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

SEC Registration Number

1	0	7	4	3	2						

C O M P A N Y   N A M E

IONICS, INC. AND SUBSIDIARIES

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

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

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

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
844	**06/17**	**2022/12/31**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

IONICS, INC. AND SUBSIDIARIES

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SEC FORM 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2022

2. SEC Identification Number 107432

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

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

5. Province, Country or other jurisdiction of incorporation or organization
   Laguna, Philippines

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

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

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

    Yes [x] No [ ]

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

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

13. Based on the closing price at the Philippine Stock Exchange on December 31, 2022 at US$0.010 per share, the Company's common shares held by non-affiliates as of December 31, 2022 would have a current market price of US$4,900,629.

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

Yes [x] No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Ionics, Inc. and Subsidiaries (The Group)

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

In September 1999, the Parent Company transferred its primary manufacturing business to a majority-owned subsidiary, Ionics EMS, Inc. (IEMS). Net assets with a book value of ₱530 million as of April 30, 1999 were transferred to IEMS under a tax-free exchange for shares of stock of IEMS. Accordingly, the Parent Company ceased to be a manufacturing company and amended its primary purpose from that of a manufacturing entity to that of a holding company.

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

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

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

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 the Ionics Group of Companies. IPI started commercial operations on January 1998.

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

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

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

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

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

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

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

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

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

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

Line of Business

The Group is a total one-stop shop Electronics Manufacturing Services (EMS) provider. It has been the EMS solutions provider to some of the world's biggest Original Equipment Manufacturers (OEM) for over 40 years.

There are basically two general categories of electronics manufacturers or assemblers in the region: the Original Equipment Manufacturer (OEM) and the Contract Electronics Manufacturer (CEM). OEMs are companies who are leaders in PC, Computer Peripherals, Telecommunications, Consumer Electronics, Automotive, Industrial and Medical Equipment.

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

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

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

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

Products

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

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

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

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

- Consumer Products

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

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

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

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

- RMA Services
    - Refurbishment of Computer servers and accessories
    - Refurbishment of Wireless Broadband product

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

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

Significant Customers

The top five customers collectively account for 47.78%, 56.56% and 58.47% of the Group's total revenue from contracts with customers in 2022, 2021 and 2020, respectively. The Group anticipates that concentration of business in major customers will continue in the foreseeable future, although the Group's management started new relationships with other customers.

One customer accounted for approximately 13.56%, 15.62% and 16.16% of its total revenue from contracts with customers in 2022, 2021 and 2020, respectively. Contracts with the customers are on a continuing basis and the Group has been in business with them for many years.

Distribution Method

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

Competition, Status of New Products and Business Risk

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

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

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

The following are the major risks that the Group has:

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

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

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

Sources and Availability of Raw Materials

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

- Arrow Electronics Asia(S) Pte. Ltd
- Arrow/Rapac Ltd.
- CERAGON Networks Ltd.
- Avnet Asia Pte. Ltd.
- BATM Advanced Communications LTD.
- Sumitomo Electric Europe Ltd.
- Tyto Care Ltd.
- Excelpoint Systems (Pte) Ltd.
- Shanghai Everskill M&E Co., Ltd.
- Senju Solder (Phils.) Inc.

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

Sales

The Group's revenue is purely from export sales except for IPI which derives its revenue from the lease of properties. Amounts of revenue, profitability, and identifiable assets attributable to the Group's operations for 2022, 2021, and 2020 are as follows:

	(In '000 US Dollars)		
	2022	2021	2020
Export sales	**75,262**	60,281	52,098
Income from Operation	**5,399**	3,434	1,258
Total Assets	**120,661**	100,749	88,022

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

a. Revenue

	2022	2021	2020
Asia	**84.44%**	77.42%	72.10%
Europe	**4.99%**	6.02%	7.85%
North America	**10.57%**	16.56%	20.05%
	100.00%	100.00%	100.00%

b. Net Assets

	2022	2021	2020
Asia	**96.62%**	96.73%	91.52%
North America	**3.16%**	3.67%	6.70%
Europe	**.22%**	.40%	1.78%
	100.00%	100.00%	100.00%

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

Transaction with and/or Dependence on Related Parties

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

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

Not applicable to the Group.

Need for Any Governmental Approval of Principal Products or Services

None

Effect of Existing or Probable Governmental Regulations on the Business

None

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

None

Cost and Effects of Compliance with Environmental Laws

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

Employees

As of December 31, 2022, the Group has a total of 2,938 employees consisting of seventy one (71) managers, eight hundred thirty two (832) administrative personnel and two thousand thiry five (2,035) factory workers.

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

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

Debt Issues

Not applicable to the Group.

Investment Company Securities

Not applicable to the Group.

Item 2. Properties

As of December 31, 2022 the Group's manufacturing, design and prototyping operations are conducted in the following plants:

The EMS-HO Plant is located at the Light Industry and Science Park of the Philippines-II (LISP II) in Calamba City, Laguna and has an area of 1,500 square meters. The property is leased from Iomni from January 16, 2022 to January 15, 2023, subject to yearly renewal.

The EMS-5 and EMS-6 Plants are located at the LISP-I in Cabuyao City, Laguna and have an aggregate area of 9,035 square meters. The land and the building thereon are owned by the Parent Company. The plants are leased to IEMS subject to yearly renewal at the rate of US$5.74 per square meter with an annual escalation rate of 5% for EMS-5 and EMS-6.

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

The EMS-P2 Plant is located at the Carmelray Industrial Park II (CIP II) in Calamba City, Laguna with building area of 7,560 square meters and a parcel of land with an area of 12,918 square meters. The property is leased from Ionics Properties, Inc. from May 01, 2022 to April 30, 2023, subject to yearly renewal.

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

Item 3. Legal Proceedings

As of December 31, 2022, there are no materials pending legal proceedings to which the Parent Company or any of its subsidiaries is a party or of which any of their properties is a subject.

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

There were no matters submitted to a vote of security holders for the fourth quarter of 2022.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

	(Amounts in US Dollar)		(Amounts in PhP)	
	HIGH	LOW	HIGH	LOW
Latest price as of March 31, 2023	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

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

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

The number of shareholders of record as of December 31, 2022 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 December 31, 2022:

Class of Securities	Name	No. of Shares	%
Common	AQUA HOLDINGS, INC.	335,153,100.00	40.04
Common	PCD NOMINEE CORP (FILIPINO)	280,407,217.00	33.50
Common	SIGUION REYNA, LEONARDO*	75,006,000.00	8.96
Common	SOCIAL SECURITY SYSTEM	43,899,400.00	5.24
Common	PCD NOMINEE CORP (NON-FILIPINO)	28,748,733.00	3.43
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

**deceased*

Dividends per Share

2022 None

2021 None

2020 None

Description of Any Restriction that Limits the Payment of Dividends on Common Shares

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

Recent Sales of Unregistered or Exempt Sales

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

Description of Registrant's Securities

The registrant has an authorized capital stock of 1,000,000,000 shares with par value of PhP1.00 per share. The issued and outstanding shares as of December 31, 2022 are 837,130,992.

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

Debt Securities

There are no issuances of debt securities.

Stock Options

There are no issuances of stock options.

Securities Subject to Redemption or Call

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

Warrants

There are no issuances of warrants.

Market Information for Securities Other Than Common Equity

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

<u>Other Securities</u>

There are no issuances of other securities.

Item 6. Management Discussion and Analysis or Plan of Operation

<u>Management Plan for the Year 2023</u>

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.

The Company is awaiting regulatory approval in its application filed last year for increase of authorized capital stock as to issue stock dividends.

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

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

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

Below are the consolidated key financial ratios for the years ended December 31, 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

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

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

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

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

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

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

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

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

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

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

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

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

The causes for any material change from period to period which shall include vertical and horizontal analysis of any material item were disclosed in pages 18 to 24 of this report.

<u>Financial Performance</u>

2022

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

(In US Dollars)

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

CONSOLIDATED FINANCIAL POSITION

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

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

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

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

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

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

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

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

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

Ionics Properties, Inc. ("IPI")

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

Iomni Precision, Inc. ("Iomni")

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

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

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

Ionics Circuits, Limited ("ICL")

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

Synertronix, Inc. ("SI")

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

2021

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

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

CONSOLIDATED FINANCIAL POSITION

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

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

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

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

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

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

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

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

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

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

Ionics Properties, Inc. ("IPI")

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

Ionics Circuits, Limited ("ICL")

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

Synertronix, Inc. ("SI")

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

Iomni Precision, Inc. ("Iomni")

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

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

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

2020

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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

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

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

CONSOLIDATED FINANCIAL POSITION

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

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

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

INDIVIDUAL RESULT OF OPERATIONS

Ionics, Inc. (the "Parent Company")

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

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

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

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

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

With the foregoing, the net loss after tax decreased by 120.50% from a net income of US$2.66 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

2022

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

2021

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

2020

Inventories increased due to buildup of raw materials inventory for new turnkey customers. The increase in advances to suppliers increase in advance payments to suppliers for material ordering for new turnkey customers. The increase in prepayments and other current assets was due to the increase in advance payments to suppliers for material ordering for new turnkey customers. Financial Assets at FVOCI decreased due to fair value loss recognized as of December 31, 2020. The increase in investment in associates is due to the amount of share in the net assets of its associates. Property, plant and equipment increased due to the transfer of machineries and equipment previously classified as right-of-use assets upon full payment of the related lease liabilities and acquisitions made during the period. Investment properties increased due to ongoing construction of new building of Ionics, Properties, Inc. Right-of-use assets (ROU) decreased due to reclassification to PPE of the fully paid finance lease liabilities and depreciation incurred during the period. The increase in other noncurrent assets is due to additional refundable deposits. 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. 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.

Item 7. Financial Statements

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

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

   See Audited Consolidated Financial Statements.

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

   Not applicable to the Group.

   <u>Restriction which limits the availability of Retained Earnings for dividend declaration:</u>

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

   <u>Commitments and Contingent Liabilities:</u>

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

   <u>Material Related Party Transactions which affect the Financial Statements:</u>

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

   <u>Bonus, Profit Sharing and Other Similar Plans:</u>

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

   <u>Interest Cost</u>

   IEMS paid interest on bank loans and financial institution.

2. <u>Subsidiaries</u>

   As of December 31, 2022, the details of investments and advances to subsidiaries are as follows:

Subsidiaries	% owned	Investment	Advances
ICL	100	US$2,579,265	-
Iomni	100	1,321,445	1,050,000
IPI	100	1,535,578	-
IPSI	100	99,416	-
IEMS	97	36,969,459	11,563,655

3. Cash and Cash Equivalents

Out of the total cash and cash equivalents of US$16,936,039 as of December 31 2022, US$1,241,186 is peso-denominated. This represents savings deposit and current accounts in local banks.

4. Accounts Receivable - Others

Receivable from customers other than sales	US$1,968,000
Rent receivable	656,000
Advances to officers and employees	135,000
Claims against SSS and other government agencies	63,000
Others	115,000

5. Inventories

Inventories increased due to buildup of raw materials inventory for new turnkey customers.

6. Property, Plant and Equipment

As of December 31, 2022, the Group has no equipment that is still under installation as discussed in Note 13 to the Audited Consolidated Financial Statements.

7. Investment Properties

There was no significant movement in investment properties as of December 31, 2022.

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

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

1. External Audit Fees and Services

(a) Audit and Audit - Related Fees

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

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

(c) All Other Fees

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The Executive Officers of the Registrant

Position	Name	Term	Period Served	Age	Citizenship
Director, Chairman and President	Lawrence C. Qua	1 year	39	76	Filipino
Director -Independent	Alfredo de R. Borja	1 year	19	78	Filipino
Director -Independent	Medel T. Nera	1 year	3	67	Filipino
Director	Meliton C. Qua	1 year	29	81	Filipino
Director	Robert Joseph M. de Claro	1 year	1		Filipino
Director	Raymond Ma. C. Qua	1 year	34	72	Filipino
Director	Virginia Judy Q. Dy	1 year	28	82	Filipino
Director	Cecilia Q. Chua	1 year	15	70	Filipino
Director	Monica Siguion Reyna Villonco	1 year	12	69	Filipino
Director	Guillermo D. Luchangco	1 year	29	83	Filipino
Director	Lilia B. De Lima	1 year	6	82	Filipino
Corporate Secretary	Manuel R. Roxas	1 year	30	73	Filipino
Asst. Corporate Secretary	Krisha F. Villanueva		3	30	Filipino
Vice President	Judy C. Qua			72	Filipino
Vice President	Ronan R. Andrade			52	Filipino
AVP Internal Audit	Cesar G. Caubalejo			56	Filipino

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

The following are the Chairman and members of the Corporate Governance Committee 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 Nomination Committee:

1. Lawrence C. Qua	-	*Chairman of the Board*
2. Alfredo R. de Borja	-	*Member (Independent)*
3. Medel T. Nera	-	*Member (Independent)*
4. Robert Joseph M. de Claro	-	*Member*
5. Virginia Judy Q. Dy	-	*Member*
6. Guillermo D. Luchangco	-	*Member*
7. Meliton C. Qua	-	*Member*
8. Raymond C. Qua	-	*Member*
9. Lilia B. De Lima	-	*Member (Independent)*
10.Cecilia Q. Chua	-	*Member*
11. Monica Siguion Reyna Villonco	-	*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 Company's By-laws and Amended Manual of Corporate Governance.

The Independent Directors were advised of SEC Memorandum Circular No. 15, Series of 2017 on the term limits for Independent Directors. 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.

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

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 Inc. He is also the Chairman and Director of Aqua Holdings, Inc. He is, further, a director and member of the investment committee of ICCP Venture Partners, Inc. and a director of various companies engaged in retailing and property development. He has been a trustee of the Semiconductor & Electronics Industry of the Philippines Inc. since its organization. He served as a board trustee of the Graduate Business School of De la Salle University for three years. Mr. Qua graduated from De La Salle University with a Bachelor of Science degree in Mechanical Engineering.

Alfredo De Borja, 78, has been an independent director of Ionics, Inc. since 2004 and an independent director of Ionics EMS, Inc. since 2007. He is the incumbent President and Director of Makiling Ventures, Inc., a real estate development company, and President and Director of E. Murio, Inc., a furniture manufacturer and exporter. He is also a director of Investment Capital Corp. of the Phil. (ICCP), ICCP Venture Partners, Inc. (where he is Chairman of the Investment Company), ICCP Management Corp, Pueblo de Oro Development Corp., Regatta Properties, Inc., Science Park of the Philippines (SPPI), Cebu Light Industrial Park, Inc., Ionics, Inc., Ionics EMS, Inc., and Araneta Properties, Inc., both listed companies with the Philippine Stock Exchange; and Philippine Coastal Storage & Pipeline Corp. He has also served as board director of a number of companies including First Metro Investment Corp., SPI, Alsons Power, Alsons Cement, Iligan Cement, Manila Memorial Park, Philcom, Shopwise, and Republic Glass. He was the President of Gervel, Inc. from 1973 to 1986; Director and Chairman of the Executive Committee of First Metro Investment Co. from 1978 to 1983; Director and Vice President of Iligan Cement Corp. from 1973 to 1977; Professional Lecturer of the University of the Philippines-Graduate School of Business Administration from 1971 to 1974; Executive Assistant to the Vice President of Philippine Long Distance Telephone Co. from 1970 to 1973; and Executive Assistant to the Vice President of Investment Manager, Inc. from 1966 to 1968. He holds a Master of Business Administration degree from Harvard University and a Bachelor of Science in Economics from the Ateneo de Manila University.

Medel T. Nera, 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 Corp. and EEI Corporation. He is also an Independent Director of the National Reinsurance Corporation of the Philippines, Inc., Holcim Philippines, Inc and the Generika pharmaceutical group. His past experiences include: President and CEO of House of Investments, Inc.; President of Honda Cars Kalookan, Inc., Director and President of RCBC Realty Corp.; Director and Chairman of the Risk Oversight Committee of

Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and Senior Partner at Sycip Gorres Velayo & Co. where he had 35 years of experience in professional services. Mr. Nera served as Assurance Leader for the Financial Services Assurance practice of Ernst and Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam.. Mr. Nera obtained his Master in Business Administration degree from Stern School of Business, New York University, New York, USA and Bachelor of Science in Commerce degree from Far Eastern University. He also attended the International Management Program of the Manchester Business School, United Kingdom, and the Pacific Rim Bankers' Program of the University of Washington, Seattle, Washington, USA.

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

Lilia B. De Lima 82, Filipino, is an independent director of Ionics, Inc. and Ionics EMS, Inc. She is currently a director of AC Industrial Technology Holdings, Inc. In 2017, she served as an independent advisory board member of the Rizal Commercial Banking Corporation and was also a member of the board of directors of Science Park of the Philippines and RFM Science Park of the Philippines. Since 1981 until 2016, Atty. de Lima has been in government service, holding high positions in various government instrumentalities such as the Department of Trade and Industry, National Amnesty Commission, Cagayan Economic Zone Authority, Zamboanga Economic Zone Authority, PHIVIDEC Industrial Authority, and the Philippine Economic Zone Authority. Atty. de Lima was awarded the Ramon Magsaysay Laureat in 2017 for her service as Director General of the Philippine Economic Zone Authority for 21 years. She was also a recipient of other various awards such as the Presidential Medal of Merit, awarded to her by former Presidents Benigno Aquino III and Gloria Macapagal Arroyo, The Order of the Rising Sun, Gold and Silver Star, which is the highest award given to a non-head of state by the Government of Japan for bringing hundreds of Japanese investors to the Philippines, People of the Year Award given by Peoples Asia Magazine, and Excellence in Public Service Award, which was awarded to Ms. de Lima five times by BIZNEWS ASIA. She attained her Bachelor of Laws from the Manuel L. Quezon University in 1965, and her Doctor of Laws LLD (Honoris Causa) from the same university in 2014. She passed the Philippine Bar Exams in 1966.

Raymond Ma. C. Qua, 72, has been a member of the Board of Directors of Ionics, Inc. since 1985 and holds the position of Treasurer and Senior Vice President. He is also a director of Ionics EMS, Inc. Previously, he was the Senior Vice President and General Manager of Synertronix, Inc. and the Vice President for Administration of Ionics, Inc. Mr. Qua is presently affiliated with various organizations and 14 associations serving as head, ranking officer or member. Mr. Qua received his Bachelor of Science degree in Commerce from De La Salle University, Philippines.

Virginia Judy Q. Dy, 82, has been a member of the Board of Directors of Ionics, Inc. since 1991. In the last seven years, she is connected with Aqua Holdings, Inc. as director. She is also the Finance Director of DVPRO Solutions, Inc. from 2001 to the present. Previous corporate affiliations include Philippine Commercial and International Bank as Branch Manager, Insular Bank of Asia & America as Branch Manager, Ladtek Corporation/Interphase Development System as Accounting Manager and the International Corporate Bank as Branch Manager. Ms. Dy received her Bachelor of Science in Commerce degree from the Assumption Convent and is a Certified Public Accountant, having passed the government board exams in 1963.

Cecilia Q. Chua, 70, was a director of Ionics, Inc. from 1997 to 2000 and from 2007 up to the present. She is the Treasurer of B-Pack Corporation, Vice President of CQ B-Pack Corporation and has been the Purchasing Manager of Ionics Ems, Inc. since 1985. Previous corporate affiliations include Complex Electronics Corporation, Interphase Development Corporation, Ladtek Corporation and Pimeco.

Monica Siguion-Reyna Villonco, 69, is the Chairman of Lowe Philippines, where she has served as a director since 2002. She also served as the editor-in-chief of Town & Country Philippines from 2007-2010. Ms. Villonco is the incumbent President of Whitespace, Inc. and Datascope Communications (Phils.), Inc. Ms. Villonco is a member of the Board of Governors of the Philippine National Red Cross. She is also a member of the board of directors of Provident Plans International Corp. and Sa Aklat Sisikat Foundation; She was a member of the Film Rating Board from 1998 to 2002; and a board member of CCP Tanghalang Pilipino from 1988-1990.

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

Robert Joseph M. de Claro , , As a member of the Social Security Commission (SSC), which serves as the governing board of the Social Security System (SSS), Commissioner Robert Joseph M. De Claro shares in the responsibility for the governance of SSS in terms of providing policy directions, monitoring and overseeing management actions and with powers and duties specified by Sec. 4 of Republic Act No. 11199 (Social Security Act of 2018). Commissioner De Claro was appointed as SSC Member on 11 January 2023 by the President of the Republic of the Philippines to represent the employers' group and took his oath of office on 12 January 2023. He was designated Chairperson of the SSC Information Technology and Collection Committee and Member of the SSC Audit Committee. He represents the Social Security System in the Boards of Union Bank of the Philippines and Ionics, Inc. With a background in creating, administrating, and spearheading startup and operating entities for over twenty-five (25) years, Mr. De Claro is a business leader seasoned over decades of professional experience and equipped with necessary knowledge to achieve common and long- term corporate goals. He is able to deliver double-digit gain in revenue through strategic growth strategies and with an expertise in identifying opportunities, coupled with exceptional customer relationship management skills. Mr. De Claro is currently a member of the Social Security Commission. He held various roles with 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. Commissioner De Claro holds a Bachelor of Science in Computer Science with specialization in Information Technology from De La Salle University.

Manuel R. Roxas, 73, Filipino, has been the Company's Corporate Secretary for the past seventeen (17) years. His professional experience covers general corporate law practice as counsel to various companies engaged in banking, investments, pharmaceuticals, shipping, and manufacturing. Atty. Roxas received his Bachelor of Science degree in Economics from the University of Pennsylvania in 1970 and Bachelor of Laws degree from the University of the Philippines in 1975. His other professional affiliations include: Roxas de los Reyes Laurel Rosario & Gonzales as Partner, Tax Management Association of the Philippines as past President, President Manuel A. Roxas Foundation, Inc., Mother Rosa Memorial Foundation, Inc. as Secretary, the Integrated Bar of the Philippines, Philippine Bar Association, and the Wharton Club of the Philippines as member.

Krisha F. Villanueva, 30, Filipino, is the Corporation's Assistant Corporate Secretary. Atty. Villanueva is an associate lawyer at Roxas de los Reyes Laurel Rosario & Gonzales Law Offices. She received her Bachelor of Science degree in Business Administration (Cum Laude) from the University of the Philippines Diliman and her Juris Doctor degree from the University of the Philippines College of Law.

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

Ronan Andrade, 52, is the Vice President for Finance/Chief Finance Officer. He graduated from San Beda College in 1991 and passed the Certified Public Accountant Board Examination in the same year. He worked with SGV in audit division from 1992 to 1998, starting as an audit staff member until he became audit supervisor. He joined Ionics in 1999 as Senior Manager for Finance and became Assistant Vice President and Acting Finance Head of the Company, prior to his transfer to Internal Audit as Vice President. In 2007, Mr. Andrade was appointed as Vice President for Finance.

Cesar G. Caubalejo, 56, is the Assistant Vice President for Internal Audit. He graduated from the University of the Philippines at Tacloban City, Leyte in 1988 with a degree in Bachelor in Business Administration Major in Accounting. He is a Certified Public Accountant and a Certified Fraud Examiner. He worked and started his career with SGV in 1988 until his resignation from the firm as a Senior Director under the Business Risk Services in December 2008. During his stint with SGV, he was assigned to work in other countries such as US, France, Vietnam, Cambodia, Laos, Malaysia and Kingdom of Saudi Arabia. He also worked for a year (1997) as a group controller in one of the diversified companies in the Philippines. He is a member of Philippine Institute of Certified Public Accountants, and Philippine Chapters of Association of Certified Fraud Examiners and Institute of Internal Auditors. He joined Ionics EMS, Inc. on January 5, 2009.

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

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

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

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

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

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

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

Item 10. Executive Compensation.

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

SUMMARY COMPENSATION TABLE
Annual Compensation

	Year	Salary	Others*
Chief Executive Officer and four (4) most highly compensated executive officers	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 four (4) most highly compensated executive officers of the Group (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. Raymond C. Qua is the Senior Vice President, Treasurer and Compliance Officer
3. Ms. Judy C. Qua is the Vice President for Corporate Affairs/Business Development.
4. Mr. Ronan R. Andrade is the Vice President for Finance.
5. Mr. Cesar G. Caubalejo is the Assistant Vice President of Internal Audit.

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

The Chairman of the Board who is also the Chief Executive Officer of both Ionics and its subsidiary, IEMS, 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.

As of December 31, 2022, no executive officer of the Registrant is under employment contract.

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

As of December 31, 2022.

(a) Security Ownership of Certain Record and Beneficial Owner

Title of class	**Name and address Of owner**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Number of Shares Held**	**Percent of class**
Common	**Aqua Holdings, Inc.** *c/o Ionics EMS, Inc. Carmelray Industrial Park II, Bgy. Tulo, Calamba, Laguna* *Shareholder*	Lawrence C. Qua, Meliton C. Qua, Raymond C. Qua, Virginia Judy Q. Dy *(stockholders of Aqua Holdings, Inc.)*	Filipino	335,153,100(R)	40.04%
Common	**Social Security System** *SSS Bldg., East Ave.,Diliman, Quezon CityShareholder*	Republic of the Philippines *(represented by Mr Robert Joseph M. de Claro.)*	Filipino	54,874,198 (R)	6.56%
Common	**Leonardo T. Siguion Reyna*** *7 Tanguile Road, North Forbes Park Makati City* *Director*	N/A	Filipino	75,006,000 (R)	8.96%

**deceased*

(b) Security Ownership of Management

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent of Class**
Common	Lawrence C. Qua *Chairman/President/CEO*	27,454,760 Direct 1,950,000 Indirect	Filipino	3.28% 0.23%
Common	Meliton C. Qua *Director*	6,497,362 Direct	Filipino	0.78%
Common	Guillermo D. Luchangco *Director*	19,620,000 Indirect	Filipino	2.34%

Common	Alfredo R. de Borja *Director*	14,000 Direct	Filipino	nil
Common	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*	8,562,350 Direct	Filipino	1.02%
Common	Cecilia Q. Chua *Director*	5,584,412 Direct 3,000 Indirect	Filipino	0.67% nil
Common	Monica Siguion Reyna Villonco *Director*	24,000 Direct 127,000 Indirect	Filipino	nil 0.02%
Common	Medel T. Nera *Director*	1,000 Indirect	Filipino	nil
Common	Lilia B. De Lima *Director*	50,000 Indirect	Filipino	0.01%
Common	Judy C. Qua *VP- Business Development & Corporate Affairs*	-0-	Filipino	-0-

Common	Manuel R. Roxas *Corporate Secretary*	14,500 Direct	Filipino	nil
Common	Krisha F. Villanueva *Assistant Corporate Secretary*	-0-	Filipino	-0-
Common	Ronan R. Andrade *VP - Finance*	-0-	Filipino	-0-
Common	Cesar G. Caubalejo *AVP- Internal Audit*	-0-	Filipino	-0-
	TOTAL	75,823,128		9.05%

(c) Voting Trust Holders of 5% or More

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

(d) Changes in control

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

Item 12. Certain Relationships and Related Transactions

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

(a) lease arrangements:

- the Company leases two factory buildings to its subsidiary, Ionics EMS, Inc. as production plant site V and VI for its manufacturing business. The rental rate was based on the prevailing and current market rates within the area and assumed no risks on the transactions.
- Ionics EMS, Inc. also entered into a lease agreement with Iomni Precision, Inc., a wholly-owned subsidiary of Ionics, Inc. for its corporate office with an area of 1,500 square meters from January 16, 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.

(b) legal services

The Company retains for legal services the law firms *Siguion Reyna Montecillo& Ongsiako Law Offices*, where Monica Siguion Reyna Villonco's husband is a partner and *Roxas de los Reyes Laurel Rosario & Gonzales Law Offices* where the Corporate Secretary, Manuel R.

Roxas, and the Assistant Corporate Secretary, Krisha F. Villanueva, are partner and associate lawyer, respectively. The Company believes that legal fees are reasonable for the services rendered.

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

(d) acquisition of assets
Ionics Properties, Inc. purchased a residential lot from Synertronix, Inc., an affiliate on 21 December 2017, with an area of 792 sq.m., situated in Barangay Javalera, General Trias, Cavite, covered by Transfer Certificate of Title ("TCT") No. T-933871, issued by the Register of Deeds for Province of Cavite.

(e) acquisition of shares
In December 21, 2017, Ionics Properties, Inc. purchased a share of stock of Eagle Ridge Golf & Country Club, Inc. from Synertronix, Inc., an affiliate.

PART IV – CORPORATE GOVERNANCE REPORT

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

Item 13. Corporate Governance

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

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

c) **Deviations**
Ionics, Inc. is taking steps towards full compliance with its Corporate Governance Manual. The Company submitted its Amended Manual on Corporate Governance on 09 July 2020.

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

PART V – SUSTAINABILITY REPORT

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

PART VI - EXHIBITS AND SCHEDULES

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

(a) Exhibits - See accompanying Index to Exhibits
(b) Reports on SEC Form 17-C

1. March 9, 2022 – Notice of Annual Shareholder's Meeting

2. June 17, 2022 – Results of the Annual Stockholders' Meeting

3. August 9, 2022 – Increase in Authorized Capital Stock of Ionics Properties, Inc. by way of stock dividends, and Equity Restructuring of Iomni Precision, Inc.

IONIC, INC AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

S I G N A T U R E S

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the city of MAKATI CITY on APR 04 2023

By:

Ronan R. Andrade
Chief Finance Officer

Manuel R. Roxas
Corporate Secretary

Lawrence C. Qua
Chairman of the Board, President &
Chief Executive Officer

SUBSCRIBED AND SWORN to before me this ______day of APR 04 2023 affiant(s) exhibiting to me their Passport Numbers, as follows:

NAMES	PASSPORT/ SENIOR NO.	DATE OF ISSUE	PLACE OF ISSUE
Ronan R. Andrade	P6019614A	February 13,2018	DFA Lucena
Manuel R. Roxas	P7678659B	September 23, 2021	DFA Manila
Lawrence C. Qua	P0742041C	June 30, 2022	DFA Manila

Doc. No. 259;
Page No. 53;
Book No. II;
Series of 2023.

ATTY. BYRON FRANCIS A. YAO
Notary Public until 31 December 2023
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 9566296, Makati City, 03 January 2023
IBP No. 259735, Manila IV, 19 December 2022
Roll No. 83430, Appointment No. M-320

IONICS, INC.

2022 SUSTAINABILITY REPORT

CONTENTS

INTRODUCTION

Recapitulate to the year 2022!

Mr. Larry Qua
CEO/Chairman

Passion drives you, amidst the on-going COVID 19 pandemic, restrictions have been lifted in 2022. As a result, businesses can operate at full capacity and people can travel freely irrespective of age or comorbidity, which proves that there are no obstacles that we cannot conquer. Likewise, the lifting of restrictions has a positive effect on society and economy that may lead to strongly underlying growth momentum and resistance in 2022. And this is expected to continue in 2023.

Ionics Inc. has embraced the new challenges and is taking the risks for the success of our company business. Last 2022, many new business investors has invested on our company whom helped build our morale, gave confidence to our company and achieve our company goals, focusing on long-term success and developing of our business. We appreciate all the efforts and fortify and reinforce our commitment to let them feel comfortable and secured by promoting a healthy and safe working environment, identifying and managing risks and opportunities, protecting the environment and contributing to the development of the community.

For the future, stakeholders which includes customers, employees, investors, suppliers and local community, Ionics Inc. will make sure to provide best quality of products and services that will serve as bridge to the global digitalization, growth of modern economy and future of the young generation.

THE COMPANY

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

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

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

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

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

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

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

SUBDIARIES

IONICS EMS, INC.

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

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

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

IOMNI PRECISION, INC.

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

IONICS PROPERTY, INC.

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

IONICS CIRCUIT, LIMITED

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

THE COMPANY

What we can provide…

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

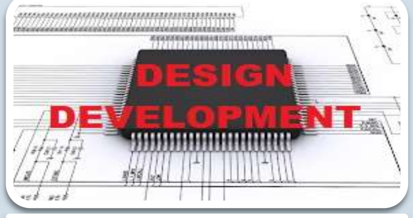
- Consultancy: Our in-house ODM capability can start from project concept.
- Specification: We can build to print once all documents needed are given by the customer
- NPI: Ionics EMS, Inc. can work directly with your prototype house for a quick turnaround from NPI through full Mass Production.
- Existing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

Mass Production

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

Lifecycle Management Solutions

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



Ionics EMS offers the following design services:

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

Ionics EMS offers the following supply chain services:

Smart Supply Chain

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

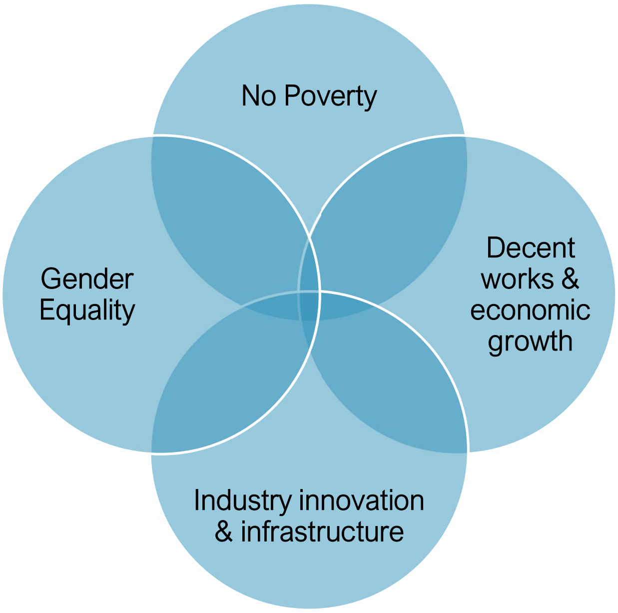
Kitting and Logistics

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

RMA

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

UN Sustainable Development Goals



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

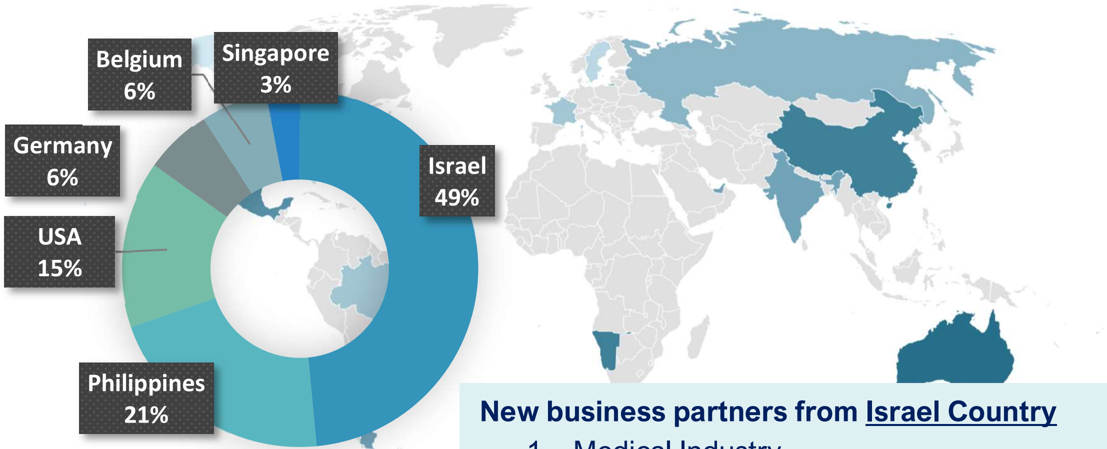
It has provided job opportunities even during the COVID-19 pandemic. It considers its workforce as one of the company's best assets thus, striving to provide a safe and healthy work environment for all.

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

2022 HIGHLIGHTS

NEW BUSINESS PARTNERS

IONICS DISTRIBUTION OF CUSTOMER PER COUNTRY



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

1. Medical Industry,
2. Wireless Connectivity Industry
3. Machine Safety Industry

CERTIFICATION AND COMPLIANCE

CERTIFICATION

bsi ISO 13485 Quality Management for Medical Devices CERTIFIED

Re-certification “November 2022.”

COMPLIANCE

Compliance in Safety “August 2022”

SAFETY SEAL

We follow safety and health protocols against COVID-19

REGISTRATION

Responsible Business Alliance
Advancing Sustainability Globally

December 2022

CORPORATE SOCIAL RESPONSIBILITY

PRC Blood Letting

Brigada Eskwela 2022

Management approach to Health and Safety:

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

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

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

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

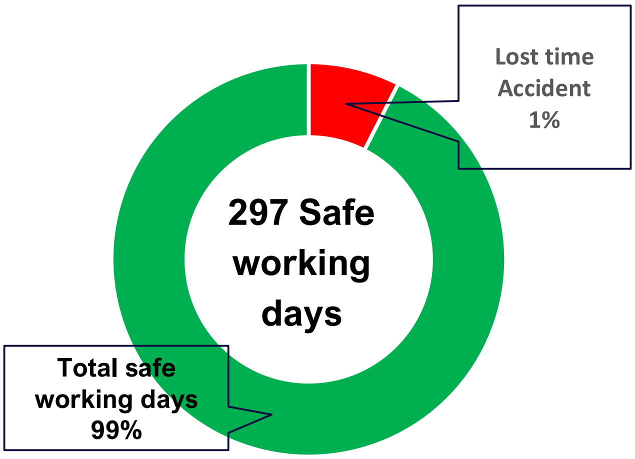
- During the pandemic Ionics implemented the toughest control measures to mitigate the entry of COVID per the COVID-19 Control Measures Manual.

- Ionics has awarded SAFETY SEAL CERTIFICATION from Department of Labor and Employment (DOLE) which only awarded to establishments who complies to Occupational Health and Safety (OSH) and Bureau of Working Conditions (BWC) requirements after series of inspections.

HEALTH & SAFETY

Goal: Zero – Accident / Incident occurrences

Emergency Response Team (ERT) Training



FIRE DRILL AND EARTHQUAKE DRILL

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

ETHICS AND COMPLIANCE

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

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

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

LABOR MANAGEMENT

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

Our hiring rate increased by 22.18%, with a total of 2,898 employees in 2022. This year we look forward to offering additional job opportunities particularly for the local community.

TRAINING & DEVELOPMENT

Ionics believes that organizational knowledge must be improved overtime and shared with the entire organization. We've invested in training programs designed to keep abreast of new trends as well as to improve skills and competencies.

In 2022, we completed 78 trainings on our training plan which surpassed the 2021 result of 31 **<u>with 40% improvement</u>**. Training focused on technical and industrial enhancements is an effort to improve overall job competence.

This 2023, Ionics Training Group aims to develop new training programs that boost employee's performance, motivation, satisfaction and morale which can result to more efficiency and competitiveness of the industry.

CORPORATE SOCIAL RESPONSIBILITY

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

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

We also invest on the welfare of our people and to increase their morale. In coordination with the LGU and LISP management, we supported the Brigada Eskwela 2022 in their objective to address the challenges and learning resource gaps of learners for face-to-face classes.

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

RISK MANAGEMENT

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

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

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

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

RISK MANAGEMENT

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

Risk	Affected Stakeholder	Management Action
Continuing Pandemic	Management Employees Customers Suppliers Other external parties	Implement programs that prohibit infection within the facility such as social distancing, virtual meetings and quarantine procedure
Unmet compliance obligations	Management Employees Customers Suppliers Other external parties	Constant monitoring of compliance obligations. Proper implementation of requirements
Improper Waste Management	Management Employees	Waste Management Programs Promotion of organizational awareness
High Turnover Rate	Management Employees	Understand reason of employee separation Improvement in labor management

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

SUPPLY CHAIN MANAGEMENT

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

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

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

ENVIRONMENT

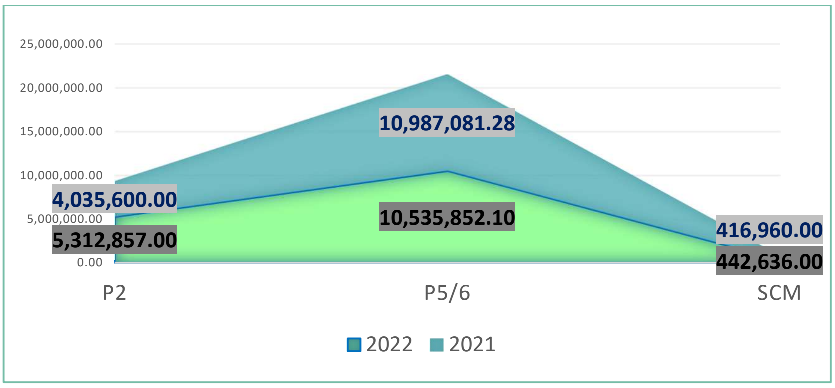
As an ISO 14001:2015 certified organization, we deliver programs that support a greener environment. It is part of our advocacy to establish an environment friendly business operation, maintained by our people through well-thought planning and effective execution of our environmental protection programs.

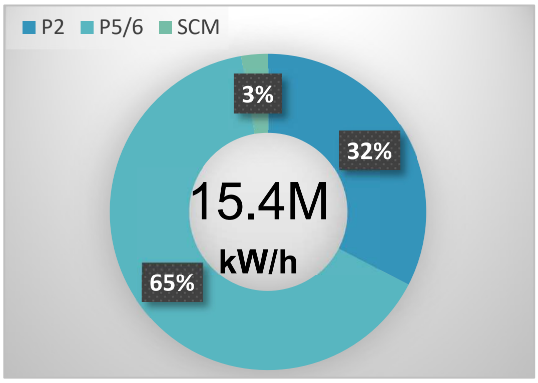
We create programs that are environment sensitive and are focused on minimizing our waste generation and proper waste management. We create our Objectives, Targets and Programs for the environment aligned with applicable compliance obligations and, of course, our internal commitments.

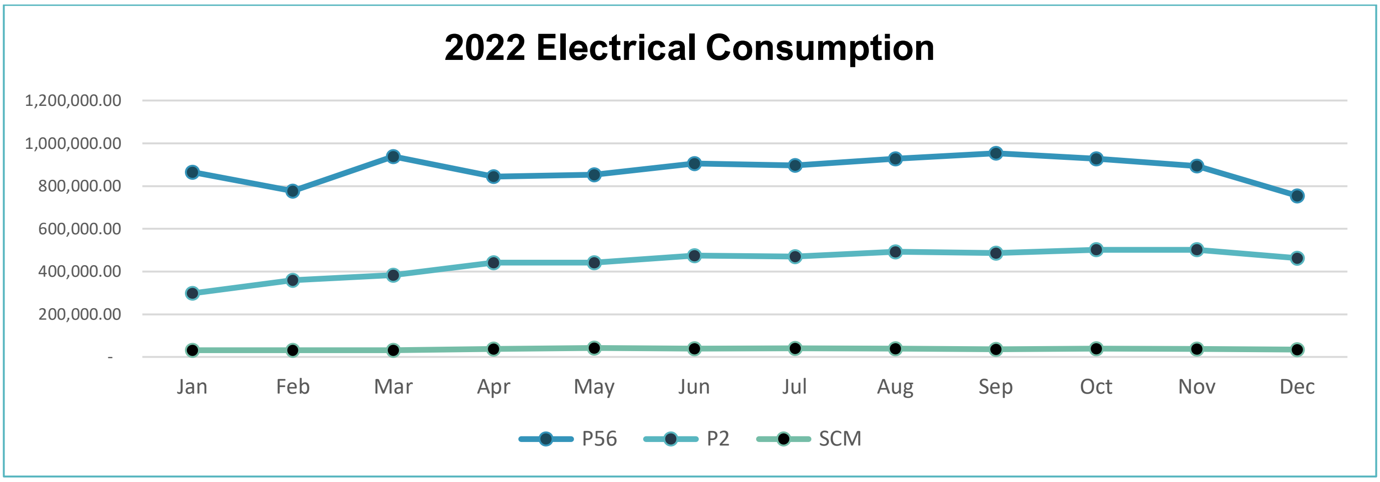
This OTP summarizes our policy, strategy and pledge adhering to environmental protection by reducing waste and emissions, decreasing our use of natural resources, prevention of pollution, and recycling waste materials while complying to applicable statutory and regulatory requirements. This environmental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

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

ELECTRICAL CONSUMPTION







Summary:

- Plant 2 had increased electrical consumption due to high demand volume, setup lines and equipment for new customer and relocation of Design and Development Group (DGG).

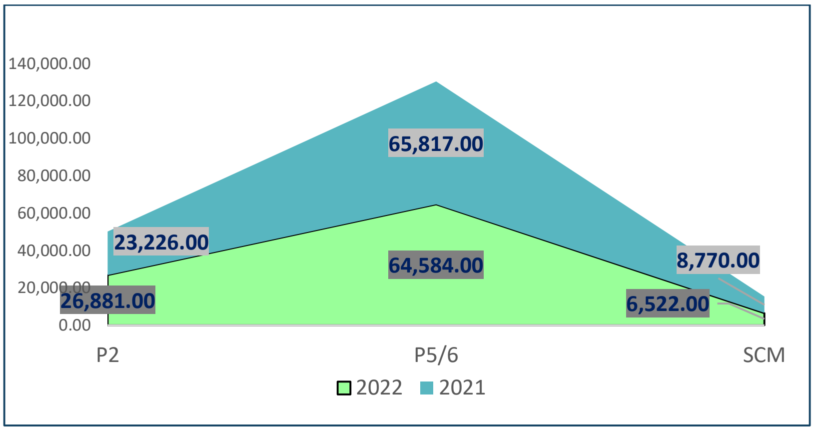
- Plant 5 & 6 had deceased electrical consumption due to implementation of energy conservation activity example is replacement of fluorescent lights to LED Lights.

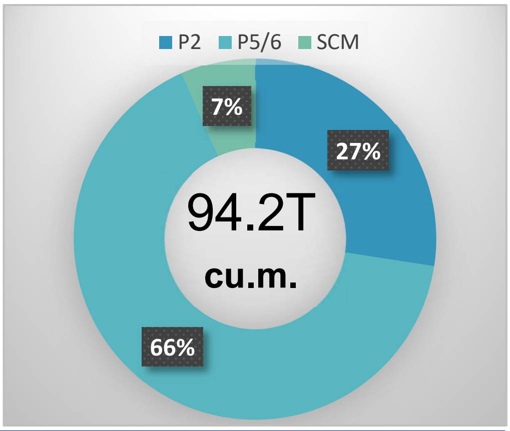
- SCM HUB had increased electrical consumption due to additional manpower to support new customers and SCM operations.

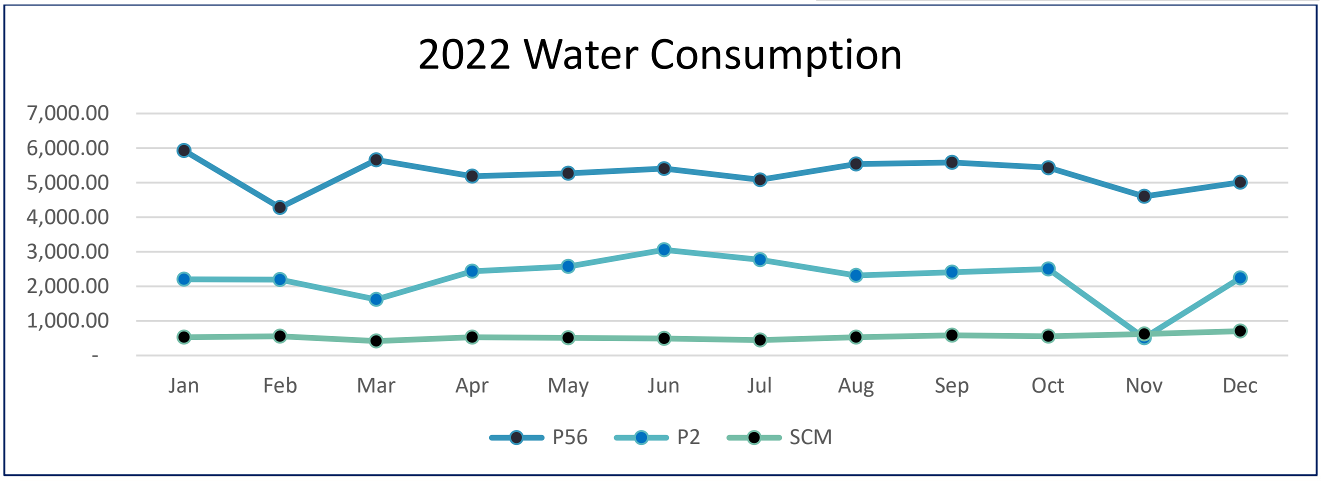
- Overall Electrical consumption increased due to acquisition of new customers.

ENVIRONMENT

WATER CONSUMPTION







Summary:

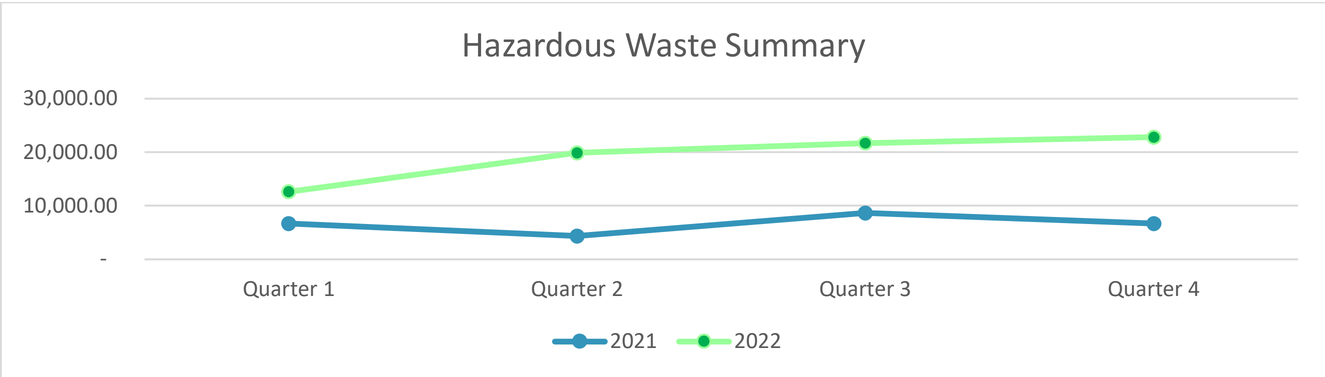
- Plant 5 & 6 had minimal decrease of water consumption due to removing of hand washing prior entering of company last November 2022.
- Plant 2 has increased water consumption due high demand volume, setup lines and equipment for new customer.
- SCM HUB increased water consumption due to additional manpower to support new customers and SCM operations.
- Overall water consumption increased due to acquisition of new customers.

WASTE MANAGEMENT

RESIDUAL WASTES

- High waste generation by 2022 vs. 2021 due to increasing of production capacity.

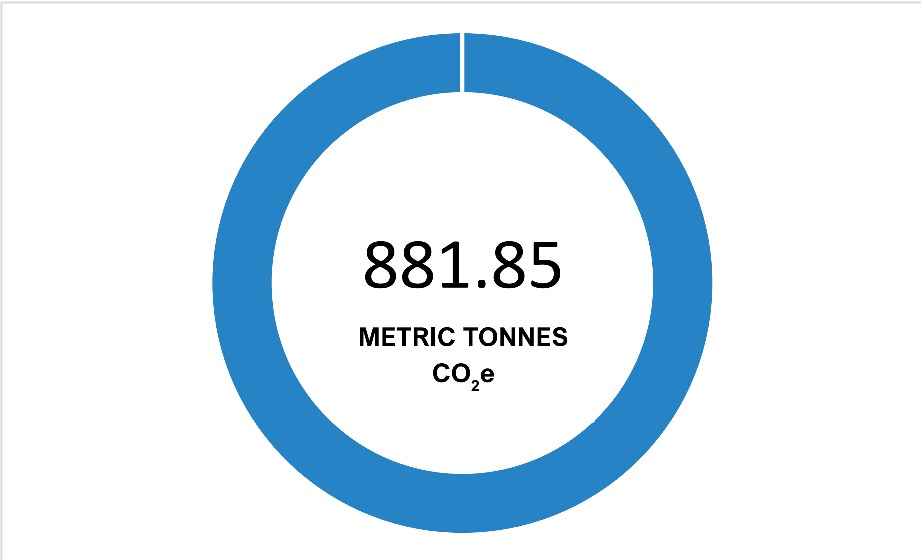
HAZARDOUS WASTES



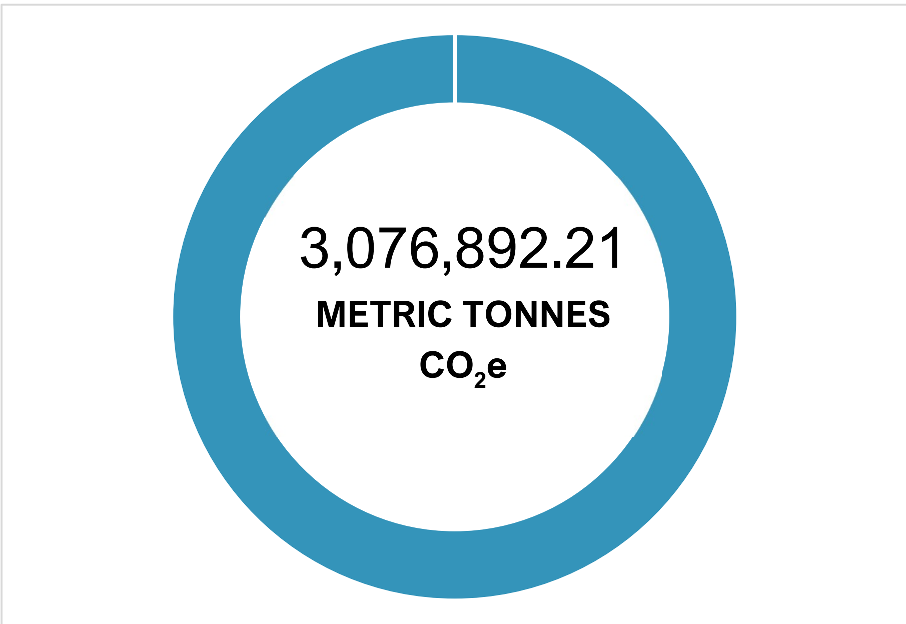
- Ionics has a hazardous waste area for the storage of all hazardous materials for Plants 2, 5 and 6.
- Hazardous waste was collected by a DENR-accredited hauler for all manufacturing plant sites.
- We manage all hazardous waste as per applicable regulatory requirement (RA 6969). We ensure that all hazardous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

GHG EMISSION

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



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



ECONOMIC SUSTAINABILITY

We have reached the two-year mark of the COVID-19 pandemic. Last 2022, has been another challenging year as the COVID-19 pandemic is unprecedented and staggering but have a positive outcome comparing to 2020 and 2021 revenue.

The new restrictions in COVID-19 have a positive impact to electronics market share which result to increase of market demand momentarily and expected better results this 2023.

Amount in USD $	2022	2021	2020
Direct economic value generated (revenue)	$78,356	$62, 468	$53, 725
Direct economic value distributed:			
a. Operating costs	$72, 228	$58,620	$52,060
b. Employee wages and benefits	$16,183	$14,509	$13,005
c. Payments to suppliers, other operating costs	$63,716	$37,742	$33,543
d. Dividends given to stockholders and interest payments to loan providers	$1,081	$633	$433
e. Taxes given to government	$1,284	$1,209	$1,059
f. Investments to community (e.g. donations, CSR)	$2	$1	$1

WELCOME 2023

This 2023, Our company aims to emphasize our business by providing utmost level of customer satisfaction in terms of producing high quality products and services that provide an integral part of people's lives. In addition, guided by this purpose, our company is promoting more efficient and effective use of resources that helps to increase the competitiveness of industry, stimulate innovation and secure the supplies of key resources. Lastly, our company creates a positive environment that boosts inspiration to everyone.

Mr. Larry Qua
CEO/Chairman

Our company continues to produce high quality of products and services by generating an attainable strategic business target such as workforce management, internal business process, customer satisfaction, people, innovation, growth and overall economic welfare.

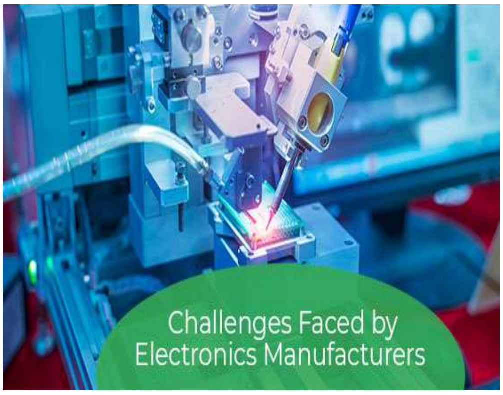
Our long-term corporate vision is to be on the world's technology map with innovative products and services. As we give our best and focus strategies on our priorities, we have set forth the following visions:

- Health and Safe Environment
- Marketing and Sales
- Organizational Development
- Operational Excellence
- Cost and Price Leadership
- Advanced Engineering
- Original Design Manufacturing

WELCOME 2023

The outbreak of COVID-19 disease has appeared as a massive restriction on the electronic products manufacturing market last 2020 until mid of 2022. As an affect, the supply chains were disrupted because of globally lockdowns imposed by the government.

The COVID-19 disease is remains, but restrictions have been lifted which has a positive impact to global electronics market grew. This 2023, the new challenge need to overcome is the war between Russia and Ukraine which disrupted the chances of global economic. The conflict between these two countries has resulted in the imposition of economic sanctions on the other countries thus increasing the commodity prices, disruptions in the supply chain and inflation across a wide range of goods and services.



To fight these challenges, our company will continue to build trust with stakeholders, rethink trade and supply chains, invest new technology and put our employees as a center of our business. In addition, our organization aims for sustainable development and look forward to more successful years!

ANNEX A:

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	IONICS EMS, INC.
Location of Headquarters	No. 14 Mountain Drive, Light Industry and Science Park II, Lamesa Barangay Road, Calamba, Laguna, 4027 Laguna
Location of Operations	1. Plant 5&6 Circuit Street, Light Industry and Science Park I, Bo. Diezmo, Cabuyao, Laguna, 4025 Philippines 2. Plant 2 Carmelray Industrial Park II, Calamba City, Philippines
Report Boundary: Legal entities (e.g., subsidiaries) included in this report*	Ionics EMS, Inc. Plant 5&6, Supply Chain Management (SCM), Head Office (HO)
Business Model, including Primary Activities, Brands, Products, and Services	Manufacture of Printed Circuit Board Assembly (PCBA), Box Build Assembly (BBA), FLEX Assembly
Reporting period	YEAR 2022
Highest Ranking Person responsible for this report	MR. LAWRENCE QUA

MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

Ionics EMS Inc.' Sustainability Report enables the stakeholders to understand our organization's true value, improve our products and services with main-focus on the following key indicators:

- Economic
- Environmental
- Social
- Governance Performance

Ionics EMS Inc. supports the mission of UN Developmental Goals. As such, the organization have developed goals and initiatives to protect the environment and its community (refer to the succeeding page foe the data).

We value our economic growth thus we always believe that success is our only option in this business arena. We can only do such by providing the best and quality products to our customers – we did. Ionics EMS Inc. will continue to exceed the expectations or our customers and stakeholders through good governance. Year 2019 has been a great year for Ionics EMS Inc.

We believe that the people are the best asset of the company thus we generate actions to safeguard our people. Our employees and contractors are the heart of the organization.

Lastly, we safeguard our environment because to protect the environment is equivalent to protecting our lives and the lives of the next generation.

The sustainability strategies have been set in place to improve these four facets – economic, environment, social and governance performance of Ionics EMS Inc.

ANNEX A:

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	2022	Units
Direct economic value generated (revenue)	$78,356	USD $
Direct economic value distributed:		
a. Operating costs	$72, 228	USD $
b. Employee wages and benefits	$16,183	USD $
c. Payments to suppliers, other operating costs	$63,716	USD $
d. Dividends given to stockholders and interest payments to loan providers	$1,081	USD $
e. Taxes given to government	$1,284	USD $
f. Investments to community (e.g. donations, CSR)	$2	USD $

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

ANNEX A:

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

CLIMATE-RELATED RISKS AND OPPORTUNITIES

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

ANNEX A:

PROCUREMENT PRACTICES

Proportion on Spending on Local Suppliers

Disclosure	***Quantity***	***Units***
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	31.79	%

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

ANNEX A:

ANTI-CORRUPTION

Training on Anti-Corruption Policies and Procedures

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

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

Incident of Corruption – Human Resource

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

ANNEX A:

Incident of Corruption – Customer Sales

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

Incident of Corruption – Non-Production Related

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

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

ANNEX A:

ENVIRONMENT

RESOURCE MANAGEMENT

Energy Consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	N/A
Energy consumption (gasoline)	950	liters
Energy consumption (LPG)	6250	kilograms
Energy consumption (diesel)	334.47	liters
Energy consumption (electricity)	15,911,119 KwH (Total Electricity Consumption)	Kilowatt / hour

Reduction of Energy Consumption

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
- Energy Conservation - Environmental impact is depletion of fossil fuels. It can occur in high electricity consumption. - Involvement in the impact are the production, offices and all the employee's and Management	- Community - Government - Employee - Top Management - Public and Private Sector	- Included in Ionics EMS, Inc. Environmental Policy - Organizational towards Environmental Concern - Training and Development - Included in Ionics Environmental Procedure in ISO 14001 (IEMSP432-01) - Legal Compliance > RA 11582 Energy Conservation Law > RA 9136 "Electric Power Industry Reform Act of 2001

ANNEX A:

What are the Risk/s identified?	*Which stakeholders are affected?*	*Management Approach*
- Variation of Consumption - Safety, reliability, efficiency, and energy costs must be weighed in conjunction with replacement costs and liability risk to formulate and prioritize recommissioning and retro-commissioning plans.	- Community - Employee	- Included in Ionics EMS, Inc. Environmental Policy - Organizational towards Environmental Concern - Included in Ionics Environmental Procedure IEMSP446-03
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Creating an Energy and Water Conservation Team - Training Awareness for Employees	- Community - Employee	- Included in Ionics EMS, Inc. Environmental Policy - Included in Ionics Environmental Procedure (IEMSP 446-03)

Water Consumption within the Organization

Disclosure	*Quantity*	*Units*
Water Withdrawal	N/A	Cubic meters
Water Consumption	469,063.00	Cubic meters
Water recycled and reused	N/A	Cubic meters

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

ANNEX A:

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

Materials used by the Organization

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

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

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

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Business Operation	- Community	- Included in Ionics Environmental Procedure IEMSP432-01 - Participation in the activity for Environmental Concern
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Land Development Expansion Project	- Community - Supplier - Employees	- Included in Ionics Environmental Procedures IEMSP431-01 - Implementation of IEC (Information, Education, Communication)
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Increasing Job Opportunities	- Community	- Implementation of IEC (Information, Education, Communication)

*Mount Makiling is under a protected area system under the Biodiversity Bureau. It is classified as a Forest Reserve within 26km from Calamba. Our manufacturing site is already operation for more that 20 years but there have been no reported effects of the operation to the habitat of the species along the area.

ENVIRONMENTAL IMPACT MANAGEMENT
Air Emission (GHG)

Disclosure	*Quantity*	*Units*
Direct (Scope 1) GHG Emissions	881.85	Metric Tonnes CO2e

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

ANNEX A:

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

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

ANNEX A:

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

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

SOLID AND HAZARDOUS WASTES

Solid Wastes

Disclosure	Quantity	Units
Total solid waste generated	300,809	Kg
Reusable	N/A	Kg
Recyclable	N/A	Kg
Composted	N/A	Kg
Incinerated	N/A	Kg
Residuals/Landfilled	100,767	Kg

Hazardous Wastes

Disclosure	Quantity	Units
Total weight of hazardous waste generated	76, 095	Kg
Total weight of hazardous waste transported	76, 095	Kg

ANNEX A:

What is the impact and where does it occur? What is the organization's involvement in the impact?	*Which stakeholders are affected?*	*Management Approach*
- Land Pollution - Water Pollution - Air Pollution - Health Hazard - Flooding	- Employee - Community	- Included in Ionics EMS, Inc. Environmental Policy - Legal Compliance > RA 6969 Toxic Substances and Nuclear Waste Control Act of 1990 > RA 9003 Ecological Solid Waste Management Act of 2000
What are the Risk/s identified?	***Which stakeholders are affected?***	***Management Approach***
- Environmental Cases - Pollution	- Community	- Included in Ionics EMS, Inc. Environmental Policy - Include in Ionics Environmental Procedure IEMSP 446-01
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Study the Environmental Laws	- Employee - Community - Government	- Training and Development

Effluents

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

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

ANNEX A:

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	2	PHP. 24, 500.00
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	non-monetary sanction
No. of cases resolved through dispute resolution mechanism	0	cases resolved

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

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

WORKPLACE CONDITION, LABOR STANDARDS AND HUMAN RIGHTS

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	5,440,032	Man-Hours
No. of work-related injuries	7	Injuries
No. of work-related fatalities	0	Fatalities
No. of work-related ill-health	0	Ill-health
No. of safety drills	2 per plant site	drills

ANNEX A:

Labor Laws and Human Rights

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

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

Topic	Y/N	If Yes, cite reference in the company policy
Forced Labor	Yes	Employment Contract and Undertaking / Job Description
Child Labor	Yes	Recruitment and Hiring Procedure
Human Rights	Yes	Code of Conduct

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

ANNEX A:

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: QP7-04B Supplier Quality Assurance Procedure

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental Performance	Yes	QP7-04B Item 6.3.0.4 Sustainability Requirement states that *"Ionics EMS Inc require suppliers to submit and comply in the sustainability requirement of ISO. The sustainability form (Supplier Declaration on Sustainability) is a declaration that the supplier warrants that its personnel are not abused and will ensure that they have program in place that the workers will be happy with their work and therefore will not resign".* Refer to the ENVIRONMENT statement of the Supplier Declaration on Sustainability form.
Forced Labor	Yes	Refer to the FORCED LABOR statement of the Supplier Declaration on Sustainability form.
Child Labor	Yes	Refer to the CHILD LABOR statement of the Supplier Declaration on Sustainability form.
Human Rights	Yes	Refer to the DISCRIMINATION statement of the Supplier Declaration on Sustainability form.
Bribery and corruption	No	

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

ANNEX A:

What are the Risk/s identified?	*Which stakeholders are affected?*	*Management Approach*
- Cannot meet Ionics delivery target and potential loss of business / client	- Customers, Employer, Employees, Suppliers	- Competency / skills enhancement of buyers a. Improve planning skills b. Improve communication skills c. Succession Planning Program d. Back up or BUDDY-BUDDY System
What are the opportunity/ies identified?	***Which stakeholders are affected?***	***Management Approach***
- Additional PO from the customers	- Customers, Suppliers	- Referral to other customer by existing customer

RELATIONSHIP WITH COMMUNITY

Significant Impacts on Local Communities

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

CUSTOMER MANAGEMENT

Customer Satisfaction

Disclosure	*Score*	*Did a third party conduct the customer satisfaction study (Y/N)?*
Customer Satisfaction	89%	No. Customer only

ANNEX A:

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

Health and Safety

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

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

ANNEX A:

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

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	978	Complaints on product
No. of complaints addressed	978	Complaints addressed

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

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

Customer Privacy

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

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

ANNEX A:

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

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

ANNEX A:

Data Security

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

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

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

SOCIAL

Employee Management
Employee Hiring and Benefits
Employee Data

Disclosure	Quantity	Units
Total number of employees	**2,898**	**Employees**
a. Number of female employees	**2,287**	**Employees**
b. Number of male employees	**611**	**Employees**

UN SUSTAINABLE DEVELOPMENT GOALS

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

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

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

ANNEX A:

IOMNI PRECISIONS, INC.

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

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

IONICS PROPERTIES, INC.

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

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

IONICS INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Ionics, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 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

Signed this 9th day of March,2023

MAR 09 2023 MAKATI CITY

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

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lawrence C. Qua	P0742041C	June 30, 2022	DFA Manila
Raymond C. Qua	P5737906A	January 24, 2018	DFA NCR South
Ronan R. Andrade	P6019614A	February 13,2018	DFA Lucena

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Book No. I
Series of: 2023

ATTY. ANNA LAUREN MARIE D. ORTEGA
Notary Public until 31 December 2023
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 9566297, Makati City, 03 January 2023
IBP No. 259734, Makati, 19 December 2022
Roll No. 79021, Appointment No. M-322

IONICS INC.

CERTIFICATION

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

1) That on behalf of Ionics, Inc. and Subsidiaries, I have caused this SEC Form 17-A, Annual Report as of and for the period ended December 31, 2022 to be prepared;
2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3) That Ionics, Inc. and Subsidiaries will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of March 2023.

LAWRENCE C. QUA
Affiant

MAR 09 2023 MAKATI CITY

SUBSCRIBED AND SWORN to before me this _____ day of ________ affiant exhibiting me his Passport Number P0742041C, issued on 30 June 2022 at DFA Manila and other evidence of identification.

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Book No. I
Series of: 2023

ATTY. ANNA LAUREN MARIE D. ORTEGA
Notary Public until 31 December 2023
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 9566297, Makati City, 03 January 2023
IBP No. 259734, Makati, 19 December 2022
Roll No. 79021, Appointment No. M-322

From: eafs@bir.gov.ph
Sent: Monday, 17 April 2023 11:47 AM
To: Corporate Accounting
Cc: Glen Amazona
Subject: Your BIR AFS eSubmission uploads were received

Hi IONICS INC,

Valid files

- EAFS000124671TCRTY122022-01.pdf
- EAFS000124671RPTTY122022.pdf
- EAFS000124671ITRTY122022.pdf
- EAFS000124671AFSTY122022.pdf
- EAFS000124671OTHTY122022.pdf

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- <None>

Transaction Code: **AFS-0-3YMVQW340MNVVRWRMS24211P0BLA6J95G**
Submission Date/Time: **Apr 17, 2023 11:47 AM**
Company TIN: **000-124-671**

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

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Apr 17, 2023 11:47 AM

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	0	7	4	3	2						

COMPANY NAME

IONICS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
844	06/17	2022/12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

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, 2022 and 2021, 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, 2022, amounted to US$36.96 million and accounts for 31% 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, 2022, 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, 2022, 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 7, 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)

	Attributable to the equity holders of the Parent Company										
	Capital Stock (Note 17)	**Additional Paid-in Capital** (Note 17)	**Retained Earnings** (Note 17)	**Unrealized Gains (Losses) on Financial Assets at FVOCI** (Note 11)	**Adjustment to Non-Controlling Interests** (Note 17)	**Exchange Differences** (Notes 12 and 14)	**Other Reserves** (Note 28)	**Treasury Shares** (Note 17)	**Total**	**Non-Controlling Interests**	**Total**
	For the Year Ended December 31, 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.

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.

<u>Future Changes in Accounting Policies</u>

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
b. 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

b. 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.

<u>Derecognition of Financial Instruments</u>
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.

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

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

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

<u>Other Income Recognition</u>
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.

<u>Costs and Expenses</u>
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.

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

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

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

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

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

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

Provisions

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

Contingencies

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

Segment Reporting

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

Events After the Reporting Period

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

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

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

Judgments

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

Revenue from contracts with customers

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

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

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

- Determining the measure of progress for revenue recognized over time
  The Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). 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.

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

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

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

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

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

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

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

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

The Group does not hold any collateral from its customers thus, the carrying amounts of cash 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**	**57,221**
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**	**3183**	–	–	**3,183**
Bank loans (Note 16)	**7,993**	**7,361**	–	–	**7,361**
Other liabilities					
Security deposits	**606**	**748**	–	–	**748**

December 31, 2021

	Carrying value	Total	Fair value measurement using: 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**	**US21,869**

	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
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.

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

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.

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

- 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.

<u>Group as Lessor</u>
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

<u>Iomni Precision, Inc</u>
- 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

Product Line	Date of Registration	Type of Registration	Income Tax Holiday (ITH)/ Gross Income Tax Incentive
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
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	**+1.0%**	**US$245**	+1.0%	US$319
increase rate	**-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**

	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.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Ionics, 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 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 Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at and for the year ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Alden

Maria Antoniette L. Aldea
Partner
CPA Certificate No. 116330
Tax Identification No. 242-586-416
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ionics, Inc. and its subsidiaries (the Group) as at for the year ended December 31, 2022 and 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 Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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March 9, 2023

IONICS, INC. AND SUBSIDIARIES

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

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
Ionics Properties, Inc	Rental 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$7,418	US$7,993
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.

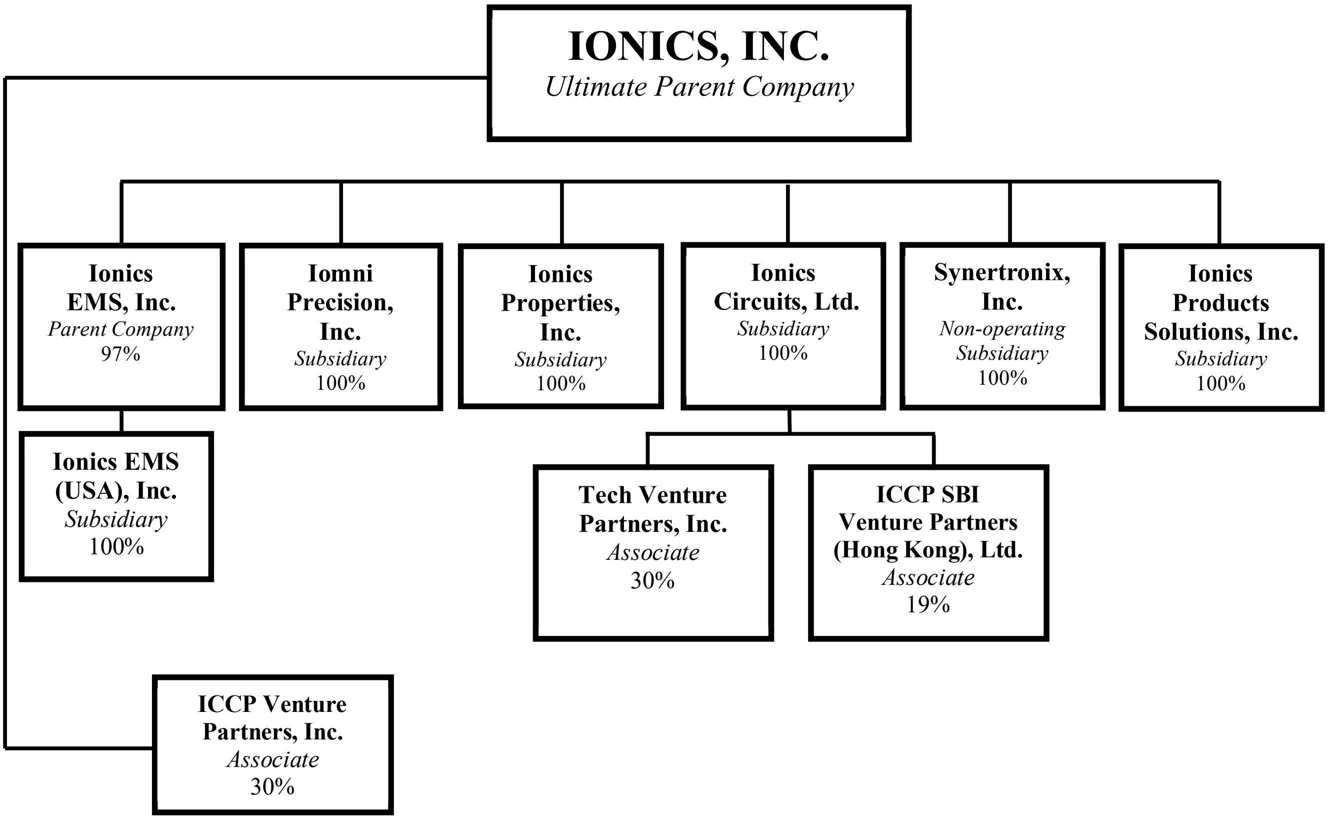
Schedule G. Capital Stock

				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:



IONICS, INC. AND SUBSIDIARIES
SCHEDULE OF COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group for the years ended December 31, 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.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022
(Amounts 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**

IONICS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

December 31, 2022

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

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

Annex C: Supplementary schedules required by Annex 68-J

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

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