse from another third party amounting to US$0.598 million starting September 1, 2022 to August 31, 2025.

Group as Lessor

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

The future minimum lease receivables under the noncancelable operating leases as at December 31 follows:

	2022	2021
Within one year	**US$2,782**	US$2,820
After one year but not more than five years	**5,416**	7,797
	US$8,198	US$10,617

Iomni Precision, Inc

- In 2016, Iomni entered into a sub-lease agreement of an office space to a third party for a period of three (3) years starting on February 16, 2016 until February 15, 2019, subject to 5% annual escalation. The lease may be renewed for an additional term of two (2) years at the option of the lessee.

  On February 16, 2019, the parties agreed to renew the lease contract for period of two (2) years. The lease covers the same property with a 5% annual escalation clause beginning February 16, 2019 and matured on January 31, 2021.

  On March 10, 2021, the parties renewed the lease contract covering the same property for a period starting February 1, 2021 until February 21, 2022.

As at March 10, 2022, the parties agreed to renew the lease contract covering the same property for a period starting February 1, 2022 until February 21, 2022.
Iomni recognized rental income amounting to US$0.058 million in 2022, 2021 and 2020.

Iomni recognized related cost of rental services arising from the leased properties amounting to US$0.043 million in 2022, 2021 and 2020 (see Note 20).

Ionics Properties, Inc. (IPI)

- IPI leased out its two (2)-storey building with a total floor area of 4,640 sq. m. to a third party which commenced in December 2009. In 2013, the contract was renewed with a term of three (3) years.

  In December 2016, the lease contract was renewed until March 31, 2020 and is subject to annual escalation clause. However, this was subsequently pre-terminated in 2018, due to lessee's unwinding of business.

  IPI leased out the same property to another third party starting January 1, 2021 until December 31, 2024. The lease agreement provides for a three (3)-month security deposit and three (3)-month advance rental. Total rental income recognized pertaining to this lease amounted to US$0.294 million in 2022 and 2021, respectively (nil in 2020).

- In October 2004, IPI entered into a 10-year non-cancellable lease with a third-party, for the rent of its three (3)-storey factory with a total floor area of 14,550 sq. m. The lease agreement provides for the payment of three (3) months advance rental and three (3) months security deposit which is based on the current month's rental rate.

  In 2014, the contract was renewed for another 10 years to commence on October 1, 2014 up to September 30, 2024. Total rental income recognized pertaining to this lease amounted to US$1.569 million in 2022, 2021 and 2020, respectively.

- In 2021, IPI completed the construction of its building with total floor area of 11,175.73 sq. m. and leased it out to a third party starting October 1, 2021 until September 30, 2031. The lease agreement provides for a three (3)-month security deposit and three (3)-month advance rental. Total rental income recognized pertaining to this lease amounted to US$1.015 million in 2022 and 2021 (nil in 2020).

- IPI entered into additional six (6)-month lease contract with a third party for the rent of its building with an area of 2,196 sq. m starting December 27, 2021 to June 26, 2022 and extended from June 27, 2022 to December 27, 2022. The lessee shall use the lease property solely for its warehouse extension and storage of non-moving electronics parts and other materials used for semiconductors. The lease agreement provides for a one (1)-month security deposit and one (1)-month advance rental. Total rental income recognized pertaining to this lease amounted to US$0.158 million in 2022 (nil in 2021 and 2020).

The carrying values of security deposits included under "other noncurrent liabilities" amounted to US$0.61 million and US$0.48 million as of December 31, 2022 and 2021, respectively (see Note 15). Amortization of discount on security deposit recognized under "Other expense" amounted to US$0.02 million in 2022, 2021 and 2020 (see Note 21).

Unearned income included under "other noncurrent liabilities" amounted to US$0.72 million and US$0.81 million as of December 31, 2022 and 2021, respectively (see Note 15). The amortization of unearned income recognized under "Rent income" amounted to US$0.02 million in 2022, 2021 and 2020.

IPI recognized related cost of rental services arising from the leased properties amounting to US$0.694 million in 2022, US$0.39 million in 2021 and US$0.37 million in 2020 (see Note 20).

25. Registrations with the Philippine Economic Zone Authority (PEZA)

EMS, Iomni and IPI are all PEZA-registered. Their registrations entitle them to certain incentives and privileges including a lower corporate income tax rate subject to certain provisions and limitations of Republic Act (RA) 7916 and each subsidiary's registration agreement with PEZA.

Ionics EMS, Inc.

	Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
1.	Manufacture of Attenti Tracking Device	March 10, 2020	Additional	Gross income tax incentive starting March 10, 2020
2.	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
3.	ReGrow Helmet Low Level Light Therapy Device	February 22, 2019	Amendment	Gross income tax incentive starting Feb. 22, 2019
4.	Assembly of Smart Pill Cap	October 08, 2019	Amendment	Gross Income Tax starting October 2019
5.	Assembly of Car Charger	November 07, 2019	Amendment	Gross Income Tax starting November 2019
6.	Assembly of Server Adapter	November 19, 2019	Amendment	Gross Income Tax starting November 2019
7.	Buddee Smart Plug fabrication	March 21, 2018	Amendment	Gross income tax incentive starting March 21, 2018
8.	Manufacture of PCBA for Panasonic cooling fan for automotive headlamp	August 22, 2018	Amendment	Gross income tax incentive starting August 22, 2018
9.	Manufacture of PCBA for fan motor for servers (Inlet Portion)	July 24, 2017	Amendment	Gross income tax incentive starting July 24, 2017
10.	Manufacture of LCD and touch panel for mobile phone*	February 24, 2017	Amendment	Gross income tax incentive starting May 2019
11.	Server repair and Upgrade	January 30, 2017	Amendment	Gross income tax incentive starting January 2017
12.	Manufacture of T-Mark 340 AC	December 23, 2016	Amendment	Gross income tax incentive starting September 2016
13.	Manufacture of Afimilk Tags	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
14.	Manufacture of Nano Nozzle Reader	July 28, 2016	Expansion	Gross Income tax incentive starting July 2016
15.	Manufacture of PCBA for Printer	April 28, 2016	Amendment	Gross income tax incentive starting February 2016
16.	Manufacture of Quantum	April 25, 2016	Amendment	Gross income tax incentive starting April 2016
17.	WI butler*	July 06, 2015	New project	Gross income tax incentive starting April 2015
18.	Electronic Door Lock System*	July 15, 2015	Additional	Gross income tax incentive starting April 2015
19.	LCD Projector w/ Power Supply*	July 06, 2015	New project	Gross income tax incentive starting May 2019
20.	Manufacture of tracking device	October 07, 2014	New Project	Gross income tax incentive starting Oct 2014
21.	Portable/mobile two-way radio communication equipment	July 23, 2013	Amendment	Gross Income tax incentive starting July 2013
22.	XR3 Universal VSAT Transceiver*	September 27, 2012	New project	Gross Income tax incentive starting June 2016
23.	Dual Port Gigabit Ethernet Bypass Adapter*	July 18, 2011	Expansion	Gross Income tax incentive starting June 2014
24.	Pole Cabinets*	July 18, 2011	New project	Gross Income tax incentive starting June 2015
25.	Video Conference System*	April 05, 2011	Expansion	Gross Income tax incentive starting May 2014
26.	Optical Network Terminal*	March 16, 2010	New project	Gross Income tax incentive starting March 2014
27.	T2 Wi-Fi Tag*	April 29, 2009	New project	Gross Income tax incentive starting October 2012
28.	Electronic Communicator and Controller Module (ECCM)*	June 24, 2009	New project	Gross Income tax incentive starting March 2013
29.	PV-Max Master*	April 23, 2008	New project	Gross Income tax incentive starting May 2012
30.	Re-manufacture of Mobile Phones*	May 22, 2009	New project	Gross Income tax incentive starting December 2012

Product Line		Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
31.	Design and Development*	January 06, 2005	Original Project	Gross Income tax incentive starting July 2007
32.	RF Tuners and Amplifiers*	July 05, 2005	New project	Gross Income tax incentive starting June 2010
33.	Production of radio remote control for industrial application	November 30, 2005	New project	Gross Income tax incentive starting October 2009
34.	ROHS Flex Cable Assembly*	November 30, 2005	New project	Gross Income tax incentive starting October 2009
35.	Optics Telecommunication*	March 01, 2006	New project	Gross Income tax incentive starting December 2009
36.	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
37.	Electronic Car Dashboard Assembly*	August 19, 2003	New project	Gross Income tax incentive starting June 2007
38.	Power Over LAN Assembly*	March 31, 2004	New project	Gross Income tax incentive starting October 2009
39.	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, 2022.*

Gross income from product lines with expired registration are subjected to the 5% gross income tax from the date ITH incentive has expired. The above registrations also entitle the Group to other incentives which include, among others, the duty-free importation of raw materials and capital equipment.

Iomni Precision, Inc.

Product Line/Registered Activities	Date of Registration	Income Tax Holiday (ITH)/ Gross Income Tax (GIT) Incentive
1. Manufacture of re-writable compact disk (CD) drive mechanical loader assembly*	October 17, 2000	Four-year ITH starting October 2000
2. Plastic injection molding of high precision plastic parts and assembly*	September 17, 2001	Four-year ITH starting September 2001
3. Fabrication of molds, dies, and printing of plastic parts*	March 28, 2003	Four-year ITH starting March 2003
4. Manufacture of main base M, main frame and tray disc*	August 12, 2005	Four-year ITH starting August 2005
5. Manufacture of plastic parts and assembly of super solar cell*	September 24, 2007	Four-year ITH starting September 2007
6. Lease out activity	July 12, 2013	GIT Incentive

**ITH incentive for these product lines have already expired as of December 31, 2022. Gross income from these product lines are now being subjected to the 5% gross income tax from the date ITH incentive has expired.*

Ionics Properties, Inc.
IPI is registered with PEZA as an Ecozone Facilities Enterprise pursuant to the provisions of R.A. No. 7916. The registration entitles IPI to certain incentives and privileges including exemption from payment of any and all local government imposts, fees, licenses or taxes and a gross income tax of 5% subject to certain provisions and limitations of R.A. 7916 and IPI's registration agreement with PEZA.

26. Income Taxes

Provision for income tax consists of:

	2022	2021	2020
Current	**US$577**	US$375	US$267
Deferred	**(3)**	(12)	(4)
	US$574	US$363	US$263

Provision for income tax pertains to (i.) gross income tax (GIT) of IPI, (ii.) ITH, GIT and RCIT of EMS and Iomni, and (iii.) MCIT of the Parent Company.

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

	2022	2021
Deferred tax assets on:		
Lease liabilities	**US$214**	US$185
Advance rental	**37**	35
Unamortized past service cost	**6**	7
Unrealized foreign exchange loss	**1**	–
Deferred tax liabilities on:		
Right-of-use assets	**(190)**	(166)
Contract assets	**(18)**	(12)
Straight line recognition of rent income	**(10)**	
Unrealized foreign exchange gain	**–**	(3)
	US$40	US$46

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

	2022	2021
Deferred tax liabilities on:		
Unrealized gain on financial assets at FVOCI recognized in OCI	**(US$60)**	(US$123)

The above deferred tax liability on unrealized gain on financial assets at FVOCI recognized directly in OCI amounted to US$0.06 million and US$0.12 million as of December 31, 2022 and 2021, respectively (see Note 11).

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

	2022	2021
Deferred tax assets - net	**US$40**	US$46
Deferred tax liabilities – net	**(60)**	(123)

The Group did not recognize certain deferred tax assets of certain subsidiaries since management believes that it may not be reasonably probable that taxable profit will be available against which the deductible temporary differences, NOLCO and MCIT can be utilized. The components of the temporary differences and carryforward benefits of NOLCO and MCIT for which deferred tax assets were not recognized by the Group follow:

	2022	2021
Net pension liabilities	**US$2,709**	US$2,952
NOLCO	**460**	600
Allowance for impairment losses on receivables	**107**	61
Allowance for inventory obsolescence	**38**	26
MCIT	**18**	22
Accrued warranties, advance rentals and others	**9**	36

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The NOLCO that can be carried forward as a deduction against taxable income follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
2019	US$232	(US$232)	US$–	December 31, 2022
2020	195	–	195	December 31, 2025
2021	173	–	173	December 31, 2026
2022	92	–	92	December 31, 2025
	US$692	(US$232)	US$460	

The Group has the following excess MCIT over RCIT which can be offset against future taxable income:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
2019	US$9	(US$9)	US$–	December 31, 2022
2020	8	–	8	December 31, 2023
2021	5	–	5	December 31, 2024
2022	5	–	5	December 31, 2025
	US$27	(US$9)	US$18	

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

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Tax effect of:			
Movement in unrecognized deferred tax assets	**(0.49%)**	(0.40%)	(2.90%)
Income from operations subject to lower preferential rate without NOLCO	**(20.25%)**	(24.38%)	(27.51%)
Nondeductible expenses	**6.26%**	16.40%	31.72%
Others	**(0.75%)**	(4.86%)	4.97%
Effective income tax rate	**11.27%**	11.76%	36.28%

Under R.A. No. 7916 on Special Zones and PEZA, a PEZA-registered enterprise is exempt from national and local taxes. In lieu of the said national and local taxes, 5% of the gross income earned by all businesses and enterprises within the ecozone shall be remitted to the local and national government (see Note 30).

The Group did not recognize deferred tax liability for all temporary differences associated with investments in subsidiaries as the Group assessed that it is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

27. Earnings Per Share

Earnings per share amounts attributed to ordinary equity holders of the Parent Company were computed as follows (amounts in thousands, except earnings per share):

	2022	2021	2020
Net income attributable to ordinary equity holders of the Parent Company	**US$4,449**	US$2,634	US$480
Weighted average number of issued common shares	**US$857,975**	US$857,975	US$857,975
Less treasury shares (Note 17)	**34,903**	34,903	34,903
Weighted average number of outstanding common shares	**823,072**	823,072	823,072
Basic/diluted earnings per share	**US$0.0054**	US$0.0032	US$0.0006

There were no potential dilutive shares in 2022, 2021 and 2020.

28. Net Pension Liabilities

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

Under the existing regulatory framework, R.A. No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The Group's retirement plan meets the minimum retirement benefit specified under R.A. 7641.

The law does not require minimum funding of the plan.

The Group has no transaction either directly or indirectly through its subsidiaries or with its employees' retirement benefit fund.

The components of retirement costs included in "Salaries, wages and benefits" account under cost of sales and operating expenses in the consolidated statements of comprehensive income (see Notes 19 and 21). Details are as follow:

	2022	2021	2020
Current service cost	**US$283**	US$325	US$262
Net interest cost	**123**	107	123
	US$406	US$432	US$385

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

	2022	2021	2020
Defined benefit obligation	**US$419**	US$468	(US$285)
Plan assets	**(24)**	(23)	2
	US$395	US$445	(US$283)

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:

	2022	2021
Present value of defined benefit obligation	**US$3,284**	US$3,683
Fair value of plan assets	**(575)**	(731)
	US$2,709	US$2,952

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

	2022	2021
Balance at beginning of year	**US$3,683**	US$4,135
Current service cost	**284**	325
Interest cost	**149**	132
Benefits paid	**(98)**	(208)
Remeasurement (gains) losses arising from:		
Experience adjustments	**118**	(65)
Changes in financial assumptions	**(540)**	(403)
Changes in demographic assumptions	**–**	–
Effect of changes in foreign exchange rates	**(312)**	(233)
Balance at end of year	**US$3,284**	US$3,683

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

	2022	2021
Balance at beginning of year	US$731	US$552
Interest income	26	25
Return on assets excluding amount included in net interest cost	(24)	(23)
Contributions	–	426
Benefits paid	(98)	(209)
Effect of changes in foreign exchange rates	(60)	(40)
Balance at end of year	US$575	US$731

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

	2022	2021
Balance at beginning of year	US$2,952	US$3,585
Retirement cost	406	432
Remeasurement gains	(395)	(445)
Contributions	–	(426)
Effect of changes in foreign exchange rates	(254)	(194)
Balance at end of year	US$2,709	US$2,952

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

The fair value of plan assets by each class is as follows:

	2022	2021
Cash in banks	US$305	US$416
Investment in equity securities	7	8
Investment in government securities		
Fixed rate treasury notes	261	304
Interest receivable	2	3
	US$575	US$731

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

Cash in banks - includes savings and time deposits with Bangko Sentral ng Pilipinas (BSP);

Investment in government securities - includes investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs);

Investment in equity securities - includes investment in common shares traded in the Philippine Stock Exchange (PSE);

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

As at December 31, 2022 and 2021, the Fund has no investments in the securities (debt or equity) of any related party.

The plan assets do not include any of the Group's own equity instruments nor any property occupied by, or other assets used by the Group.

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

	2022	2021	2020
Retirement age	60 – 65	60 – 65	60 - 65
Average remaining working life	11 – 18	11 – 18	11 - 18
Discount rate			
Beginning of year	5%	4%	5%
End of year	7%	5%	4%
Salary increase rate			
Beginning of year	3.5% - 5%	3.5% - 5%	3.5% - 5%
End of year	3.5% - 5%	3.5% - 5%	3.5% - 5%

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

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

	2022		2021	
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$196)	+1.0%	(US$260)
	-1.0%	224	-1.0%	302
Future salary increase rate	+1.0%	US$245	+1.0%	US$319
	-1.0%	(216)	-1.0%	(278)

The BOT of the Plan ensures that its plan assets are readily available to service the pension obligation due. This is done by ensuring that its assets are easily disposable and can easily be converted to cash. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

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

	2022					
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	More than 20 years
Normal retirement	US$872	US$161	US$217	US$718	US$785	US$2,754
Other than normal retirement	197	790	1,413	1,785	1,694	3,120
	US$1,069	US$951	US$1,630	US$2,503	US$2,479	US$5,874

	2021					
	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$848	US$160	US$199	US$527	US$859	US$2,485
Other than normal retirement	191	772	1,316	1,715	1,582	2,588
	US$1,039	US$932	US$1,515	US$2,242	US$2,441	US$5,073

The Group expects to contribute to the pension plan amounting to US$0.68 million in 2022.

29. **Segment Information**

The primary segment reporting format of the Group is by business segments as the Group's risks and rates of return are affected predominantly by differences in the goods produced. Secondary segment reporting information is reported geographically.

The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The computer peripherals segment provides world-class design, build, ship, and logistics services to top computer equipment companies. The Group has been providing a broad range of service offerings to customers in the desktop personal computer (PC), peripheral, server, notebook PC, and storage devices industries.

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

The Group works with the world's leading telecommunications equipment companies, along with its TL9000 certification, to face the demand and manufacturing challenges of a fluctuating and time-critical market segment.

The automotive segment understands and delivers to satisfy customers' unique manufacturing requirements. The automotive industry demands advanced technologies, high-end materials, and advanced manufacturing processes and quality systems. The Group has experience in Product Part Approval Processes (PPAPs), Process Failure Mode & Effects Analysis (PFMEA) and Design Failure Mode & Effects Analysis (DFMEA), and is ISO/TS 16949 certified.

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

The real estate segment generates income from rentals of the Group's buildings, including warehouse and factory area, and building improvements to third party lessees within the PEZA economic zone.

The revenues from major customer under the computer peripherals industry amounted to US$24.85 million in 2022, US$20.98 million in 2021, and US$16.12 million in 2020. Total revenues from these customers exceed 10% of the total revenue from contracts with customers of the Group.

The Group's segment information as of and for the years ended December 31, 2022, 2021 and 2020, which present income and losses, revenues and certain assets and liabilities attributed to each business segment, are summarized in the following tables:

	2022							
	Computer Peripherals	**Telecom**	**Automotive**	**Consumer Electronics**	**Real Estate**	**Others**	**Adjustments and Eliminations**	**Total**
Revenue from contracts with customers	**US$24,851**	**US$19,975**	**US$448**	**US$28,829**	**US$–**	**US$2,158**	**(US$999)**	**US$75,262**
Rental income	**–**	**123**	**–**	**–**	**3,556**	**675**	**(1,260)**	**3,094**
Income from operations	**1,394**	**605**	**(86)**	**840**	**2,725**	**40**	**(119)**	**5,399**
Foreign exchange gain (loss) – net	**346**	**185**	**18**	**210**	**4**	**49**	**–**	**812**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(71)**	**(71)**
Income tax	**(189)**	**(96)**	**–**	**(124)**	**(145)**	**(20)**	**–**	**(574)**
Equity in net earnings (loss)	**–**	**–**	**–**	**–**	**–**	**(12)**	**49**	**37**
Interests – net	**(259)**	**(208)**	**(11)**	**(327)**	**(308)**	**(48)**	**102**	**(1,059)**
Miscellaneous – net	**(29)**	**(24)**	**(0)**	**(45)**	**–**	**3**	**–**	**(95)**
Net income (loss) attributable to the Parent Company	**US$1,263**	**US$461**	**(US$79)**	**US$554**	**US$2,276**	**US$5**	**US$39**	**US$4,449**
Identifiable assets	**US$18,735**	**US$28,862**	**US$473**	**US$26,508**	**US$27,169**	**US$43,679**	**(US$39,142)**	**US$106,284**
Unallocated assets	**–**	**–**	**–**	**–**	**–**	**13,016**	**–**	**14,377**
Total assets	**US$18,735**	**US$28,862**	**US$473**	**US$26,508**	**US$27,169**	**US$58,057**	**(US$39,142)**	**US$120,661**
Identifiable liabilities	US$1,047	US$3,860	US$13	US$1,717	US$10,117	US$30,946	(US$34,648)	US$13,052
Unallocated liabilities	–	–	–	–	–	61,376	(14,516)	46,860
Total liabilities	US$1,047	US$3,860	US$13	US$1,717	US$10,117	US$92,322	(US$49,163)	US$59,912
Capital expenditures	US$1,536	US$812	US$–	US$356	US$4	US$2115	US$–	US$4,823
Depreciation and amortization	US$2,470	US$862	US$–	US$428	US$504	US$1,0088	US$–	US$5,272

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

	2020							
	Computer Peripherals	Telecom	Automotive	Consumer Electronics	Real Estate	Others	Adjustments and Eliminations	Total
Revenue from contracts with customers	US$16,215	US$17,204	US$515	US$17,304	US$–	US$1,448	(US$588)	US$52,098
Rental income	–	111	–	–	1,712	512	(708)	1,627
Income (loss) from operations	(388)	319	(89)	352	1,129	(88)	23	1,258
Foreign exchange gain (loss) – net	(141)	(65)	(4)	(84)	(11)	(5)	18	(292)
Non-controlling interests	–	–	–	–	–	–	18	18
Income tax	(40)	(46)	–	(99)	(67)	(11)	–	(263)
Equity in net earnings (losses)	–	–	–	–	–	(20)	98	78
Interest - net	(188)	(185)	(2)	(179)	20	6	140	(388)
Miscellaneous - net	(9)	91	–	(14)	–	1	–	69
Net income (loss) attributable to the Parent Company	(US$766)	US$114	(US$95)	(US$24)	US$1,071	(US$117)	US$297	US$480
Identifiable assets	US$16,329	US$16,682	US$282	US$15,667	US$17,252	US$43,435	(US$39,097)	US$70,550
Unallocated assets	–	–	–	–	–	17,472	–	17,472
Total assets	US$16,329	US$16,682	US$282	US$15,667	US$17,252	US$60,907	(US$39,097)	US$88,022
Identifiable liabilities	US$95	US$1,934	US$75	US$3,057	US$4,170	US$30,588	(US$48,329)	(US$8,410)
Unallocated liabilities	–	–	–	–	–	43,588	–	43,588
Total liabilities	US$95	US$1,934	US$75	US$3,057	US$4,170	US$74,176	(US$48,329)	US$35,178
Capital expenditures	US$4,203	US$379	US$5	US$1,057	US$67	US$300	US$–	US$6,011
Depreciation and amortization	US$2,360	US$567	US$4	US$776	US$357	US$392	US$–	US$4,456

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

The BOD analyzes cash flows as a consolidated level.

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

The following tables represent the Group's total revenue and certain assets based on the Group's geographical segment:

Segment Revenues

	2022	2021	2020
Asia	**US$66,162**	US$48,365	US$38,735
North America	**8,287**	10,343	10,773
Europe	**3,907**	3,760	4,217
	US$78,356	US$62,468	US$53,725

Segment Assets

	2022	2021	2020
Asia	**US$116,579**	US$96,823	US$80,558
North America	**3,815**	3,699	5,894
Europe	**267**	406	1,570
	US$120,661	US$100,928	US$88,022

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

The following table presents revenue by type:

	2022	2021	2020
Manufacturing of goods	**US$75,262**	US$60,281	US$52,012
Subcontracting services	**–**	–	86
Revenue from contracts with customers	**US$75,262**	US$60,281	US$52,098

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

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

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

	2020		
	Revenue recognized over time	Revenue recognized at point in time	Total
Telecom	US$17,204	US$–	US$17,204
Consumer electronics	16,716	–	16,716
Computer peripherals	16,195	20	16,215
Automotive	515	–	515
Others	1,448	–	1,448
Revenue from contracts with customers	US52,078	US$20	US52,098

30. Other Matters

Ionics Properties, Inc.
On May 12, 2016, the BOD and shareholders approved the proposed increase in IPI's authorized capital stock from 100,000,000 shares to 750,000,000 common shares with a par value of 1.00 per share and to declare stock dividends amounting to 180.00 million in support of the said increase. The abovementioned BOD resolution was subsequently readopted by the BOD on March 11, 2020. As of March 9, 2023, IPI is in the process of securing the necessary regulatory approvals to effect the increase in authorized capital stock and issuance of stock dividends.

Retained earnings available for declaration as dividends amounted to US$10.77 million, US$10.81 million, and US$11.30 million in 2022, 2021 and 2020, respectively.

Iomni Precision, Inc.
Iomni's authorized capital stock consists of 200,000,000 shares at 1.00 (US$0.021) per share as of December 31, 2022 and 2021.

On March 14, 2018, the Board approved Iomni's equity restructuring to offset its deficit amounting to US$6.07 million as of December 31, 2016 against its additional paid-in capital subject to approval of stockholders and Philippine SEC.

The proposed restructuring is intended to effect the following:

- Decrease of authorized capital stock from 200,000,000 to 60,000,000 by reducing its par value per share from 1.00 to 0.30; and,
- The conversion of advances in the peso equivalent ranging from US$250,000 to US$300,000 to additional paid-in capital.

The resulting reduction surplus together with the existing additional paid-in capital will then be utilized to wipe out the existing deficit of Iomni. The abovementioned BOD resolution was subsequently readopted by the BOD on March 11, 2020.

As of March 9, 2023, Iomni is in the process of completing the requirements to be submitted to SEC upon filing of application for equity restructuring.

CONSOLIDATED FINANCIAL STATEMENTS

Supplementary Information and Disclosures

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ionics, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated March 9, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

MARIA ANTOINETTE L. ALDEA
Partner
CPA Certificate No. 116330
Tax Identification No. 242-586-416
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 116330-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9564643, January 3, 2023, Makati City

March 9, 2023

IONICS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES

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

December 31, 2022

Below are the additional information and schedules required by the Revised SRC Rule 68 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements. All amounts are rounded to the nearest thousand (US$000), except when otherwise indicated.

Schedule A. Financial Assets

Below is the schedule of financial assets at FVOCI of the Group as of December 31, 2022:

Name of issuing entity and association of each issue	% Ownership	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet
Financial Assets at FVOCI			
Quoted:			
Rovi Corporation	N/A	4,037	US$19
Unquoted:			
Sta. Elena Golf Course	N/A	1	125
Manila Southwoods Golf and Country Club	N/A	1	54
The Palms Country Club	N/A	1	27
Pacific Synergies IV	6.08%	–	152
Beacon Property Ventures, Inc.	10.00%	36,000,000	892
Tech Ventures III	9.99%	–	–
Export and Industry Bank	N/A	16,000	–
Philippine Long Distance Telephone Company - Communications and Energy Ventures, Inc.	N/A	8,000	2
Tech Ventures II	10.74%	–	–
Eagleridge Golf	N/A	1	5
ICCP SBI Pacific Synergies, L.P.	8.16%	–	485
			1,742
			US$1,761

The Group's quoted investments are valued at the latest market price available while unquoted investments are measured using significant unobservable inputs in accordance with PFRS 13.

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

The Group has no amount receivable from directors, officers, employees, and principal stockholders (other than related parties) other than those arising from purchase subject to usual terms, for ordinary travel and expense advances and for other such items arising in the ordinary course of business, from whom an aggregate indebtedness of more than ₱100,000 or one percent of total assets, whichever is lesser is owed in 2022.

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

Below is the schedule of receivable with related parties, which are eliminated in the consolidated financial statements as of December 31, 2022:

Debtor	Volume of Transactions		Receivables	
Iomni Precision, Inc	Sale of goods	US$975	US$140	Non-interest bearing No impairment
Iomni Precision, Inc	Rental fee	123	–	Non-interest bearing No impairment
Ioncics Properties, Inc.	Renta fee	521	361	Non-interest bearing No impairment
Ionics EMS, Inc.	Intercompany advances	1,000	15,314	Non-interest bearing No impairment
Ionics, Inc.	Rental fee	616	344	Non-interest bearing No impairment
		US$3,235	US$16,159	

The rollforward of receivables with related parties is as follows:

Debtor	Beginning Balance	Additions	Collection/ Impairment	Current	Noncurrent	Ending Balance
Trade receivables						
Iomni Precision, Inc.	US$121	US$975	(US$956)	US$140	US$–	US$140
Advances to related parties						
Ionics EMS, Inc.	14,564	–	750	15,314	–	15,314
	US$14,685	US$975	(US$206)	US$15,454	US$–	US$15,454

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

Schedule D. Long-term Debt

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

Type of Obligation	Amount authorized by indenture	Current	Noncurrent	Total
Bank loans	Not applicable	US$575	US$7,207	US$7,264
Lease liabilities	Not applicable	867	1,985	2,852
		US$1,442	US$9,403	US$10,845

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

As of December 31, 2022, the Group has no long-term loans from related companies.

Schedule F. Guarantees of Securities of Other Issuers

As of December 31, 2022, the Group has no guaranteed securities by other issuers.

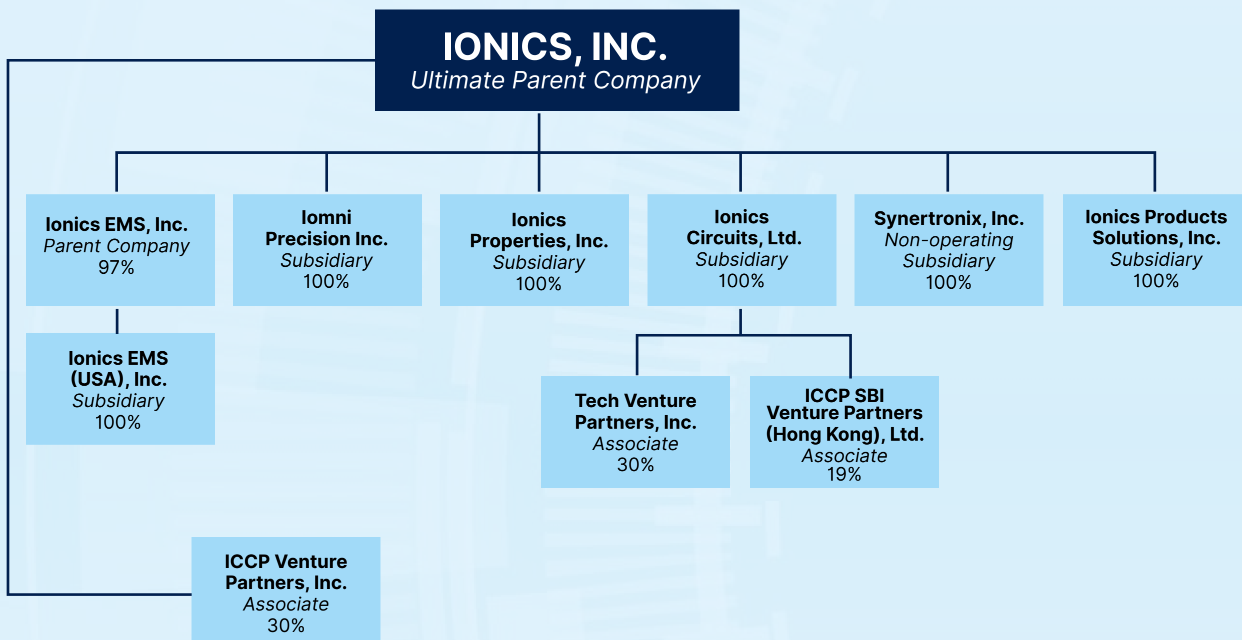
Schedule G. Capital Stock

				Number of shares held by*		
Title of issue	Number of shares authorized*	Number of shares issued and outstanding*	Number of shares reserved for options, warrants, conversion and other rights	Affiliates	Directors, Officers and Employees	Others
Common Stock	1,000,000	837,131	–	349,212	75,823	412,096

**In thousands*

IONICS, INC. AND SUBSIDIARIES
GROUP STRUCTURE

Below is a map showing the relationship between and among the Group, ultimate parent company and subsidiaries as of December 31, 2022:



SUPPLEMENTARY INFORMATION AND DISCLOSURES

IONICS, INC. AND SUBSIDIARIES
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2022 and 2021:

Financial ratios		2022	2021
Liquidity ratios:			
Current ratio	Current assets / Current liabilities	**1.69:1**	1.84:1
Acid test ratio	Cash and cash equivalents and receivables / Current liabilities	**0.72:1**	0.93:1
Leverage ratio	Net debt / Net debt and equity	**0.38:1**	0.30:1
Debt-to-equity ratio	Total debt / Total equity	**0.99:1**	0.79:1
Asset-to-equity ratio	Total assets / Total equity	**1.99:1**	1.79:1
Profitability ratios:			
Interest rate coverage ratio	Income before income tax and finance costs / Finance Costs	**5.77:1**	5.85:1
Revenue Growth (Decline)	*CY revenue - **PY revenue / **PY revenue	**25.43%**	469.39%
Gross Profit Margins	Gross profit / ***Revenue	**12.47%**	11.65%
Profit Margins	Gross profit - operating expenses / ***Revenue	**6.89%**	5.50%
Net Income Margins	Net income / ***Revenue	**5.77%**	4.26%
Return on Equity	Net income / Total stockholder's equity	**7.44%**	4.72%

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

IONICS, INC. AND SUBSIDIARIES

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS

AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022 (Amount in Thousands)

Unappropriated retained earnings, beginning	US$10,813
Less deferred tax assets that reduced the amount of income tax expense of prior periods	–
Unappropriated retained earnings, as adjusted, beginning	US$10,813
Net loss based on the face of the audited financial statements	(38)
Less: Non-actual/unrealized income, net of tax	
Equity in net income of associate and subsidiaries	–
Unrealized foreign exchange gain - net (except attributable to cash)	–
Unrealized actuarial gain	–
Fair value adjustments (M2M gains)	–
Fair value adjustment of investment property	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Other unrealized gains or adjustments to retained earnings	
Add: Non-actual losses	
Depreciation on revaluation increment, after tax	–
Change in deferred tax assets	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property	–
Net loss actual/realized	(38)
Add (less):	
Dividend declarations during the period	–
Treasury shares	–
Unappropriated retained earnings, as adjusted, ending	**US$10,775**

SUPPLEMENTARY INFORMATION AND DISCLOSURES

IONICS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

December 31, 2022

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