2020 INTEGRATED REPORT

40 YEARS OF MANUFACTURING TECHNOLOGY AND INNOVATION

Steadily Increasing Relevance as a Global Force

ABOUT THE COVER

Surface Technology International, Ltd. (STI, Ltd.), a UK subsidiary of IMI, proudly took part in the Ventilator Challenge UK Consortium. They rose to the challenge from the British government to offer skills, expertise, and scale up production of ventilators in large volumes to save lives.

Integrated Micro-Electronics, Inc. (IMI) marked its 40th anniversary in the midst of an unprecedented global health crisis that has claimed millions of lives and has ravaged the global economy.

The COVID-19 pandemic has left many of us vulnerable. But it has also shown us how people across the globe can rally together to tackle the toughest challenges of our generation.

For IMI, 2020 was once again a year of collaboration and empowerment—of teamwork and action. The cover represents how we stood ready and equipped to respond to the crisis. We heeded to the call of many governments and other organizations for the sourcing and manufacturing of ventilators, as well as low-cost breathing aid solutions in caring for COVID-19 patients. By leveraging our manufacturing flexibility, we have successfully enhanced our capabilities in supporting a wider range of medical devices and equipment.

The end of the crisis is not yet in sight, but our concern for others has been and will be ever present. Our innovative spirit will remain central to our mission of bringing life-changing innovations to the world.

PROTECT SERVE PIVOT

AYALA GROUP'S RESPONSE TO COVID-19

The Ayala Group's commitment to nation-building became the focus, as COVID-19 brought the company's years of history, diversity, and experience to the fore.

"It has been truly inspiring to see how everyone has come together to offer help and find solutions to our daily challenges," said Fernando Zobel de Ayala, Ayala Corporation President and COO. "A crisis of this magnitude needs all sectors to step up and pitch in. As a member of the private sector, Ayala has a key role to play in recovery and nation-building. You can count on us," added Jaime Augusto Zobel de Ayala, Ayala Corporation Chairman and CEO.

The initiatives we led as a group were guided by our drive to protect our employees, serve the larger community, and pivot our businesses toward a new normal resilient to the impact of the pandemic.

1 AC Health opens COVID-19 referral centers
AC Health converted two QualiMed hospitals in Sta. Rosa and San Jose Del Monte into COVID-19 referral centers. To date, these hospitals have performed over 80,000 tests.

2 Manila and Quezon cities get a boost in COVID-19 testing from Ayala
Donated by the Ayala Group, the City of Manila opened a new molecular laboratory inside Sta. Ana Hospital, with serology testing being offered in various *barangays* for free. Ayala also donated two GeneXpert PCR machines.

Likewise, Quezon City received a Bio Rad PCR machine for its newly constructed Quezon City Bio-Molecular Laboratory. An additional PHP4.5 million worth of supplies for PCR pooled testing were also donated by Ayala and the LGU's partners.

3 Ayala donates testing facilities for Davao
Ayala donated an automated RNA Extraction machine and two RT-PCR machines to Davao City's Southern Philippines Medical Center, allowing the hospital to test as many as 1,000 more patients a day.

4 Swabbing booths are donated
Ayala donated booths for the government's four main swabbing centers: Palacio de Maynila Tent along Roxas Boulevard, the Mall of Asia Arena in Pasay City, Enderun Colleges in Taguig City, and the Philippine Arena in Bulacan.
Photo by: KrizJohn Rosales of Philippine Star

5 Ayala group donates to Red Cross
With Bank of the Philippine Islands and Globe Telecom, Ayala helped the Philippine Red Cross address critical needs in public health protection.

6 A 502-bed mega isolation facility is created in seven days
The World Trade Center (WTC) We Heal as One Center was made possible through the collective efforts of Ayala, Ayala Land, Globe Telecom, Manila Water, Integrated Micro- Electronics, and AC Energy, with the ICCP Group and Manila Exhibition Center Inc. (MEC) and in partnership with the Bases Conversion Development Authority (BCDA) and the National Government. The Ayala Group of Companies pooled PHP46.4 million for this project.

7 Project Ugnayan reaches out to Metro Manila's most vulnerable
With the Philippine Disaster Relief Foundation and Caritas Manila, Ayala convened 270 private corporations and raised PHP1.7 billion for food vouchers and donations, benefitting around 14 million individuals in the Greater Manila Area. Visit www.projectugnayan.org
Photo by: Xyza Bacani

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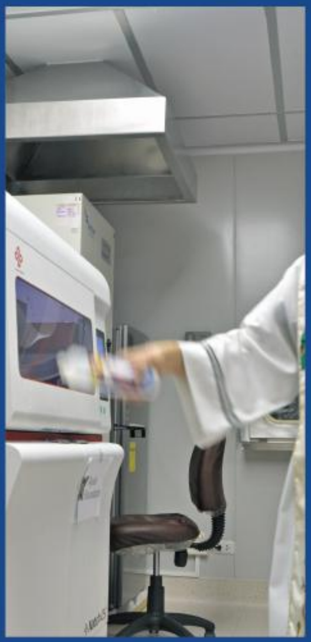
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"A crisis of this magnitude needs all sectors to step up and pitch in. As a member of the private sector, Ayala has a key role to play in recovery and nation-building. You can count on us."

Jaime Augusto Zobel de Ayala
Ayala Corporation
Chairman and CEO

"It has been truly inspiring to see how everyone has come together to offer help and find solutions to our daily challenges."

Fernando Zobel de Ayala
Ayala Corporation
President and COO

8 **IMI creates an affordable alternative for ventilators**
The University College London's (UCL) Ventura Flow Generator is the first breathing aid to be manufactured in the Philippines, localized by Integrated Micro-Electronics Inc.'s (IMI) UK subsidiary's technology. It received FDA approval in July 2020.

9 **MWF pushes for hygiene awareness and creates facilities**
Manila Water Foundation (MWF) continues to build new and rehabilitate existing handwashing facilities and distribute hygiene packages under MWF's banner program, "WASH in Pandemic."

10 **Ayala looks after employees through testing**
The Ayala Group's immediate response to COVID-19 was to protect its employees, both financially and physically. Visit https://chronicle2020.ayala.com

11 **Ayala Land (ALI) converts Red Cross Laboratory COVID testing**
ALI's Makati Development Corporation (MDC) converted an area inside the Philippine Red Cross headquarters in Mandaluyong City into a biosafety laboratory class 2 facility. MDC has since built six other COVID-19 facilities nationwide.

12 **High-speed Internet access for Pasig**
Globe Telecom and the local government of Pasig City partner up to deliver high-speed and affordable Internet access through GoWiFi and KonekTayo WiFi.

13 **Internet access for students of Manila**
Globe Telecom's KonekTayo School Bus WiFi was launched in Manila, helping students avail of the KonekTayo WiFi service for as low as PHP15 a day.
Photo Credit: Marianne Bermudez of Philippine Daily Inquirer

14 **AC Health and Qualimed launch a vaccination drive**
Dr. Edwin Mercado, Vice-Chairman of QualiMed's founding group Mercado General Hospital, Inc. (MGHI), was the first healthcare worker outside of Metro Manila to be vaccinated with the AstraZeneca vaccine.

Stringent sanitation protocols

About IMI

OUR VISION

The leading INNOVATIVE partner for CUSTOMIZED solutions. Our PEOPLE deliver the highest quality experience.

OUR MISSION

Passionately create a unique product realization experience that our partners love.

OUR CORE VALUES

Integrity
Honesty, trustworthiness, and consistency in words and actions

Customer Focus
Building a strong partnership with customers by providing excellent and mutually beneficial solutions

Concern for Others
Caring for co-employees, community, and country

Excellence
Doing the best and continuously exceeding expectations

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ABOUT THIS REPORT:
BUILDING A UNIFIED CULTURE TOWARDS SUSTAINABLE MANUFACTURING

With our customers' products in almost every country in the world, IMI brings cutting-edge technology to our everyday lives.

Founded in 1980 in the Philippines, IMI has been enabling innovative solutions and technology firsts through electronics design, development, and manufacturing.

Today, we operate as a truly global company whose customers are diverse in many ways. The challenges are different. The cultures are different. The risks are different. The end markets are different. More than ever before, customers require guidance in navigating the wide range of complexities and opportunities in our operating environment.

That is why we excel in custom-tailoring our work to fit customer needs. We focus on building a stronger portfolio: one that spans regions and sectors; one that allows customers to benefit from our expertise, scale, and efficiency. And above all, we continue to build a unified culture that is powered by a deep commitment to form strategic partnerships and make positive contributions to our stakeholders.

From 100 employees within a single site, 40 years ago, we have grown to a 15,000-strong workforce across 21 sites, charting a path forward for sustainable technology because the future depends on it.

2020 AT A GLANCE

20th in the list of top EMS providers*

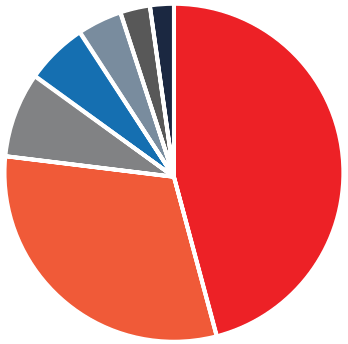
6th largest in the automotive EMS market**

14th in the list of top EMS/ODM providers in Europe***

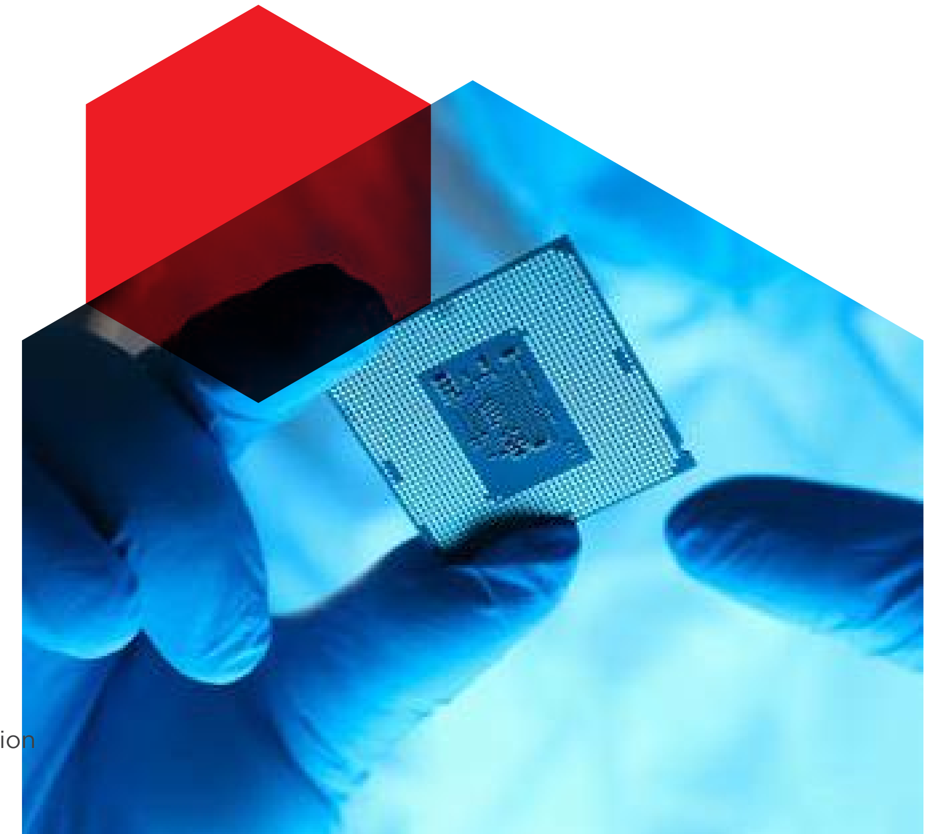
*Manufacturing Market Insider 2020
**New Venture Research 2020
***in4ma Marketresearch & Analyses 2020

(in US$ millions)	2020	2019	2018 (As Restated)
Key Performance Indicators			
Revenues	1,135.8	1,250.4	1,349.4
Net Income (Loss)	(3.5)	(7.8)	47.2
EBITDA	58.9	41.4	72.2
Financial Position			
Total Assets	1,133.7	1,096.3	1,077.2
Capital Expenditures	18.7	38.8	65.0
Financial Ratios			
Return on Equity	-0.8%	-2.0%	13.9%
Current Ratio	1.54	1.49	1.31
Debt-to-Equity Ratio	0.41	0.55	0.79
Stock Information			
Stock price (year-end) (in PHP)	9.10	7.89	10.60
Issued and outstanding shares	2,217,293,215	2,217,293,215	2,217,293,215
Market capitalization (in PHP)	20,177,368,257	17,494,443,466	23,503,308,079
Earnings/(Loss) per Share	(US$ 0.002)	(US$ 0.004)	US$ 0.022
Common Dividend per Share	-	US$ 0.00201/ PHP0.10542	US$ 0.00458/ PHP0.235

Revenues by Market Segment



Consumer 8%
Telecom 6%
Aerospace/Defense 4%
Medical 3%
Multiple Markets 2%
Automotive 46%
Industrial 31%



Company Highlights

Ventilator manufacturing at STI, Ltd.

IMI celebrated 10 years as a publicly listed company

VIA optronics was listed on the New York Stock Exchange (NYSE)

IMI Philippines built prototypes of an alternative ventilator solution

Value Distributed *(in US$ millions)*

Operating Costs
2020 916.4
2019 1,027.2

Wages and Benefits Paid
2020 215.6
2019 226.8

Taxes Paid
2020 9.4
2019 10.2

Dividends Paid
2020 -
2019 4.4

Sustainability Impact

15,834	Total Employment
1.4M CUBIC METERS (EXCLUDING VIA GERMANY AND CHINA, AND VTS JAPAN)	Water Consumed
503 TON CO2e	Scope 1
93k TON CO2e	Scope 2
1.9k TON CO2e	Scope 3
98.4%*	Hazardous Waste Recycled and Recovered
209k*	Plastic Waste Recycled and Recovered

*Philippines Only

GLOBAL FOOTPRINT

Onward to the next 40 years of IMI, from our 21 manufacturing sites across 10 countries, we shall continue to provide technology solutions that push the boundaries of global electronics manufacturing. We will press forward in exploring synergies, partnerships, and ventures in the areas of new technologies and emerging markets.

We are beyond ready to take the next giant leaps into the future.

15,834
TOTAL HEADCOUNT

423,775 M²
TOTAL FACTORY SPACE

Jaime Augusto Zobel de Ayala
CHAIRMAN

MESSAGE FROM **THE CHAIRMAN**

Dear Shareholders,

Five years ago, we at the Ayala group set ambitious growth plans for 2020, viewing it as the next waypoint in our long-term strategic planning cycle. No one back then could have foreseen the emergence of COVID-19 and the disruption it would cause across the globe. As of this writing, the virus has claimed over 2.6 million lives globally and caused the global economy to shrink by four percent year over year, demonstrating the vulnerability of our increasingly interconnected world. Almost no industry was spared. Unlike previous crises, which tended to affect certain sectors disappropriately, it was a rare business that did not have to contend with the pandemic's economic, human, and technological impact. In addition, across the global manufacturing sector, the industry continued to face several pre-existing headwinds, such as tightening supply chains, intensified competition, and geopolitical conflicts.

It was against this unprecedented economic backdrop that IMI proved its resiliency. The company felt the impact of COVID-19 almost immediately. The factories in China cut back dramatically on production through January as the health issues reached crisis proportions. IMI faced varying levels of disruption in all operating sites across the globe. From the United Kingdom, to Serbia, to Japan, and to its global headquarters in the Philippines, the company's financial, operational, and technological strengths were put to the test.

Despite these remarkable challenges, IMI finished 2020 in a better financial position than the previous year, all while retaining its position as a top 20 electronics manufacturing solutions provider and achieving several key milestones that underscored the company's operational flexibility and innovative approach. Business performance recovered strongly in the second half as global manufacturing demand returned close to pre-pandemic levels. IMI deployed its global footprint and suite of capabilities to help mitigate the human and economic impact of the pandemic by leveraging its expertise in high reliability manufacturing to provide leading edge medical technology solutions. Among these products is a commercialized non-invasive ventilator for COVID-19 patients. A key subsidiary, VIA optronics, also successfully went public in the third quarter of 2020, helping validate IMI's strategy of creating proprietary platforms to help it remain competitive in an increasingly technology-driven world. And as the core manufacturing platform of AC Industrials, IMI provided a strong base for the group's other portfolio companies, in particular the KTM joint venture and our Merlin Solar startup, to continue to develop and grow through the pandemic.

As IMI embarks on its fifth decade of operations, allow me to offer a few key reflections as we look ahead.

First, the relative swiftness of the recovery in global manufacturing, versus other sectors, has illustrated how well organized, globally competitive platforms in the industry can add diversity and economic value to individual business groups and to economies.

Second, the uncertainty that permeates the medium term, as the health issues start to be addressed, requires continued prudence as we seek to preserve our gains.

Third, as we gradually move into the new normal, we will continue to rebuild our manufacturing capabilities while remaining aligned with the long-term megatrends of mobility, connectivity, and smart energy that hold the key to the company's growth and global competitiveness.

And finally, this "reset" now offers a fresh opportunity to accelerate IMI's ongoing initiatives to integrate sustainability into the fabric of our strategy, operations, and institutional culture.

2020 was not an easy year—for IMI, the Ayala group, and the Philippine and global economy. We are eager to move forward and capitalize on the opportunities that have appeared as a result of this economic upheaval. On behalf of the Board, I would like to thank our over 15,000 employees worldwide for their commitment, openness, and collaboration, and to our broader stakeholder community for the trust you continue to show in IMI.

Jaime Augusto Zobel de Ayala
CHAIRMAN

IMI China

REPORT FROM THE PRESIDENT AND CEO

Arthur R. Tan
PRESIDENT & CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholders, Employees, Partners, and other Stakeholders,

2020 was a period of sweeping change across the world. Though COVID-19 has taken its heavy toll on global health and international commerce, we at IMI are fighting back and contributing to society's rise against this pandemic.

Arthur R. Tan
PRESIDENT & CHIEF EXECUTIVE OFFICER

OPERATING ENVIRONMENT:
A YEAR LIKE NO OTHER

Advanced driver-assistance systems

COVID-19 brought the global economy to its knees, halting mobility, commerce, travel, and manufacturing to an unprecedented scale. Coming from a 2.9 percent growth in 2019, the global economy was estimated to grow at 3.3 percent in 2020. By the end of the year, the global GDP contracted by 3.5 percent with hopes of an upswing recovery in 2021 hinged on the rollout of vaccines.

In the context of manufacturing, based on the JPMorgan Global Manufacturing PMI (Purchasing Manager's Index) compiled by IHS Markit, global output was on a deep contraction mode between February and June when most regions were in heavy lockdowns. The steepest decline was in May with a global index of 39.6. By the third quarter, business activities started to pick up and by the end of December, the index was at 53.8, already in expansion territory. This was also reflected in the global industrial production output which fell by more than 15 basis points in the second quarter, but was able to recover by December to almost the same levels before the pandemic started.

In the same way, worldwide semiconductor sales rebounded in the second half of the year and finished the year higher by 6.5 percent to US$439 billion according to Semiconductor Industry Association. As more employees shifted to work from home and students moved to online classes, the demand for consumer electronics and cloud computing services has surged after six years of decline and despite the negative growth that most economies experienced during the year. Specifically, global shipments of traditional PCs, including desktops, notebooks, and workstations, grew 13.1 percent year-on-year to 302.6 million units according to International Data Corporation. This increase in the computing sector balanced the market declines in automotive, consumer, and telecommunications. Growth in the electronics manufacturing services (EMS) industry was estimated to be flat in 2020.

The automotive sector was one of the largest sectors affected by the pandemic with automotive light vehicle unit sales falling by more than 22 percent in the first half. By the third quarter, global sales began to recover, led by China which already exceeded their pre-pandemic demand. The year ended with a global unit sales decrease of 14 percent compared with the previous year with an ongoing recovery that is estimated to be at 8 percent in 2021.

Electric vehicles (EVs) tell a different story. Global EV sales rose 43 percent to reach 3.24 million units for the first time, and their global market share increased to 4.2 percent in 2020 from 2.5 percent in 2019. Plug-in hybrid and EV accounted for more than 1 in 10 vehicle registrations in 2020, up from 1 in 30 in 2019. Consumer demands for EVs were further propped up by the need to be safe and protected while being conscious of the environment.

In other related markets, IT spending and consumer electronics fell by 3 percent and 5 percent, respectively, as global retail sales dropped by 3 percent. There were also upsides in the market such as global E-commerce which went up by 27.6 percent. Semiconductors were also up 6.5 percent buoyed by more electrification in automotive, electric vehicle charging, bedside telemetry, remote health monitoring, and smart home networks.

EV charging station

The demand for medical devices continues to increase, but the manufacturing of medical device units declined by 4.4 percent in 2020 as supply chains across all regions were hampered by the lockdowns and protocol changes in shipments. Ventilators are among the only few that experienced an increase in production as governments allocated resources and funding for immediate deployment.

Consumer demand for EVs were further propped up by the need to be safe and protected while being conscious of the environment.

In the energy sector, electricity generated from wind and solar sources has doubled over the last five years coinciding with a steady decrease in global coal production. China continues to be the world's leader in coal production and power but also leads the world in new renewable power installations. In 2020, the demand for electricity from renewable sources went up by 3 percent. Almost 90 percent of new electricity generation in 2020 will be renewable, with just 10 percent powered by gas and coal. The trend puts green electricity on track to become the largest power source in 2025, displacing coal, which has dominated for the past 50 years. In particular, solar photovoltaic is now the cheapest source of electricity in most countries.

Automotive solar photovoltaic system

PERFORMANCE HIGHLIGHTS:
CLIMBING BACK FROM THE DEPTHS OF THE CRISIS

At IMI, 2020 was a tale of two halves. Between February and June, economies were ravaged and entire countries forced to lockdown. In the face of uncertain futures, we approached the second half of the year as a chance to prove our mettle and rebound stronger. By growing 39 percent between the two halves, IMI delivered full-year revenues of US$1.14 billion compared to US$1.25 billion in 2019. Through streamlining of our operating structure and focusing on manufacturing efficiency, we were able to reduce our net loss to US$3.5 million, an improvement from the prior year's loss of US$7.8 million.

We implemented an organizational transformation to address the fast-changing dynamics in the market and continue delivering value to our stakeholders.

IMI China

Wholly owned businesses posted US$867 million of revenues led by our focus segments—automotive with US$490 million and industrial with US$262 million. Although first to be affected by the pandemic, our manufacturing teams in China responded swiftly and effectively to minimize major business disruptions, and ended the year with a net income of US$8.8 million, a significant improvement against a net loss of US$3.2 million in 2019. We likewise managed to turn in a net profit of US$5.3 million in Europe and North America as a result of cost-saving measures and rapid recovery of global automotive production. In the Philippines, we recorded a net loss of US$12.8 million due in part to complex logistical and manpower issues stemming from country-wide difficulties.

Subsidiaries Via optronics and STI Ltd. finished the year with US$269 million of combined sales, a nine percent growth from the previous year. Net loss was at US$3.1 million, an improvement against 2019's loss of US$6.1 million. By nurturing skilled talent and continued to expansion of capabilities, both VIA and STI were able to execute for emerging demand within the global pandemic.

Despite COVID-19 halting most of global travel throughout the year, our sales teams secured new business wins amounting to US$234 million of annual revenue potential for IMI wholly owned subsidiaries. Through a strategic move to diversify within IMI target segments, project wins in the industrial segment now take up a 39 percent share of total annual revenue potential, up from 22 percent in 2019. Meanwhile, STI Ltd. overcame the continued uncertainty of the Brexit situation and won new manufacturing programs worth US$118 million of total project revenues.

BUSINESS REVIEW:
COMING OUT STRONGER AND BETTER EQUIPPED

As the COVID-19 pandemic unfolded with much uncertainty, we implemented an organizational transformation at the start of 2019 to address the fast-changing dynamics in the market and continue delivering value to our stakeholders. Among the initiatives outlined, IMI institutionalized global key functions such as Technology (CTO), Operations (COO), Procurement (CPO), and Commercial (CCO). This also coincided with the expansion of the core support groups' scope in the areas of finance, human resources, and information and communications technology. These efforts were crucial in helping IMI face an already challenging year, enabling the group to come out stronger and better equipped to succeed in today's new normal, at the cusp of the age of disruption.

MANAGING EFFICIENT OPERATIONS

With reduced market demand in key sectors like automotive, coupled with government mandated lockdowns in China, the Philippines, and Mexico, as well as shutdowns in Europe, the company's facilities experienced considerable dips in manufacturing activity. To mitigate these constraints, IMI's regional management teams secured various employee-related government subsidies, thereby reducing operating costs while implementing global cost saving initiatives. Furthermore, our domestic production offices closely worked with local government units to allow production for essential business lines in medical, connectivity, and mobility segments.

Even during difficult situations, overall quality and on-time delivery remain paramount to IMI. Manufacturing performance metrics across IMI's 21 production sites were monitored daily and managed by the global Industrial Excellence group providing management a real-time window for critical and predictive decisions that drive efficiency and profitability.

To seamlessly manage operational compliance to quality standards and directly monitor key statistics, Corporate Quality was integrated into the global operations group. In 2020, critical metrics such as global IPB (Incidents Per Billion) have improved with a 74 percent reduction from previous year, while CONQ (Cost of Non-Quality) and CSAT (Customer Satisfaction) were within global targets at 1.01 % (target: <1.2 %) and CSAT rating 4.53 (target: 4.50), respectively. These improvements can be attributed to the continued implementation of the Quick Reaction Quality Control (QRQC) discipline a proactive risk-based thinking that aims to achieve zero-defect mindset.

With the aim to pursue digitalization of processes within the manufacturing operations, IMI's Global Manufacturing Solutions (GMS) group was established. The group spearheads the Industry 4.0 initiatives across all factories to provide speed, control, and visibility through a smart platform that delivers configurable dashboards. Discrete manufacturing data is fed to the dashboards showing real-time key performance indicators accessible on mobile interfaces. Through this platform, IMI team members across the globe are able to remotely contribute to maintaining the company's principle of LEAN manufacturing across all facilities.

IMI Mexico

AMPLIFYING CUSTOMER FOCUS AND GROWTH

With unpredictable demand and varying customer needs, IMI's Commercial group channeled all efforts to sustain momentum and accelerate growth despite a significant reduction in face-to-face meetings, events, and tradeshows caused by the global outbreak. Nevertheless, the group took advantage of the available time and resources to drive more value through programs and initiatives involving new tools, and process redesigns through training and upskilling.

The company's commercial group is composed of all the regional sales directors and heads of major business units. It was established with a balanced portfolio tapping on horizontal markets for mobility and industrial, and vertical markets for the power module and camera businesses. Apart from shifting sales focus to higher margin segments, part of the strategy was to also achieve shorter gestation periods for revenue generation and to focus on more box build and system assemblies. The group also optimized and expanded the businesses with its key customers through account sharing and key account management to tap regional and global opportunities.

Re-calibrating supply chain strategies

Among the key programs implemented by the group are the contract life management program which automates and streamlines contract processes during key stages, enhancement of pipeline deals information report, and improved request for quotation (RFQ) process.

The continuous effort of the group to expand IMI's customer base resulted to new program wins totaling US$234 million of annual revenue potential from a total of 876 request for quotations. The won business portfolio remains dominated by the mobility segment, taking 55 percent on the total pie. In line with IMI's initiative of diversifying within key focus segments, programs in the industrial segment have reached 39 percent of total wins, significantly greater than 2019's level of 22 percent.

RE-CALIBRATING OUR SUPPLY CHAIN STRATEGIES

COVID-19 proved to be a disruptive catalyst for many global organizations like IMI to reassess global supply chain strategies. With the rapid turn of events, we responded to immediate challenges as they happened, while initiating strategic plans to adopt digital supply network models and capabilities. Throughout the year, we endeavored to make our supply chain more resilient without sacrificing competitiveness. We mapped the full extent of our supply network and identified both direct and indirect sources. We addressed vulnerabilities by rallying our suppliers and stockpiling essential materials.

Towards the end of 2020, as the automotive sector moved towards a sharp rebound, we started to feel the impact of a global component shortage particularly with automotive integrated circuits. Based on the ongoing trend, the supply levels are expected to remain critical in the first half of 2021. Our strategy is to plan production based on available key parts and to strengthen our supply reach to ensure delivery of confirmed quantities. We also continuously maintain close communication with customers and suppliers to warrant planned allocations.

PROVIDING TECHNOLOGY AND PLATFORM SOLUTIONS

Despite a challenging year, the technology group streamlined its focus to be more accessible to customers and continued to provide innovation and product solutions across all customer-focused units.

Within our mobility segment, we supplied key product solutions for critical and environmentally focused systems including pump electronic control units (ECUs), motor controls as well as full telemetry systems utilizing an internally developed platform that provides automotive grade traceability and system monitoring for vehicles. Our US teams achieved strong development wins and delivered complex electronics, including smart motor sensors, medical devices as well as new technologies for the growing EV market.

Our progress in the Internet of Things (IoT) has been extensive with increasing platform solutions we continue to develop while offering a fast response to customer projects. These include key partnerships with global platform providers that enable and ensure hardware to support platform and service needs, including 4G/5G, NB IoT/CAT M1, GPS/Satellite, and a multitude of sensors that provide real-time data solutions.

In Asia, our China team continued to provide fast delivery of industrial and Human Interface Machine (HMI) solutions supporting our China facilities' high-volume product lines, while supporting international projects on sensors, communication, and HMI products.

Our technology group streamlined its focus to be more accessible to customers and continued to provide innovation and product solutions across all our customer-focused units.

At IMI's core is our automotive customer relationships and we continued to provide vision systems supporting progression into the new era of mobility. The systems provide critical vision solutions, including Surround-View, E-Mirrors, ADAS, Driver Monitoring, as well as a technical platform for LiDAR and future segment requirements within the camera and vision technologies.

With the growth in vehicle electrification and power needs across multiple segments, our power module business carried on to provide high-reliability modules and solutions, while our technology group focused on ensuring that our service offering and capabilities are aligned to provide the new technology requirements in this sector.

Moving forward, the team will continue to provide exceptional service offerings to our customers across all our segments. We will ensure that our platforms and technology capabilities are at the leading edge of our customer journeys to provide a true collaborative offering.

UNLOCKING THE VALUE OF DIGITALIZATION

Before the pandemic, IMI had already outlined its plan to undertake a digital transformation journey. It involved a three-fold scalable plan: Digitization, Digitalization, and Digital Transformation. The pace of implementation was effectively hastened when COVID-19 disrupted business and manufacturing activities.

The company's Information and Communications Technology (ICT) division had the responsibility of the overall vision of IMI's digital transformation with collaborative help from all the global support groups. The plan focused on building a robust infrastructure to support a broad range of new demands while keeping in mind key strategic priorities—business productivity, infrastructure optimization, security and compliance, and a mature ICT community.

To ensure business productivity, we refined our business continuity plans (BCP) and maintained safety in our manufacturing sites through development of manpower monitoring, contact tracing system, health declaration system, and other directives. Most notably, we built a trusted ecosystem for all our online platforms to facilitate remote work arrangements.

At the same time, we eliminated inefficiencies and redundancies, simplified processes, and managed information more proficiently. We continually improved the company's enterprise resource systems and benchmarked traceability systems and "Poka-yoke" (mistake proofing) across all sites.

Automotive sensors

In infrastructure optimization, we saw an increase in quality and speed of service as we took advantage of modern platform technologies. We implemented a cloud adoption strategy (adopt-cloud first), a business practice that aims to utilize cloud service as much as possible, focusing on resiliency and migration to the latest platforms and change management improvement systems.

In the area of security and compliance, we focused on strengthening cybersecurity and privacy by conducting activities to bolster cyber security controls and resource allocation as well as upgrades to ensure the security of the company's confidential information. Our ICT group also partnered with Internal Audit and Enterprise Risk Management (ERM) team in the deployment of Information Security Management System (ISMS), Business Contingency Planning (BCP), and Business Impact Analysis (BIA).

IMPROVING EFFICIENCY THROUGH DIGITAL TRANSFORMATION

Processing financial data in a timely manner proved to be crucial in formulating action plans to mitigate the effects of the pandemic. Through accurate forecasting and judicious target-setting, IMI's finance group was able to drive cost rationalization measures and effective cashflow management that preserved the company's financial strength. Regional finance teams also prioritized staff welfare by coordinating with local government units to secure various forms of employee-related subsidies in Bulgaria, China, Czech Republic, France, Mexico, Serbia, and Singapore.

Moving forward, the team seeks to accelerate digital transformation to simplify processes, improve efficiency, and increase business value. Among the key activities in 2020 were the successful roll out of a cloud-based consolidation software, implementation of host-to-host payment systems, and other paperless processes to improve efficiency.

COLLABORATING FOR UNITY AND ACTION

From the onset of the pandemic in February, our priorities were clearly established to get through the crisis: to protect our employees' health and safety, to ensure business continuity, and to support our partners and the community around us.

To protect our employees' physical health and financial security in this period of heightened uncertainty, we focused on monitoring our

IMI Philippines

employees' health and implemented measures across the different sites. IMI deployed various instruments for financial support to employees such as advancing 13th month pay, advance use of paid leave credits and hazard fee for the onsite skeleton workforce.

To ensure business continuity, onsite accommodation and transportation for IMI's skeleton workforces were arranged in many of our sites. We shifted our focus and resources to manufacture components for essential and critical products to fight COVID-19. These not only allowed IMI to resume some level of operations but also helped with the overall efforts to overcome this global pandemic.

To ensure safety of our employees onsite and on work-from-home arrangements, we implemented virtual solutions and enhanced our services through implementation of medical tele-consultations, IMI chatbot, canteen cashless payment system, online separation system, among others.

To further hone and enhance the skills of all employees specially during the pandemic, IMI, through the Learning & Development (L&D) group, organized different initiatives and programs, optimizing the use of the company's Learning Management System (LMS) to overcome the limitations of operating without physical and social interactions. Different courses and modules were created and offered to the employees through the online E-Learning portal and other platforms to ensure that employees remain competent, well-trained, and skilled in their respective processes.

To further support our partners and the communities around us, the spirit of volunteerism was kept alive and well with employees extending their time

and financial resources to aid the most vulnerable sectors of society. Other programs in the areas of self-reliance and mental health were also conducted ensuring that employees and their families are provided support in these challenging times.

Overall coordination, enhanced cooperation, and unity proved to be crucial in overcoming the crisis not only in terms of our collaboration as a company but also with the private and public sectors. With a culture of purposeful unity and action in mind, we intend to continue these partnerships even beyond this crisis while holding true to our core values of integrity, excellence, customer focus and concern for others.

STI Limited (UK)

The aerospace and defense (A&D) segment of IMI is fully within STI Limited (STI Ltd.). Within this segment, the company has continued to provide complex radio frequency (RF) and satellite communications products to both existing and new customers. 2021 will provide further growth through business wins in mission critical solutions being provided through our UK subsidiary.

STI, Ltd. (UK)

COVID-19 has imposed unprecedented circumstances on the UK's medical industry throughout 2020 and into Q1 2021. The situation created new demands for agility, resilience, and collaboration to overcome the constant challenge. In Spring 2020, the UK's ability to deal with COVID-19 was severely tested as an over-reliance on long complex supply chains resulted in inadequate levels of personal protective equipment (PPE) and life-saving medical equipment. STI Ltd. responded swiftly to the country's pressing needs in the medical sector, adapting business practices and dedicating resources to contribute in the fight against COVID-19 by participating in the country's Ventilator Challenge program. This includes activities with government assistance to develop and manufacture critical ventilator products including product testing specifically for high-throughput environments. Further development on low oxygen ventilator solutions and next generations testing solutions continued for launch in early 2021.

To capitalize on the latest trends towards 5G and IoT in the automotive industry, STI Ltd. continued expansion into the development and manufacturing of new automotive telematics systems. Telematics devices connect to the On-Board Diagnostics of a vehicle to gain rich data on events, performance, tracking, and internal subsystems. Information collected can then be interpreted and transferred wirelessly to a device management platform for use by companies and drivers.

VIA optronics

In 2020, VIA optronics capitalized on the surge of demand for mobile computing devices that enabled work from home arrangements. While display solutions for consumer and industrial laptops were a significant part of business in 2020, VIA also continued to transition its operations towards the mobility market by partnering with leading manufacturers in both traditional and EV spaces. By leveraging proprietary processes and materials, VIA is able to offer large cold form glass and display assemblies for the cutting-edge automotive market.

VIA optronics (Germany)

The company raised US$93.75 million of gross proceeds through an initial public offering in September 2020 which listed VIA on the New York Stock Exchange under the ticker symbol "VIAO". In addition, the company forged a strategic commercial partnership with Corning Research & Development Corporation which purchased shares in the VIAO worth US$20 million in a concurrent private placement.

A GLOBAL RESPONSE TO A GLOBAL CRISIS

For the first time in history, every business in the world is facing a common threat—COVID-19. In this period of great uncertainty and complexity, our corporate values have never been more relevant. They define how we are led as a business, and how we respond to people and situations.

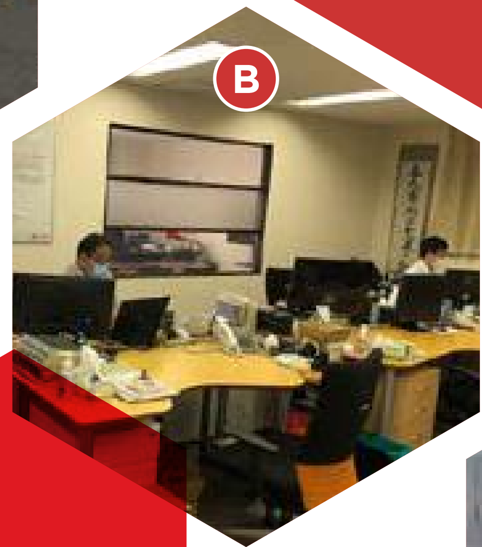
In response to this crisis, the health and safety of our employees and all stakeholders remain our primary concern. As the pandemic continues to evolve, we are closely monitoring and strictly implementing the health and safety protocols established by local, national, and global health agencies including the World Health Organization (WHO). We have identified three priorities:

1

SAFEGUARDING THE HEALTH, SAFETY, AND WELL-BEING OF OUR EMPLOYEES

Circulation of relevant COVID-19 information across the organization through various communication channels

- Implementation of preventive health and safety standards in compliance with government requirements and other reasonable protocols;
  - Travel bans and restrictions to external visitors
  - Temperature checking upon entry to any of our facilities
  - Health monitoring and declaration checklist (via app)
  - Enhanced and regular disinfection of facilities and work areas
  - Disinfection and other hygiene implements
  - Constant reminders of physical distancing protocols, signages, and installation of physical barriers in all common areas
  - COVID-19 testing as needed
- Provision of financial assistance and support to employees affected by the lockdown and quarantine; and the
- Implementation of flexible and alternative work arrangements.



LEGEND

A IMI China (Kuichong)
B IMI Japan
C IMI Philippines (PH)
D IMI China (Jiaxing)
E IMI China (Pingshan)
F IMI China (Chengdu)
G IMI China (Pingshan)

2

ENSURING BUSINESS CONTINUITY

- Creation of crisis management teams across all sites;
- Upgrading of necessary digital infrastructure to support remote work, online meetings, video, and teleconferencing;
- Construction of temporary dormitories in IMI Philippines to host skeletal workforce and third party service providers on-site; and
- Continuous employee training and development via E-learning app.

LEGEND

H IMI Philippines (PH)
I IMI Serbia
J IMI Czech Republic
K IMI Bulgaria
L IMI Singapore
M STI Ltd. (ventilator production assembly)
N IMI USA
O IMI Mexico

3

SUPPORT FOR AND COLLABORATION WITH PARTNERS AND COMMUNITIES

- Collaboration and information-sharing with relevant private and public institutions to minimize the spread of the disease;
- Health and safety protocols extended to all stakeholders; and the
- Participation in site inspections conducted by government authorities as regards implementation of preventive measures.

- Financial assistance through a donation drive to those affected by “no work, no pay” frontliner employees of IMI partners
- IMI Czech employees made reusable face masks for staff and the community
- STI Ltd. employees participated in a fund-raising cycling event for COVID-19 prevention
- IMI China employees participated in community volunteer work for monitoring of temperature

STI LTD. RECOGNIZED AS A
"GREAT INSPIRATION"

STI Ltd. received a national recognition for its response to the coronavirus pandemic and named one of UK government's "GREAT Inspirations" campaign.

* bravely faced the manufacturing scale-up challenge of building ventilators in the large volumes required by the front-line National Health Service (NHS) teams in the UK

* the company was feted for having done extraordinary things above and beyond what was necessary

VENTILATOR CHALLENGE | UK

- As a key member of the Ventilator Challenge UK consortium, STI Ltd. was tasked with manufacturing ventilators for the country and did so at record pace.
- The consortium is a group of industrial, technology, and engineering businesses from across various sectors that came together in response to the government's call for manufacturers to help build ventilators.
- STI Ltd. set up an assembly line at its Hook facility and took on and trained 160 additional staff to work on the project, with the team completing the 11,649 devices by middle of 2020.

IMI PHILIPPINES INTRODUCED AN ALTERNATIVE VENTILATORY DEVICE

In support of the Philippine government's call for the local sourcing and manufacturing of low-cost ventilators and other breathing aid solutions in caring for COVID-19 patients, IMI Philippines along with STI Ltd. organized a virtual consultative and information-sharing session with medical experts, health practitioners, and concerned government agencies to explore non-invasive alternative ventilatory strategies using the continuous positive airway pressure (CPAP) device solution.

- The ventilatory device is a form of breathing aid that applies mild air pressure continuously and effectively supports patients with breathing difficulties.
- Its design is licensed from the University College London Hospital (UCLH) and Mercedes-AMG High Performance Powertrains under special conditions particularly for use in COVID-19 cases. The proponents in the UK granted a license to IMI PH to manufacture the device.

In August last year, IMI PH received certification from the Food and Drug Administration (FDA) for the alternative ventilator solution and passed the inspection audit.

RESILIENT and UNWAVERING

COVID-19 is far from over, but 2020 was a true test to IMI's resiliency, and I am thrilled to see each of our hard-working teams emerge stronger, wiser, and more united in the face of adversity. Our successes have bolstered our commitment to pushing technological boundaries and driving the world towards the next generation of electronics innovation.

On behalf of the Board and Management committee, I would like to thank you for standing by us and persevering through these challenges with us. I want to express my gratitude to our stakeholders for their constant trust, our employees around the world for their commitment, and you, our shareholders, for investing in IMI.

Arthur R. Tan
PRESIDENT & CHIEF EXECUTIVE OFFICER - IMI
GROUP PRESIDENT AND CHIEF EXECUTIVE OFFICER – AC INDUSTRIALS

OUR LEADERSHIP

BOARD OF DIRECTORS

JAIME AUGUSTO ZOBEL DE AYALA
Chairman

Jaime Augusto Zobel de Ayala, Filipino, 61, has served as Chairman of the Board of Directors of IMI since January 1995. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc., Manila Water Company, Inc., and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation, AC Energy International, Inc. and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd. Outside the Ayala Group, he is a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He sits on the board of the Singapore Management University and on various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, a member of the Global Board of Adviser of the Council on Foreign Relations, and Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He graduated with B.A. in Economics (*cum laude*) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

FERNANDO ZOBEL DE AYALA
Director

Fernando Zobel de Ayala, Filipino, 60, has served as a director of IMI since January 1995. He holds the following positions in publicly listed companies: Director, President, and Chief Operating Officer of Ayala Corporation; Chairman of Ayala Land, Inc. and Manila Water Company, Inc., and AC Energy Corporation (formerly AC Energy Philippines, Inc.); Director of Bank of the Philippine Islands and Globe Telecom, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co- Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of Livelt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Altaraza Development Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula; member of the Board of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; Vice Chairman of the Philippine-Singapore Business Council, member of the World Presidents' Organization and Chief Executives Organization; Chairman of Habitat for Humanity International's Asia-Pacific Capital Campaign Steering Committee; and member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

ARTHUR R. TAN
President & Chief Executive Officer

Arthur R. Tan, Filipino, 61, has been a member of the Board of Directors of IMI since July 2001. He has been the Chief Executive Officer of IMI since April 2002 and was re-elected as President effective January 1, 2020. Concurrently, he is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee. He is also the Group President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. Concurrently, he is also the Chairman of the Board and Chief Executive Officer of PSi Technologies Inc. and Merlin Solar Technologies (Phils.), Inc.; President and Chief Executive Officer of Speedy-Tech Electronics Ltd.; Chairman of the Board of Surface Technology International (STI) Ltd., Chairman of the Advisory Board of Via Optronics GmbH and MT Technologies GmbH. He was the President of IMI from July 1, 2001 to June 23, 2016. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/ Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD, and Harvard Business School.

RAFAEL C. ROMUALDEZ
Director

Rafael C. Romualdez, Filipino, 58, has been a Director of IMI since May 1997. He is a Director of Resins Incorporated (RI) and sits in the boards of several of its affiliates: RI Chemical Corporation, Chemserve Incorporated, Claveria Tree Nursery, Incorporated (CTNI), and Bio Renewable Energy Ventures Incorporated (BIOREV); he is also Chairman of Philippine Iron Construction and Marine Works, Incorporated (PICMW), Pacific Resins, Incorporated (PRI), and MC Shipping Corporation, also subsidiaries of RI. He is a Director of Lakpue Drug Incorporated and La Croesus Pharma Incorporated. He earned a Bachelor of Arts degree in Mathematics from Boston College in 1986 and a Master in Business Administration from George Washington University in 1991.

JOSE IGNACIO A. CARLOS
Director

Jose Ignacio A. Carlos, Filipino, 51, has been a Director of IMI since December 2006. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, Mindanao Energy Systems, Inc., Cagayan Electric Power and Light Co., and Philippine Iron Construction and Marine Works, Inc. He is not a director of any publicly listed company in the Philippines other than IMI. He earned a BS Management degree from the Ateneo de Manila University in 1991 and finished Master of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

DELFIN L. LAZARO
Director

Delfin L. Lazaro, Filipino, 73, has served as member of the Board of IMI since May 2000. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Ayala Land, Inc., Manila Water Company, Inc., and Globe Telecom, Inc. His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., AYC Holdings, Ltd.., AC International Finance, Ltd., Purefoods International Limited and Probe Productions, Inc. He is an Independent Adviser to the Board of Directors of Ayala Land, Inc. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

EDGAR O. CHUA
Independent Director

Edgar O. Chua, Filipino, 64, has been an Independent Director of IMI since April 2014 and its Lead Independent Director since August 16, 2017. He is currently an independent director of Metropolitan Bank and Trust Company, a publicly listed company, Energy Development Corporation, and Philcement. He is also in the advisory boards of Mitsubishi Motors Philippines Corporation and Coca Cola Bottlers Corp. He is the Chairman of the Makati Business Club, College of Saint Benilde, University of St. La Salle Bacolod, and the Philippine Eagle Foundation. He is also President of De La Salle Philippines. He is also a trustee of various civic and business organizations. He had been the Country Chairman of the Shell Companies in the Philippines from September 2003 to October 2016. He had corporate responsibility for the various Shell companies in the exploration, manufacturing, and marketing sector of the petroleum business. Likewise, he also oversaw the Shared Services operations and various Shell holding companies. Outside the Philippines, he held senior positions as Transport Analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia. Mr. Chua earned his Bachelor of Science degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminar and courses including the senior management course in INSEAD, France.

JOSE TEODORO K. LIMCAOCO
Director

Jose Teodoro K. Limcaoco, Filipino, 57, has been a director of IMI since April 8, 2016. He also holds the following positions in publicly listed companies: Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He is a Director of Globe Telecom, Inc. and Bank of the Philippine Islands, and an Independent Director of SSI Group, Inc., all publicly listed companies. He is the Chairman of AC Energy International, Inc. (formerly Presage Corporation), Darong Agricultural and Development Corporation and Zapfam Inc. He is the President and CEO of AC Ventures Holding Corp., AYC Finance Limited, AC International Finance Limited. He is the Vice Chairman of Lagdigan Land Corporation. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of Ayala Hotels, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., A.C.S.T Business Holdings, Inc., Bestfull Holdings Limited, Purefoods International Limited, AYC Holdings Limited, AG Holdings Limited, Fine State Group Limited, AG Region Pte. Ltd., Ayala International Holdings Limited, Ayala International Pte. Ltd., Strong Group Limited, Total Jade Group Limited, VIP Infrastructure Holdings Pte. Ltd., AI North America, Inc., LICA Management Inc., and Just For Kids, Inc. He is the Treasurer of Ayala Retirement Fund Holdings, Inc. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He served as the President of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2017. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

SHERISA P. NUESA
Independent Director

Sherisa P. Nuesa, Filipino, 66, has been an Independent Director of IMI since April 2018. Currently, she is the President and Director of the ALFM Mutual Funds Group and will serve as such until March 31, 2021. Also, she is an Independent Director of the following publicly listed companies: Manila Water Company, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), Ayala Land, Inc., and Far Eastern University. She is also an Independent Director of FERN Realty Corporation and East Asia Computer Center Inc. She is a Senior Adviser to the Boards of Metro Retail Stores Group, Inc. and Vicsal Development Corporation. She is a member of the boards of trustees of the Institute of Corporate Directors, the Judicial Reform Initiative, and the Financial Executives (FINEX) Foundation. In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and has been active in speaking and lecturing engagements. She had been the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corporation and served in various capacities in Ayala Corporation, Ayala Land, Inc., and Manila Water Company, Inc. She was awarded the ING-FINEX CFO of the Year for 2008. She received a Master in Business Administration degree from the Ateneo Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and in Stanford University. She graduated *summa cum laude* with a degree of Bachelor of Science in Commerce from the Far Eastern University in 1974. She is a Certified Public Accountant.

DIOSDADO P. BANATAO
Independent Director

Diosdado P. Banatao, Filipino, 74, has served as an Independent Director of the Company since April 15, 2020. He had been a Director of IMI from 1994 to 2014. He served as managing partner of Tallwood Venture Capital and was a venture partner at the Mayfield Fund. He co-founded three technology startups: S3, Chips & Technologies, and Mostron. He held positions in engineering and general management at National Semiconductor, Seeq Technologies, Intersil, and Commodore International. He pioneered the PC chip set and graphics acceleration architecture that continue to be two of the foundation technologies in every PC today. He is honored by Stanford University as one of the leaders in the development of Ethernet and was the developer of the first Ethernet chip at SEEQ & Technologies. Ethernet is the standard for moving data around enterprises and homes and is a key component to today's internet. Mr. Banatao is credited with developing several key semiconductor technologies and is regarded as a Silicon Valley visionary. He serves as Chairman of Blaize, Inc. and is Emeritus Chairman at INPHI after serving as Chairman for 20 years. He also served as Chairman and led investments in SiRF Technology, acquired by CSR; Marvell Technology Group; Acclaim Communications, acquired by Level One; Newport Communications, acquired by Broadcom; Cyras Systems, acquired by Ciena; Stream Machine, acquired by Cirrus Logic; and Wilocity, acquired by Qualcomm. Mr. Banatao holds a B.S.E.E degree, *cum laude*, from the Mapua Institute of Technology in the Philippines and an M.S. in Electrical Engineering from Stanford University.

HIROSHI NISHIMURA
Independent Director

Hiroshi Nishimura, Japanese, 68, has been an Independent Director of IMI since June 17, 2020. He had served as an Independent Director of the Company from April 2010 to April 15, 2020. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as the Executive Vice President of All Purpose Appliances & Multi-Products, Inc. He served as President of Panasonic Communications Philippines Corporation (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007. He is not a director of any publicly listed company in the Philippines other than IMI. He finished a degree in Electronics Engineering Course at Kurame University in 1976.

MANAGEMENT COMMITTEE

ERNEST ANG
Chief Procurement Officer

JEROME S. TAN
Chief Finance Officer

ARTHUR R. TAN
President and Chief Executive Officer

NICK DAVEY
Chief Technology Officer

ROSALYN O. TESORO
Chief Information Officer

FRANCISCO ROMERO MILÁN
Chief Human Resources Officer

MARY ANN S. NATIVIDAD
Chief Commercial Officer

ERIC DE CANDIDO
Chief Operations Officer

MANAGEMENT TEAM

OPERATIONS GROUP

PHILIPPINES
Andrew C. Carreon (OIC)

CHINA
Yeung Hin Wai (Jacky)

NORTH AMERICA
Thomas Cavaneget

EUROPE
Eric de Candido (OIC)

GLOBAL INDUSTRIAL EXCELLENCE
Lionel Clouet

GLOBAL QUALITY
Dr. Leonorina Cada

GLOBAL NPI
Paul Tomlinson

GLOBAL MANUFACTURING SOLUTIONS
Jawaharlal K. Milanes

SINGAPORE
Jerome S. Tan

USA
Timothy Patterson

BUSINESS UNIT

Mobility
Thibaut de Vaureix

Industrial & Others
Mike Greenlee

Power Module
Jean Marc Renard

Camera
John Roderick Javate (OIC)

TECHNOLOGY & INNOVATION GROUP

Lucrecio B. Mendoza

SUPPORT GROUP

FINANCE
Jaime G. Sanchez
Anthony Raymond P. Rodriguez

SALES
Taketoshi Arita
Dick Glimmerveen
GayeLyn Bates
Ma. Alicia Carla G. Buencamino
Qing Cheng Ren

SUPPLY CHAIN
Zheng Xianlai (Peter)
Philippe Antunez
Joy A. Bondoc
Jiz Ling
Pooh Choon Yong (Max)
Jack Pan

FACILITIES
Geronimo B. Magsombol

PSI TECHNOLOGIES, INC.

Andrew C. Carreon
Blesilda L. Santiago

VIA OPTRONICS GMBH

Jürgen Eichner
Daniel Juergens

STI

Simon Best
David Taylor

CORPORATE GOVERNANCE REPORT

IMI's commitment to the principles of good corporate governance demonstrates its continuous advocacy to create and sustain increased value in the Corporation for all of its stockholders and other stakeholders.

The company has clearly set forth the principles of appropriate supervision and good management thereby laying the groundwork for development and implementation of value-creating activities. The company ensures accountability, fairness, and transparency on the agreed principles of governance to all stockholders and other stakeholders concerned, thus, safeguarding their rights as well as promoting their participation in the corporate governance process.

IMI is in full compliance with the Code of Corporate Governance for Publicly-Listed Companies set forth by the Securities and Exchange Commission (SEC), and supported by an attestation from the company's CEO, Compliance Officer and the Chief Audit Executive for 2020 on the adequacy of the company's system of internal controls, risk management, compliance, and governance processes.

Ayala Tower One

The company and its respective directors, management, officers, and employees commit themselves to the principles and best practices on good corporate governance as embodied in its Corporate Governance Manual. The company makes continuing effort to create awareness of good corporate governance within the organization, at the same time declaring its continuing commitment to the company's vision and mission.

Reflecting its dedication to continuous improvement, IMI received the Golden Arrow 2 recognition for the 2019 ASEAN Corporate Governance Scorecard Assessment (one level higher than previous year's Golden Arrow 1 award) awarded by the Institute of Corporate Directors through a virtual domestic recognition last February 19, 2021.

BOARD STRUCTURE AND PROCESS

THE BOARD OF DIRECTORS

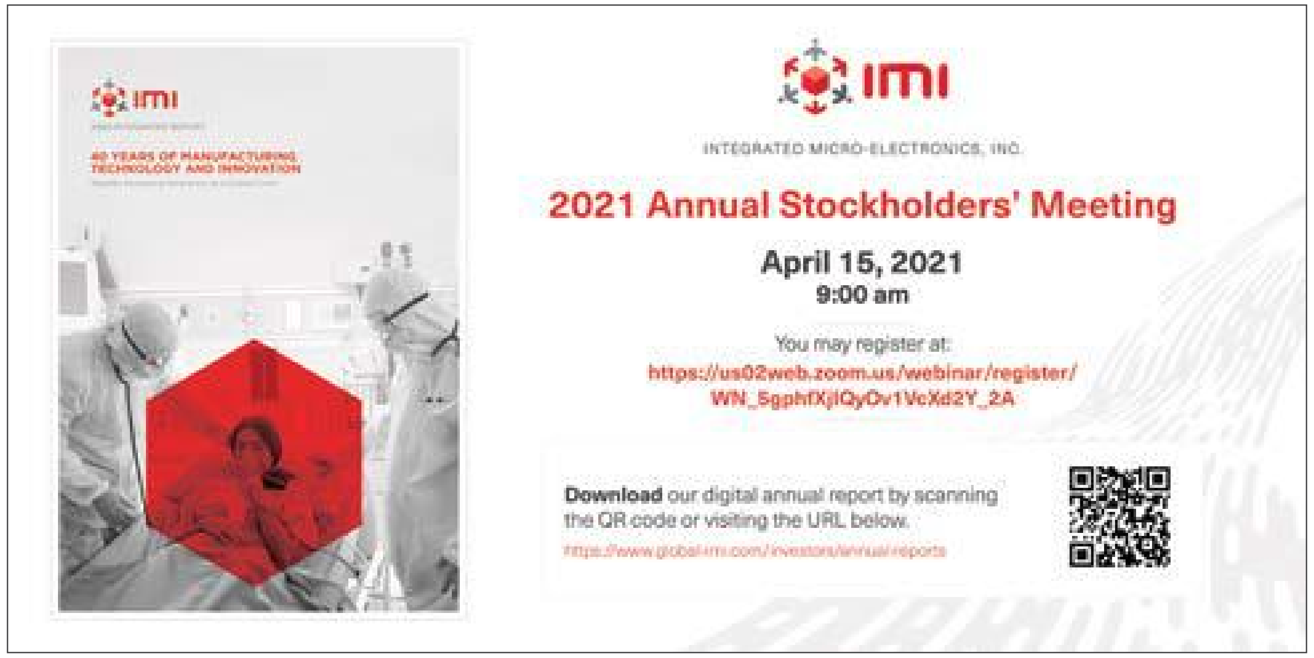
The Board of Directors is the supreme authority in matters governing and managing the business of the Corporation. Within their authority under the Corporation Code and other applicable laws and the By-laws of the Corporation, the Directors, acting as a Board, have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

It is the board's responsibility to promote and adhere to the principles and best practices of corporate governance, to foster long-term success of the Corporation, and to ensure its sustained competitiveness in the global environment in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

To ensure good governance, the Board formulates and continuously reviews the Corporation's vision, mission, strategic objectives, policies, and procedures that guide its activities, including the means to effectively monitor management's performance. The Board reviews the vision and mission statement every year and oversee the implementation of the corporate strategy.

The Board oversees the development of and approves the Corporation's business objectives and strategy, and monitors their implementation to sustain its long-term viability and strength. They adopt effective succession planning programs for Directors, key officers, and management to ensure growth and continued increase in shareholder value.

The Board also reviews and affirms the adequacy of internal controls and risk management practices, accuracy and reliability of financial reporting, and compliance with applicable laws and regulations, together with the implementation of the Company's Code of Ethics. The Board reviews and affirms the true and fair presentation of the annual financial statements.



BOARD COMPOSITION

The Board is composed of 11 members who are elected by the Corporation's stockholders and shall hold office for one year until their successors are elected in the next annual stockholders' meeting. Among the board members are four independent non-executive directors.

The Corporation is committed to having a diverse Board with the members possessing varied ages, educational backgrounds, nationalities, work experience, expertise, and skills. The Corporate Governance and Nomination Committee encourages the selection of a mix of competent directors ensuring that female candidates are included for consideration, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies. The committee also uses professional search firms or other external sources of candidates to search for qualified candidates to the Board. The Board regularly reviews its composition, taking into account the evolving requirements of the corporation and best practices in corporate governance.

LEAD INDEPENDENT DIRECTOR

Edgar O. Chua was appointed as Lead Independent Director by the Board in its regular meeting held on August 16, 2017. His role includes, among others, acting as an intermediate between the Chairman of the Board and other Directors, when needed; to convene and chair the periodic meetings of the non-executive and the independent directors with the external auditor and head of internal audit, compliance and risk, as maybe needed; and to contribute to the performance evaluation of the Chairman of the Board.

INDEPENDENT DIRECTORS

The Board currently includes four independent directors—Edgar O. Chua, Hiroshi Nishimura, Sherisa P. Nuesa, and Diosdado P. Banatao.

Independent directors, apart from their fees and shareholdings, hold no interests or relationship with the Corporation that may hinder his independence from the Corporation, Management, or shareholder which could, or could reasonably perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation.

IMI Headquarters

The Corporation has set a term limit of nine years in accordance with the rules set by the SEC. As of 2020, none of the independent directors have served the company for more than nine years, reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011. Moreover, none of the directors or senior management have worked for the Corporation's external auditing firm within the three years immediately preceding the date of their election or appointment.

BOARD DIVERSITY POLICY

The Board shall adopt a policy on diversity that encourages the selection of an appropriate mix of competent Directors, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies. Diversity includes business experience, age, gender, and ethnicity. With respect to gender, the Board adopts the following policy:

The Board shall be comprised of at least 20 percent female directors, or at least two female directors, whichever is lower, by 2023.

The Board shall be comprised of at least 30 percent female directors, or at least three female directors, whichever is lower, by 2025."

BOARD PERFORMANCE

BOARD MEETING AND ATTENDANCE

The Board meets at least six times each fiscal year, with the schedule of meetings determined before the start of each financial year.

All members of the board, including independent directors, should attend and actively participate in all of the Board, Committee, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission. The director should review meeting materials and, if called for, ask the necessary questions or seek clarifications and explanations.

The Corporate Secretary ensures that the materials are adequate and made available at least five working days in advance of the scheduled meeting to allow the Board with enough time to prepare and make informed decisions.

The Board may, to promote transparency, require at least one independent director in all of its meetings. However, the absence of an independent director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

IMI Headquarters at the start of the global pandemic

BOARD REMUNERATION

In accordance with the company's By-Laws, each director is entitled to receive from the Corporation fees and other compensation for his services as director. The Personnel and Compensation Committee's duties and responsibilities as defined in its charter are to recommend to the Board remuneration package for directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment, and aligned with the long-term interests of the company and its stakeholders.

In no case shall the total yearly compensation of directors exceed five percent (5%) of the net income before income tax of the Corporation during the preceding year.

Non-executive and independent directors receive a per diem of ₱100,000 for each Board meeting attended and a per diem of ₱20,000 for each Committee meeting attended.

Diversity in Business Experience

Chairman Jaime Augusto Zobel de Ayala at IMI Phils

In 2020, the following directors receive gross remuneration as follows:

Non-Executive and Independent Directors	Gross Remuneration (in PhP)
Jaime Augusto Zobel de Ayala	600,000
Fernando Zobel de Ayala	600,000
Delfin L. Lazaro	700,000
Jose Ignacio A. Carlos	640,000
Rafael C. Romualdez	840,000
Jose Teodoro K. Limcaoco	800,000
Hiroshi Nishimura	560,000
Sherisa P. Nuesa	760,000
Edgar O. Chua	800,000
Diosdado P. Banatao	400,000
TOTAL	**6,700,000**

None of the non-executive directors and independent directors have been contracted and compensated by the Company for services other than those provided as a director.

BOARD COMMITTEES

The Board created seven committees as it may deem necessary to support in the performance of its functions in accordance with the By-Laws, Manual of Corporate Governance, and Board Charter of the Corporation and to aid in good governance. The Board has delegated specific responsibilities to each of these Committees, and these Committees, had been formed and are guided by their respective committee charters which are available in the Corporation's official website.

EXECUTIVE COMMITTEE

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, subject to the limitations provided by the Corporation Code.

PERSONNEL AND COMPENSATION COMMITTEE

The Personnel and Compensation Committee is responsible for establishing a formal and transparent procedure for developing a policy on director and executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment. The Committee also oversees the annual performance review of each of the members of management appointed by the Board other than the Chief Executive Officer, Chief Operating Officer and President; recommends and reviews succession plans for members of management and senior executives, except the Chief Executive Officer, Chief Operating Officer and President, and implement a process to ensure appointment of competent, professional, honest, and highly motivated individuals who will add value to the company; identifies, reviews and evaluates the qualifications, skills and abilities needed for management positions; assesses the effectiveness of the Board's processes and procedures in the appointment, election or replacement of senior executives; and establishes a performance management framework that ensures senior officers' performance is at par with the standards set by the Board.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. The Committee, through the Internal Audit (IA) department of the company, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. The Committee also performs oversight functions over the company's internal and external auditors and reviews and monitors management's responsiveness to the auditors' findings and recommendations. The Committee is also responsible in the development, evaluation and oversight of the implementation of enterprise risk management plans to ensure that it's relevant, comprehensive, and effective. It also provides oversight over management's activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the corporation.

FINANCE COMMITTEE

The Finance Committee oversees the company's financial risk management, including the company's capital structure strategies, mergers, acquisitions and other strategic investments, as well as divestitures of any material operations of the Company, and make appropriate recommendations to the Board of Directors. The Committee also has general oversight responsibility over the company's treasury activities and policies, including policies with respect to cash flow management, investment of the company's cash, and financial risk management including the use of derivatives. They are responsible for reviewing and evaluating the financial affairs of the Corporation from time to time and carry out such other duties as may be delegated by the Board of Directors.

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

The Committee shall review and monitor the structure, size, and composition of the Board and make recommendations to ensure compliance with applicable laws, rules, and regulations as well as the Corporation's By-Laws, Board Charter, and Manual of Corporate Governance. The Committee also assesses the company's needs to identify the best mix of competencies of directors that would be aligned with the company's vision, mission, and strategic objectives; identifies, reviews, and evaluates the qualifications and disqualifications, skills, and abilities that would result in a proper mix of competent Directors, including the Chief Executive Officer, Chief Operating Officer, and President; develops, updates, and recommends to the Board policies for considering nominees for Directors to ensure that all nominations to the Board are fair and transparent; assesses the effectiveness of the Board's processes and procedures in the election or replacement, and recommends and reviews succession plans for members of the Board, including for the Chief Executive Officer, Chief Operating Officer, and President; oversees the implementation of the corporate governance framework and periodically reviews the said framework; adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

RELATED PARTY TRANSACTION COMMITTEE

The Committee was assigned by the Board to review all material related party transactions (RPTs) for endorsement to the Board to ensure that these are at arm's length, the terms are fair, and they will inure to the best interest of the company and its subsidiaries or affiliates and their shareholders. The Committee ensures that related party transactions are reviewed, approved, and disclosed in accordance with its policy consistent with the principles of transparency and fairness. The Committee also oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

PROXY VALIDATION COMMITTEE

The Committee is responsible for ensuring that the validating process of the proxies and ballots is transparent, fair and in accordance with applicable laws, regulations, and company policies.

BOARD AND BOARD COMMITTEE MEMBERSHIP
STOCKHOLDERS, BOARD, BOARD COMMITTEE MEETINGS, AND DIRECTORS' ATTENDANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

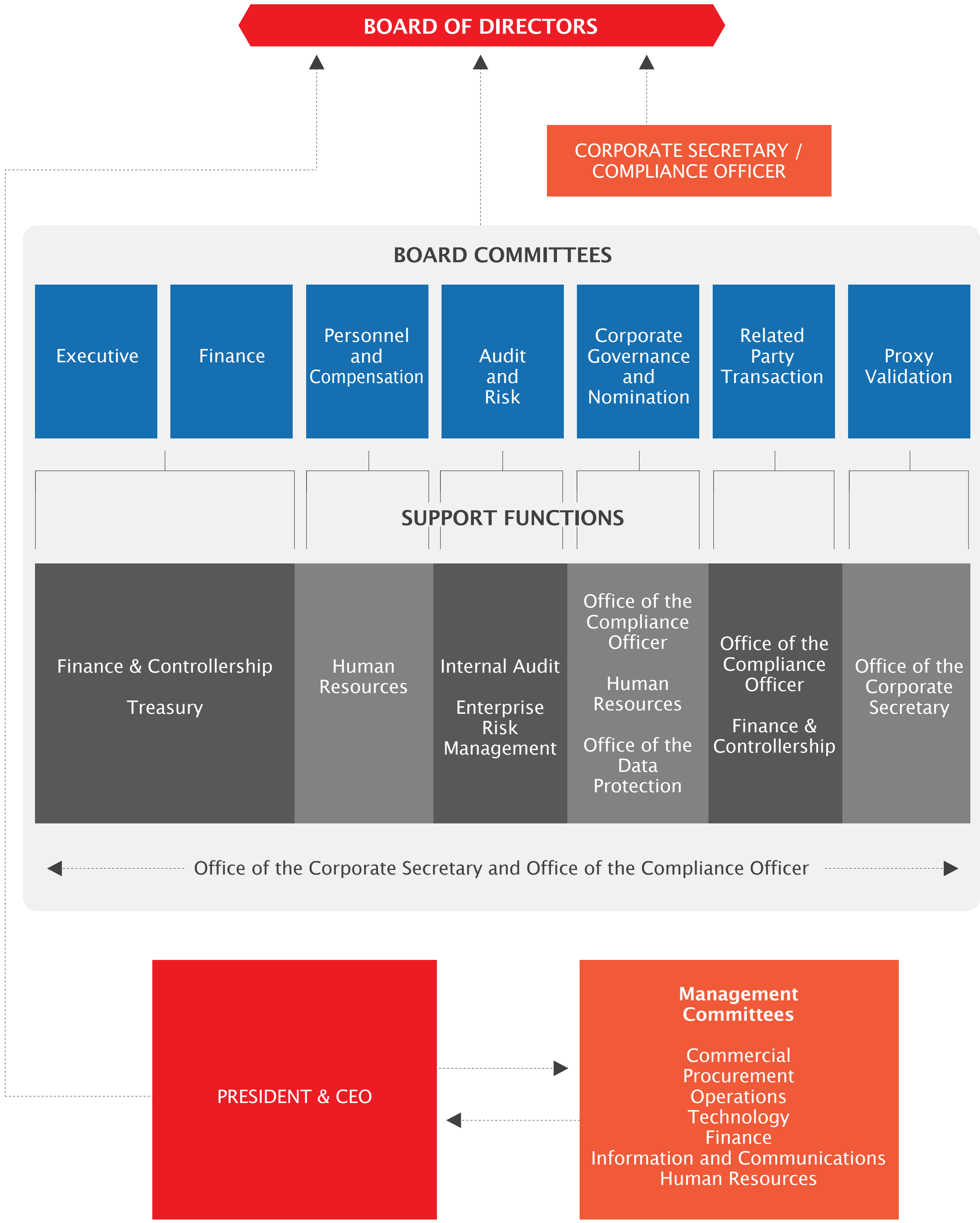
DETAILS	MEMBERSHIP AND ATTENDANCE								
	STOCKHOLDER & BOARD		BOARD COMMITTEE						
MEETINGS	AS	BOD*	EC**	ARC	FC	CGNC	RPTC	PCC	PVC***
NO. OF MEETINGS	1	6		4	7	2	3	1	1
Jaime Augusto Zobel de Ayala, Non-Executive Director	C 1/1	C 6/6	–	–	–	–	–	–	–
Fernando Zobel de Ayala, Non-Executive Director	– 1/1	M 6/6	–	–	–	–	–	–	–
Arthur R. Tan, Executive Director	– 1/1	M 6/6	C 1/1	–	–	–	–	–	–
Gilles Bernard, Executive Director	– 0/1	M 0/2	–	–	–	–	–	–	–
Delfin L. Lazaro, Non-Executive Director	– 1/1	M 6/6	–	–	C 5/5	–	–	–	–
Jose Ignacio A. Carlos, Non-Executive Director	– 1/1	M 6/6	–	–		–	–	M 2/2	–
Rafael C. Romualdez, Non-Executive Director	– 1/1	M 6/6	M 1/1	M 5/5	M 5/5	–	M 1/1	–	–
Jose Teodoro K. Limcaoco, Non-Executive Director	– 1/1	M 6/6	M 1/1	–	M 5/5	M 1/1	M 1/1	M 2/2	–
Hiroshi Nishimura, Independent Director	– 0/0	M 4/5	–	M 4/4	–	M 3/3	C 1/1	–	–
Sherisa P. Nuesa, Independent Director	– 1/1	M 6/6	–	M 2/2	–	C 4/4	–	C 2/2	–
Edgar O. Chua, Independent Director	– 1/1	M 6/6	–	C 5/5	–	M 4/4	M 1/1	–	–
Diosdado P. Banatao Independent Director	– 1/1	M 4/5	–	–	–	–	–	–	–
Solomon M. Hermosura (Not a Member of the Board)	CS 1/1	–	–	–	–	–	–	–	C 1/1
Jaime G. Sanchez (Not a Member of the Board)	CO 1/1	–	–	–	–	–	–	–	M 1/1
Neilson C. Esguerra (Not a Member of the Board)	O 1/1	–	–	–	–	–	–	–	M 1/1

C - Chairman
M - Member
O - Observer
CS - Corporate Secretary
CO - Compliance Officer

**In 2020 and during the incumbency of the director.*
***The actions of the Executive Committee were taken via digital/electronic means.*
****May not be members of the Board of Directors.*

AS - Annual Stockholder
BOD - Board of Directors
EC - Executive Committee
ARC - Audit and Risk Committee
FC - Finance Committee
CGNC - Corporate Governance and Nomination Committee
RPTC - Related Party Transaction Committee
PCC - Personnel and Compensation Committee
PVC - Proxy Validation Committee

BOARD STRUCTURE



PERFORMANCE ASSESSMENT

In a landscape of rising competitive and regulatory pressures, oversight from a strong and effective board goes a long way in guiding the company to success. As such, the Board engages in an annual process of self-assessment and evaluation of their performance in order to identify key strengths and areas for improvement. In 2020, each director accomplished a self-assessment survey on Board, Committee and Individual effectiveness evaluation across several categories through Aon Hewitt Singapore Pte Ltd, in compliance with the recommendation of SEC Memorandum Circular Number 15, Series of 2017, to conduct the assessments supported by an external facilitator every three years.

Among the categories surveyed are: 1) Board composition, 2) Roles and functions, 3) Information management, 4) Representation of shareholders and environment, social and governance (ESG) factors, 5) Managing company's performance, 6) Senior executive's performance management and succession planning, 7) Director development and management, 8) Risk management and internal control, and 9) Overall perception. The evaluation report includes highlights on the board, committees and individual performance across these categories and its relative standing against the market.

TRAINING OF DIRECTORS

Prior to assuming office, all new Directors shall undergo at the minimum an eight-hour orientation program on the Corporation's business and corporate structure, its vision, mission and corporate strategy, the By-Laws and Manual of Corporate Governance, Board Charter, SEC-mandated topics on corporate governance and other relevant matters essential for the effective performance of their duties and responsibilities.

Directors shall likewise attend at least once a year, a four-hour annual continuing training program involving courses on corporate governance matters relevant to the Corporation.

Training and seminars were administered by Institute of Corporate Directors, an accredited training provider of the SEC.

Corporate Governance Programs Attended in 2020

Director	Program	Training Institute	Date of Training
Jaime Augusto Zobel de Ayala (NED), Chairman Arthur R. Tan (ED), President and CEO Fernando Zobel de Ayala (NED) Delfin L. Lazaro (NED) Jose Teodoro K. Limcaoco (NED) Edgar O. Chua (ID) Sherisa P. Nuesa (ID) Jose Ignacio A. Carlos (NED) Rafael C. Romualdez (NED) Hiroshi Nishimura (ID)	The Board Agenda 2020: The Business of Building Back Better (Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit)	Institute of Corporate Directors	November 10, 2020 (Through Zoom webinars)
Sherisa P. Nuesa (ID) Edgar O. Chua (ID) Rafael C. Romualdez	Future-Ready Boards A Deep Dive	Institute of Corporate Directors	May 28, 2020 (Through Zoom webinars)
Sherisa P. Nuesa (ID)	Technology Governance for Directors	Institute of Corporate Director	Oct. 21, 2020 (Through Zoom webinars)
Sherisa P. Nuesa (ID)	7th SEC - PSE Corporate Governance Forum	Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE)	Nov. 19, 2020 (Through Zoom webinars)

NED - Non-Executive Directors
ID - Independent Directors

ACCOUNTABILITY AND AUDIT

EXTERNAL AUDITOR AND AUDITOR REPORT

The external auditor of the Company is the auditing firm of Sycip, Gorres, Velayo and Co. (SGV) with Ms. Cyril Jasmin B. Valencia as the Partner-in-Charge for the 2020 audit year.

The Audit and Risk Committee has the primary responsibility to recommend the appointment and removal of the external auditor. The Committee met with the external auditors without the presence of the management team to discuss any issues or concern.

To ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance, the Audit and Risk Committee had approved all audit, audit-related, and permitted non-audit services rendered by the external auditor. Non-audit services expressly prohibited by regulations of the SEC were awarded to other audit firms to ensure that the company's external auditor carries out its work in an objective manner.

The aggregate fees billed for the current year and each of the last two years for professional services rendered by SGV & Co.:

	2020	2019	2018
Audit and Audit-related fees*	4.17	16.00	4.50
Tax fees**	-	-	0.30
All other fees***	0.07	0.07	0.17
TOTAL	4.24	16.07	4.97

In P Millions

**Audit and Audit-Related Fees. This category includes the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. The 2019 audit fees include fees for the review of interim financial statements amounting to PhP11.9M. The fees are exclusive of out-of-pocket expenses incidental to the independent auditors' work.*

***Tax fees. The Company engaged SGV & Co. to perform tax advisory services in 2018.*

****All Other Fees. This category includes other services rendered by SGV & Co. such as financial and accounting advisory, financial reporting valuation reviews, assessment of compliance with the Data Privacy Act, and the validation of votes during Annual Stockholders' Meeting.*

GLOBAL INTERNAL AUDIT

Global Internal Audit (Global IA) serves as a vital support in the effective discharge of the Board's Audit and Risk Committee's (ARC) oversight role

and responsibilities. To maintain independence and objectivity, the Global IA through the Chief Audit Executive, Lorlyn Arceo, reports functionally to the ARC with its operations governed by a separate Internal Audit Charter reviewed on annual basis, presented to senior management and approved by ARC and the Board. Periodically, the Committee also meets the Chief Audit Executive without the presence of Management.

Global IA activities conform with the International Standards for the Professional Practice of Internal Auditing and its Code of Ethics, complies with the Code of Corporate Governance for publicly listed companies and are continuously evaluated through an independent Quality Assessment Review. In carrying out Global IA mandate, it adopts a risk-based audit approach with coverage of the most critical processes in its assurance/advisory reviews and annual internal audit plan. The internal audit plan and any changes thereto is reviewed and approved by the ARC and is reassessed quarterly to consider emerging risks, dynamic business, market, industry and customer conditions to allow maximum and timely coverage of key risk areas.

On a quarterly basis and as needed, Global IA reports the status of the approved audit plan, review results including recommendations and implementation status to ensure Management is taking appropriate corrective actions in a timely manner. Further, the report includes quality assurance improvement program, resource management, competencies, and trainings of the staff to ensure effectiveness of the internal audit function and that resources are adequate and reasonably allocated to the areas of highest risks.

In strengthening key stakeholders' relationship and value add proposition, Global IA participates in key management and operations meetings, coordinates with other internal and external assurance providers to optimize audit efficiencies, and secure executive management inputs in support and alignment with corporate strategies and business goals.

DISCLOSURE AND TRANSPARENCY

IMI is fully committed in ensuring that timely and accurate disclosure is made on all material matters regarding the Corporation, including financial information, performance, ownership, and governance of the Company.

OWNERSHIP STRUCTURE

As of December 31, 2020, IMI's outstanding common shares were held as follows:

Name of Shareholder and Beneficial Owner	Total Share Outstanding*	% to Total Share
AC Industrial Technology Holdings, Inc.	1,153,725,046	52.03%
Resins, Inc.	291,785,034	13.16%
Shares owned by the Public	681,687,216	30.74%
AC, ESOWN, Directors and Officers	90,095,919	4.07%
TOTAL	2,217,293,215	100.00%

**Based on the Public Ownership Report as of December 31, 2020*

RELATED PARTY TRANSACTIONS

To promote good corporate governance and the protection of the shareholders and minority investors, the Company has adopted a policy to ensure that its RPTs are at arm's length, their terms are fair, and will inure to the best interest of the Company and its subsidiaries or affiliates and their shareholders. The RPTs are transactions which may include sales and purchases of goods and services to and from related parties that are concluded at normal commercial terms consistent with the principles of transparency and fairness. As per policy, the company or a related party or any of its subsidiaries or affiliates, as the case may be, shall disclose material RPTs to the RPT Committee for review and approval prior to entering into the transaction, unless it is considered as a pre-approved RPT. Material RPTs are transactions that meet the threshold values—$1 million or five percent (5%) of the Company's consolidated assets based on its latest audited financial statements, whichever is lower.

The Company also complied with SEC Memorandum Circular No. 10: Rules on Material RPT for Publicly Listed Companies. The SEC-defined material RPTs cover transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the company's consolidated assets based on latest audited financial statement. The Company submitted a revised policy on material RPT in accordance with the Rule.

There were no RPTs classified as financial assistance to entities other than subsidiaries. There were also no cases of noncompliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years.

The Company discloses the names of all related parties, degree of relationship, nature and value of significant RPT. Details are found in Note 31 to the Consolidated Financial Statements.

POLICY ON INSIDER TRADING

To protect the shareholders, Directors, officers and employees are prohibited from trading IMI shares, five trading days before and two trading days after the disclosure of structured reports and two trading days after disclosure of any material information other than the structured reports. The Compliance officer issues a black-out period notice before the release of structured reports or disclosure of other material information to ensure compliance with the policy. The Policy ensures compliance with disclosure

rules and prevention of unlawful practice using to one's own advantage confidential information one has access to.

All Directors and reportable officers must report all acquisitions and disposals, or any changes in their shareholdings in the company within three trading days from the transaction date, two days earlier than the five-day disclosure requirement of the PSE. All other officers and employees must submit a quarterly report on their trades of company securities to the Compliance Officer.

CHANGES IN SHAREHOLDINGS

Reported trades in IMI securities of the directors and officers in 2020:

	Number of Shares				
	Security	As of Dec. 31, 2019	Acquired/ Assigned	Disposed of	As of Dec. 31, 2020
DIRECTORS					
Jaime Augusto Zobel de Ayala	Direct	100	–	–	100
Fernando Zobel de Ayala	Direct	100	–	–	100
Arthur R. Tan	Direct	1,955,452	–	–	1,955,452
	Indirect	19,268,100	–	–	19,268,100
Jose Teodoro K. Limcaoco	Direct	100	–	–	100
Edgar O. Chua	Direct	100	–	–	100
Sherisa P. Nuesa	Direct	112,807	–	–	112,807
	Indirect	890,578	–	–	890,578
Jose Ignacio A. Carlos	Direct	1	–	–	1
Delfin L. Lazaro	Direct	100	–	–	100
Rafael C. Romualdez	Direct	1	–	–	1
Hiroshi Nishimura	Direct	115	–	–	115
	Indirect	712,463	–	–	712,463
Diosdado P. Banatao	Direct	0	115	–	115
OFFICERS					
Jerome S. Tan	Indirect	2,884,733	–	–	2,884,733
Laurice S. Dela Cruz**	Indirect	157,221	–	–	157,221
Eric De Candido*	Indirect	–	–	–	–
Mary Ann S. Natividad*	Direct	75,204	–	–	75,204
	Indirect	806,935	–	–	806,935
Rosalyn O. Tesoro**	Indirect	19,505	–	–	19,505
Solomon M. Hermosura	Indirect	450,015	170,000	–	620,015
Joanne M. Lim	Direct	–	–	–	–
TOTAL		**27,333,630**	**170,115**	–	**27,503,745**

**Appointed last December 6, 2019*

*** Appointed last April 15, 2020*

WHISTLE BLOWER POLICY

The Policy covers directors, officers, employees, and stakeholders. It provides a process whereby the covered persons will report in good faith, instances of actual and suspected non-compliance with the Code of Conduct, and in a manner that is outside the normal chain of commands that preserves confidentiality. It encourages an atmosphere that allows individuals to exercise their obligations to responsibly disclose violations of law and serious breaches of conduct and ethics covered by the Code of Conduct through IMI's reporting channels. It provides the process which protects the whistleblowers from retaliation or reprisals by adverse disciplinary or employment penalties as a result of having disclosed wrongful conduct.

Whistleblowers may report, among others, conflicts of interest; misconduct or policy violations; theft, fraud, or misappropriation; falsification of documents; financial reporting concerns; and any act of retaliation taken against persons covered by the policy.

The whistleblower may choose the manner by which he or she may be contacted without compromising his or his anonymity. Through face-to-face meeting with any member of the Committee or the Human Resource Department (HRD) at the option of the employee or stakeholder, through email imi-integrityhotline@global-imi.com, or through hotline 0917-629-7074 and 0917-557-9323.

STAKEHOLDER RELATIONS

SHAREHOLDER MEETING AND VOTING PROCEDURES

Notice of Annual Stockholders' Meetings and Definitive Information Statement (including the audited financial statements) were sent to all shareholders at least fifteen (15) business days prior to the meeting date on April 15, 2020.

Each outstanding common shares of stock entitles the registered holder to one vote.

Stockholders may vote manually using the paper ballot provided upon registration, for those who are unable to go to the venue of the Stockholders' Meeting may vote electronically in absentia on the matters in the agenda upon registration and validation online. For this purpose, the company has set up a website which may be accessed by stockholders to register and vote on matters through remote communication or in absentia. The requirements and procedure for electronic voting in absentia are included in the Notice and the Definitive Information Statements (Annex "C") which are sent to the stockholders at least 28 business days prior to the date of the meeting. The Company also provides non-controlling or minority shareholders the right to nominate candidates for board of directors.

DIVIDEND POLICY

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow, and financial condition of the Company and other factors. There are no other restrictions that limit the payment of dividends on common shares.

Cash dividends are subject to approval by the Company's Board of Directors, but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Board of Directors and the stockholders of the Company. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

SHAREHOLDER AND INVESTOR RELATIONS

The Company maintains strong and transparent relationships with its investors and encourages active participation and regular communication with various stakeholders. Through Investor Relations, information requirements of the investing public and minority shareholders are fully disclosed to securities' regulators on time.

Quarterly, after the release of financial results, the CEO, CFO, and the Investor Relations Officer conduct a briefing for both media and credit analysts. In 2020, the Analyst Briefings were done virtually through Zoom online application.

Presentation materials used in the briefings are posted in the Company's official website. https://www.global-imi.com/investors

We conduct regional roadshows about twice or thrice a year to engage analysts and potential investors. This is often a good opportunity to introduce our company and to show our role in the industry. The activity opens doors for prospective institutional investors in a given region.

The Company's official website provides information on its compliance to Corporate Governance, matters related to the Board, and investor relations program. www.global-imi.com

ENTERPRISE RISK MANAGEMENT

With heightened environmental, social, and governance (ESG) issues and objectives as well as global events such as the COVID-19 pandemic, risk management has rightly taken on greater focus for a broad set of stakeholders. Indeed, our ability to rapidly understand and adjust strategies, and seek new opportunities has never been more critical and consequential than it is today.

RISK MANAGEMENT POLICY

Our Enterprise Risk Management (ERM) Policy establishes the overall direction of the company's risk management processes and practices. Guided by ISO 31000 risk management principles, IMI defines a common, structured approach that governs the risk management process towards value creation and protection, helps improve performance, encourages innovation, and supports the achievement of objectives.

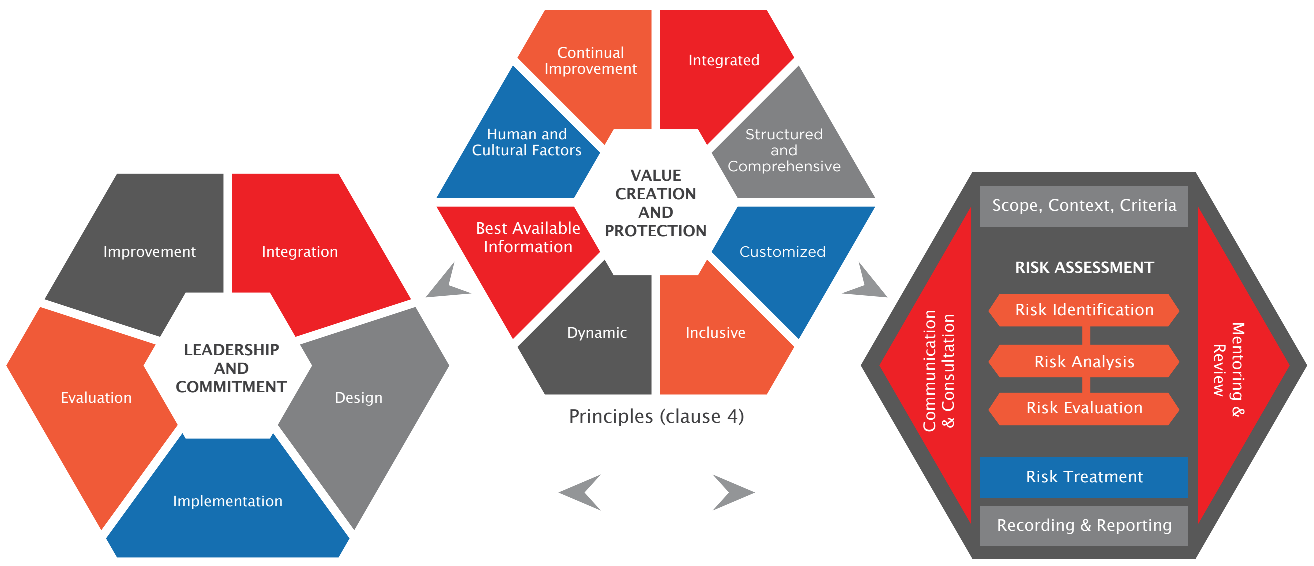
RISK MANAGEMENT FRAMEWORK

Across the organization, our risk management framework and internal control systems reflect our deep commitment to integrity, transparency, and good governance for sustainable and resilient operations. This clear set of standards takes into account the company's size, risk profile, and complexity/diversity of operations to ensure the adequacy and effectiveness of our approach. Moreover, it is also embodied in IMI's management oversight, and control culture and activities that help identify, evaluate, mitigate, and monitor key risk exposures.

In 2020, to further improve our risk management framework and strategy, we began working on upgrading our legacy ERM intranet site which served as a key channel for communicating risk management programs, into a more robust enterprise governance software platform that creates a stronger security, risk management, compliance, and assurance system.

RISK REPORTING

IMI has well-defined reporting lines that set out accountability and ownership in every level of the organization as well as focus on quality that promotes risk-based thinking in all processes at all levels. Our Chief Risk Officer (CRO) is responsible for regular internal reporting on the implementation of the ERM framework, its effectiveness, and outcomes. The CRO reports to our Audit and Risk Committee and is being supported by the ERM leader who communicates with site risk owners and appointed risk leads on the programs, activities, and initiatives that will strengthen the risk engagement framework. Our Audit and Risk Committee, in turn, ensures that we have an effective and comprehensive risk management framework and internal control systems. The Committee discusses critical risks, their nature, likelihood and impact, and the management's risk mitigation efforts and initiatives on a regular basis.



Framework (clause 5)

Principles (clause 4)

Process (clause 6)

Top Risk 2020 (top 5)

As part of our risk management process, we perform annual assessment of the key risks that the company faces and strategize action plans to mitigate such risks. The assessment considers, among other matters, the nature, frequency, and severity of risk factors, and the company's experience with each of the identified estimates and assumptions.

The top five key risks that emerged from our risk analysis and discussions during the year include:

1 Business Resilience

COVID-19 made 2020 one of the most difficult in IMI's 40-year history. Risks to employee safety, lockdowns lowering demand in our markets, disruption in operations, and the supply chain were our primary challenges. IMI's Business Continuity Management Systems (BCMS) and strategies were tested and implemented in full swing which provided mitigating controls and procedures that allowed effective management of organizational health and safety.

As the pace of change is not likely to slow down, we will be updating our Business Impact Analysis and BCMS Maturity Review in 2021 to identify potential gaps between our execution and best practices.

2 Operational - Strategic Planning & Execution

Continued downturn in automotive market from 2019 was strained even further by the global pandemic. Given the market situation, inability to discover, evaluate and select best decisions among alternatives increased our operational risk. That is why we initiated an organizational transformation and realignment to withstand this difficult period and maintain focus on our long-term strategic areas:

Customer & Product Approach
- Create more value in products, services, and technologies (Market / Segment Mix)

Operational Excellence
- Embed quality in all operations through principles of LEAN. (Multi-specialist EMS)

Organization, Leadership & Culture
- Develop future leaders through talent and succession planning, employee engagement, and continuous learning

3 Operational - Sourcing & Procurement

Between lockdowns and logistics issues, COVID-19 has revealed some of the vulnerabilities and fragilities in global supply chains. The biggest risk factors are the risks of not being able to source required components, and find alternative parts in a timely manner due to limited manufacturing or temporary closures of suppliers—both of which can compromise our commitments. As such, our first steps as the crisis erupted were to coordinate with customers and suppliers in order to formulate mitigating strategies for supply chain disruptions. Our Global Procurement team maintained close coordination with various import and export organizations to expedite release of needed components for production, and delivery of finished goods.

In the future, our necessary series of adjustments will continue to be informed by our frequent engagements and coordination with customers to better serve them in times like these. We intend to qualify alternative suppliers from various geographic locations, and look for logistics alternatives for timely and efficient delivery of components. We are also investing in supply chain digitalization and talent acquisition to enhance capabilities in data analytics which we expect to result in reduction of spend and total acquisition cost, as well as improved overall efficiency of global procurement.

4 POLITICAL RISK – Geopolitical / Macroeconomic

Changing political, regulatory environment, and macroeconomic factors across the globe were our major risk issues, as customers looked inward to explore alternatives within their and their customers' geographical areas.

We believe the synergies within our group will help us manage these risks. Together with Ayala Corporation and AC Industrials, we intend to look for opportunities in untapped markets such as ASEAN, Japan, and South Korea. We expect to leverage on our Tier 1 experience in automotive and technical acquisition to reinforce and improve our position in the industry.

5 Information & Cyber Security

The "new normal" requires rapid migration to digital technologies. It means virtualization and deployment of online systems at much larger volumes within a short period of time. In this transition, the company is more susceptible to risks of not adequately protecting critical data and infrastructure from unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction, theft, viruses, or sabotage. These risks formed the starting point for in-depth reviews that led to our underlying mitigation strategies. For example, our ICT group deployed additional layers of cybersecurity controls, procedures, and capabilities to ensure the integrity of the company's digital environment, its users, and other stakeholders. We also intensified our cyber security training, simulation exercises, and systems vulnerability testing to identify potential gaps and weaknesses.

IMI Philippines, SSCG building

SUSTAINABILITY REPORT

OUR UNWAVERING COMMITMENT TO SUSTAINABILITY

Over the last four decades, IMI has not wavered in living its core values of Integrity, Excellence, Customer Focus, and Concern for Others. The company has grown from a local company that fostered a tight-knit culture of openness and cooperation to a global organization with greater determination in advocating the universal scopes of sustainability. As the 20th largest EMS company in the world, IMI continues to improve and reduce all negative impact on inputs and outputs by continuously aligning ourselves with the UN Sustainability Development Goals (SDGs). We are deliberate about achieving a circular economy that would have long-term implications on the environment and society, well aware that our legacy is in making sure that our footprint can be measured with the quadruple bottom-line of People, Planet, Purpose and Prosperity in mind.

For us at IMI, employees are not just remunerated fairly but are also provided with opportunities to grow and develop in all aspects with their health and safety as top priority. A strong and healthy workforce benefits the local economy of nearby communities. Their employment, along with the support from the local government, provides a multiplier effect to the local economy enabling more movement of goods and services thereby supporting the company's overall operations.

As a technology company, IMI is fully aware of how fast product and development cycles are. In today's digital age, the skills and know-how of our employees have become more relevant to stay on top of our industry. Through the Learning and Development initiatives of the IMI University, we are able to address the skill gaps and thus provide more value to the company, our customers, and suppliers. As our employees improve and advance, so do our levels of quality and service. As the organization grows and succeeds, the employees follow suit. These are all in line with SDG # 8 in providing Decent Work and Economic Growth.

With our people living our company core values, we are able to drive innovation and collaboration in the various key segments of mobility, connectivity, and smart energy. Our competence is in our ability to work together and co-develop solutions with our partners and customers in design and manufacturing of new technologies that save lives (automotive safety systems and medical devices) and save energy (electric vehicles, power management systems, renewable energy) in line with SDG # 9 Industry Innovation & Infrastructure.

Amidst the rapidly changing technologies in the world today, IMI believes that humanity—our people—will drive our growth and our success while in the cusp of our own digital transformation. We do so, mindful of how we can provide better paths for our employees and the world towards a more sustainable future.

As the world struggles to live with the virus today and at the same time recover from a severe economic downturn, we shall continue to provide valuable services to all our stakeholders while keeping focused on what matters most, as we continue to lead and thrive ready to face the next 40 years of IMI.

OUR FRAMEWORK

As a company, we aim to be a trusted partner for all our stakeholders—employees, customers, shareholders, business partners, governments, and the communities in which we operate.

That is why when we look for ways to evolve, we remain firmly committed to our core values—Integrity, Customer Focus, Concern for Others, and Excellence. They are the foundation of all our activities from the way we collaborate internally to how we engage externally. This same philosophy guides our approach to sustainability, including our policy framework, commitments, management systems, and stakeholder engagement.

SUSTAINABILITY FRAMEWORK

Our framework for sustainability management is the IMI Code of Conduct, adapted from the Responsible Business Alliance (RBA) Code of Conduct. It outlines the standards that we have set for ourselves to ensure that: working conditions are safe, workers are treated with respect and dignity, and manufacturing processes are all environmentally responsible.

It also extends across our business partners to support a responsible supply chain and a continuous improvement of performance within their own operations. In particular, we require suppliers and subcontractors to comply with the same principles laid down in the IMI Code of Conduct. They are expected to acknowledge and implement the Code to remain in good standing. They must:

- operate as an equal opportunity employer and recognize minimum and prevailing wages and benefits;
- provide a healthy and safe working environment that is free from use of any forced or child labor, and prevent harassment or abuse of employees and;
- support sustainable development, observe environmental commitments to conserve natural resources, minimize the negative impacts of the production, application, and disposal of products, and reduce the use of hazardous materials.

To enable this journey, we formed a global Sustainability Team to facilitate and inform sustainability management and performance across the company. The team is composed of representative subject matter experts (SMEs) from Enterprise Risk Management, Human Resources, Environmental Health and Safety, Finance, Procurement, Supplier Quality Engineering, and Quality Management Systems.

LABOR

Treat employees with dignity and respect

- Freely Chosen Employment
- Child Labor Avoidance
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non Discrimination
- Freedom of Association

MANAGEMENT SYSTEMS

Ensure compliance to RBA standards and the four pillars (Labor, Ethics, Health & Safety, Environment)

- Company Commitment
- Management Accountability and Responsibility
- Legal Customer Requirements
- Risk Assessment and Risk Management
- Improvement Objectives
- Training
- Communication
- Worker Feedback and Participation
- Audits and Assessments
- Corrective Action Process
- Documentation and records
- Supplier Communication

HEALTH & SAFETY

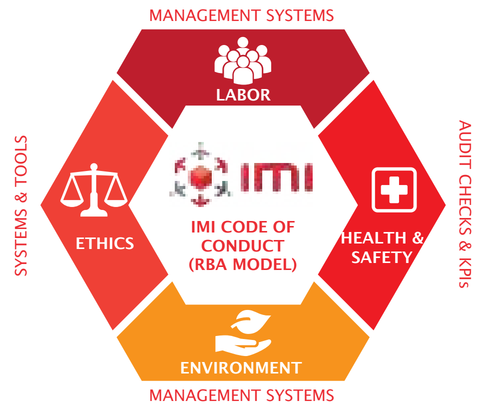
Maintain a safe and healthy work environment

- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Industrial Hygiene
- Physically Demanding Work
- Machine Safeguarding
- Sanitation, Food and Housing
- Health and Safety Communication

ETHICS

Uphold the highest standards

- Business Integrity Q&A Requirements
- No Improper Advantage
- Disclosure of Information
- Intellectual Property
- Fair Business, Advertising and Competition
- Protection of Identity and Retaliation
- Responsible Sourcing of Minerals
- Privacy
- Insider Trading



ENVIRONMENT

Protect the environment

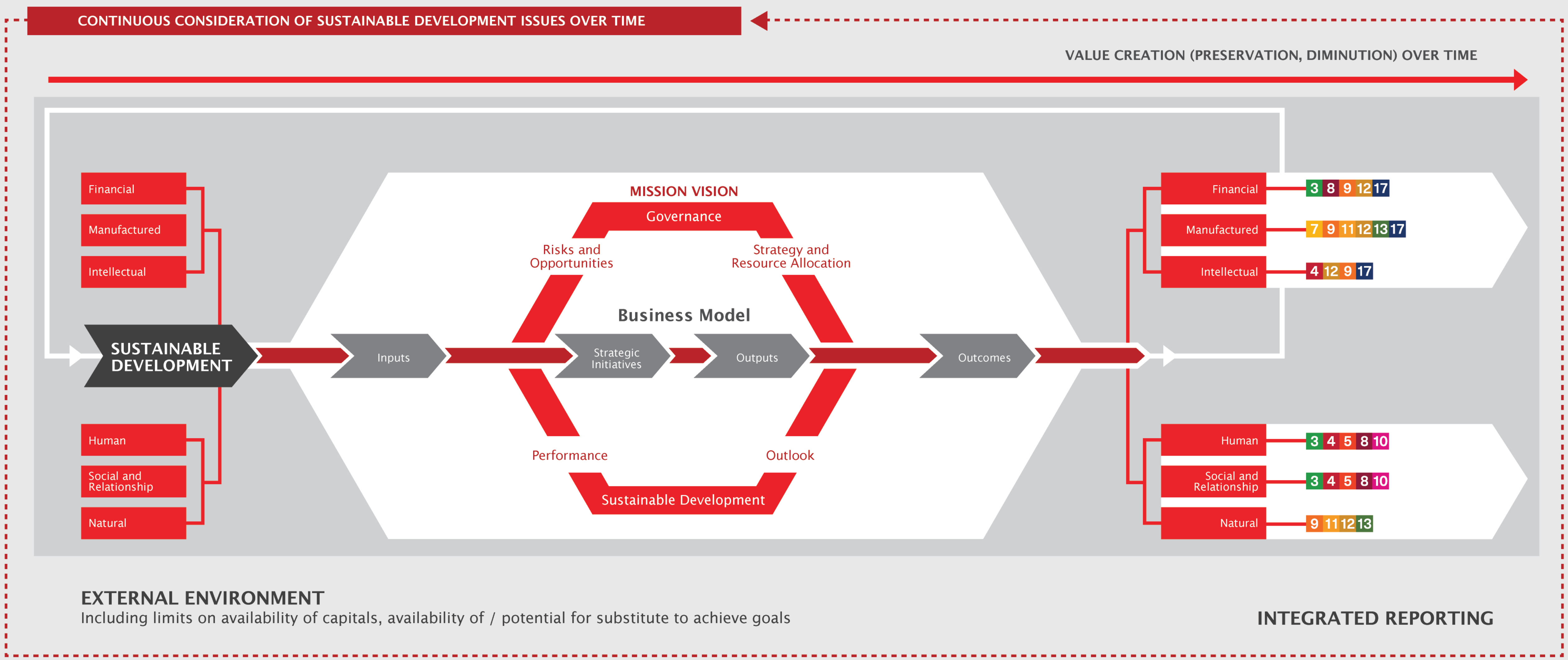
- Environmental Permits and Reporting
- Pollution Prevention and Resource Reduction
- Hazardous Substances
- Waste and Solid Waste
- Air Emission
- Product Content Restrictions
- Water Management
- Energy Consumption and Greenhouse Gas Emission Energy

OUR INTEGRATED VALUE CHAIN

Our management team provides a streamlined range of corporate functions while actively strengthening our portfolio and seeking synergy opportunities among our stakeholders.

We always ensure that we have an effective process in planning, implementing, and managing the flow of goods, services, and information along our integrated value chain.

ALIGNING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG) WITH THE VALUE CREATION PROCESS



IMI SDG COMMITMENTS

USING SIX CAPITALS TO CREATE VALUE

FINANCIAL CAPITAL

MANUFACTURED CAPITAL

INTELLECTUAL CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

NATURAL CAPITAL

HOW WE CREATE AND SHARE VALUE

TOP RISKS IN OUR OPERATING ENVIRONMENT

- Abrupt shift to remote working has intensified IT vulnerabilities
- Business interruption due to lockdown or mass closures; logistics and supply chain disruption
- Infectious diseases and other multiple variants of the virus that caused COVID-19 circulating globally
- Natural disasters and other catastrophic events—damages caused by flooding, earthquake, and volcano eruption
- Industry volatility and economic uncertainty
- Market crash and recession
- Components shortage

STRONG GOVERNANCE

- Full compliance with the Code of Corporate Governance for publicly listed companies set forth by the Securities and Exchange Commission (SEC).
- The Board of Directors is the supreme authority in matters governing and managing the business of the Corporation.

OPPORTUNITIES

- Regional manufacturing
- Convergence of key market segments like mobility, connectivity, and smart energy
- Focus on sustainable cost reduction programs
- Rising importance of sustainability in operations and business environment
- Emergence of new players in traditional and emerging market

KEY INPUTS | STRATEGIC INITIATIVE

FINANCIAL

We maintain strong credit ratings and healthy capital ratios to support our business and maximize shareholder value.

- Market capitalization of PHP20.2 billion (US$420.2 million)
- Current ratio of 1.54:1
- Debt-to-equity ratio of 0.41:1

Strategic initiative: Mitigate high operations costs and supply chain challenges to improve profitability

MANUFACTURED CAPITAL

We ensure on-time delivery, monitor key performance metrics, and comply with quality standards to drive operating efficiency and profitability.

- 21 manufacturing plants across 10 countries

Strategic initiative: Embed sustainability and quality in all operations through principles of Lean Manufacturing and Industrial Excellence

INTELLECTUAL CAPITAL

We leverage on our extensive experience and know-how in technologies to deliver higher value to our partners.

- Our expertise in co-development provides leading service offerings to our customers
- Our technology teams provide innovation and product solutions across all customer focused units

Strategic initiative: Leverage on R&D capabilities to co-develop with customers and industry experience to move towards higher box build value add services

HUMAN CAPITAL

We protect our employees' physical health and safety and ensure continuous learning and development in this period of heightened uncertainty.

- Global workforce
- Skills and competencies
- Work arrangements

Strategic initiative: Continuous and timely implementation of health and safety measures, virtual support solutions, and E-learning platforms for learning and development

SOCIAL AND RELATIONSHIP CAPITAL

We strengthen our shared values and commitments to further support our partners and communities around us.

- Partnership with more than 300 customers and over 200 major suppliers
- Engagement and collaboration with governments, academe, stakeholders, investors and communities

Strategic initiative: Ensure ongoing involvement, monitoring and measurement of progress and success from community engagements and collaborations

Integration of Environmental, Social, and Governance (ESG) stewardship

NATURAL CAPITAL

We integrate natural capital into our business models and strategic decision-making

- Energy
- Water
- Waste

Strategic initiative: Adoption of international management systems standards on environmental management systems through ISO 14001 and full support on UN SDGs

OUTPUTS

FINANCIAL

	2020	2019	2018 (As restated)
Revenue	$1.14B	$1.25B	$1.35B
Net Income/(Loss)	($3.5M)	($7.8M)	$47.2M
Debt-to-Equity	0.41	0.55	0.79
Bank Borrowings	$240.8	$268.5	$324.3
Earnings/(Loss) per Share	($0.002)	($0.004)	$0.022
Return on Equity	-0.8%	-2.0%	13.9%

Outcome: We improve financial leverage and profitability to raise returns to shareholders and investors

MANUFACTURED CAPITAL

	2020	2019	2018 (As restated)
Total Assets	$1.13B	$1.10B	$1.08B
Capital Expenditure	$18.7M	$38.8M	$65.0M
Depreciation and Amortization	$55.4M	$48.7M	$37.5M

Outcome: Customer satisfaction forms the basis of reputation and trust

INTELLECTUAL CAPITAL

	2020	2019	2018
Number of engineers and technicians	2,767	2,594	2,616
Indirect labor costs	$75.2M	$74.5M	$77.0M

Outcome: Innovative product solutions demonstrate the ability to create and capture sustainable and profitable value

HUMAN CAPITAL

	2020	2019	2018
Salaries, wages, and benefits	$215.6M	$226.8M	$226.6M
Total Training hours	851K	1.2M	936K
Safe man hours	39M	44.7M	41.6M

Outcome: Employee competence adds value to the organization through unique skills that increase the quality of the organizational operations

SOCIAL AND RELATIONSHIP CAPITAL

	2020	2019	2018
Key customers with more than 15 years of tenure	20+	20+	20+
Major Suppliers	Over 200	Over 200	Over 200
Taxes to governments	$9.4M	$10.2M	$12.5M

Outcome: Long-term and strong relationship with our customers, suppliers and other stakeholders helps in achieving competitive advantage and enhances the organizational performance.

NATURAL CAPITAL

	2020	2019	2018 (As restated)
Direct Scope 1 GHG emission (in tons CO2e)	503	407	356[a]
Indirect Scope 2 GHG emission (in '000 tons CO2e)	93	105	114[a]
Indirect Scope 3 GHG emission (in '000 tons CO2e)	1.9	1.7	1.4[a]
Energy consumption (in million kw/h)	144	163	176
Water consumption (in million m3)	1.4	1.4[b]	2.3
Hazardous waste (in '000 kg)	540[d]	674[c]	970

[a] 2018 Scope 1, 2, 3 has been changed in accordance with the global standards
[b] 2019 data excluding Germany
[c] 2019 data excluding Germany and VTS Japan
[d] 2020 data excluding VIA Germany, VIA China & VTS Japan

Outcome: Full support and compliance with sustainability initiatives of customers and regulators as regards inputs used and wastes generated addresses the increasing threat of climate change and other environmental impacts to our business and communities

MANAGING RISK

We define risk as effect of uncertainty on IMI goals and objectives. Our Enterprise Risk Management principles, framework, and process ensure efficient, effective, and consistent risk management that helps create and protect value, improve performance, encourage innovation, and support achievement of objectives.

Our enterprise-wide approach recognizes that management of risk is not just implementing appropriate control and mitigation on negative risks but also identify potential opportunities.

In 2021 as we begin our journey to adopting the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD), we will incorporate climate related risk and opportunities into our risk management framework.

QUALIFYING KEY SUPPLIERS

OUR PROCUREMENT MANAGEMENT APPROACH

Our business covers a broad geographical spread, and a range of services and market segments.

With such reach, we hold ourselves to high standards and always strive to be better. This means our approach to advance sustainability is at the core of our sourcing network and supply chain. To do so, we work with customers to understand their needs and ensure our engagements are fulfilled in a manner that reflects their sustainability expectations and good practice guidance. In parallel, we communicate our expectations to business partners and carry out due diligence checks. Through this process, we establish accountability and assess compliance. We audit our suppliers once a year.

In 2020, our Sustainability Team organized training and assessment programs to key IMI suppliers in the Philippines and China based on RBA Code of Conduct Version 6.0 (2018). It includes labor, ethics, data protection, environmental, health and safety, and overall management system. We also provided risk management seminars to suppliers designed to help them adopt a risk mindset throughout their organization as well as to raise awareness of their impact in the achievement of IMI's and its customers' long-term goals and business strategy.

Our approach to advance sustainability is at the core of our sourcing network and supply chain.

Although we are making good progress, there remains much to do. In 2021, the IMI Code of Conduct will be updated based on the recently released RBA version 7.0. Our audit will involve at least 15 major suppliers, and we will issue an updated Supplier Code of Conduct and corresponding risk management trainings.

Training session with suppliers

OUR POLICY OF CONFLICT MINERALS

IMI continuously supports the sourcing of minerals and metals from RBA compliant smelters or those not supporting the rebel groups of the Democratic Republic of Congo and adjoining countries. We collect Conflict Minerals Reporting Template from suppliers annually and use the same format in disclosing smelter information to customer through our Customer Focus Team. We check compliance from the publicly available list of conformant smelters through the Responsible Minerals Initiative website. Whenever we uncover non-compliance, we share the results with our suppliers and require them to source responsibly. As part of our contractual agreements, we expect suppliers to practice the same measures for alignment within their operations and supply chains.

NATURAL CAPITAL

Early on, we said that our journey toward sustainability will be a long-term undertaking. With the support of our stakeholders, we continue our first steps to sustainable growth and development as one of our priorities.

We are fully committed to supporting UN SDGs through Ayala Corporation's Sustainability Blueprint. As part of AC Industrials, IMI champions SDG 9—Industry, Innovation, and Infrastructure, as well as SDG 12—Responsible Consumption and Production. By 2030, we envision the following:

- An inclusive and sustainable industrialization by demonstrating manufacturing value add of US$1 billion across all IMI locations including developing countries where we operate;
- IMI will reduce its CO2 Emissions by 5 percent based on 2018 levelss by adopting energy efficient technologies and harnessing clean energy
- Substantially reduce waste generation through reduction of material consumption and zero out waste disposal to municipal landfills through recycling and recovery; and
- IMI will reduce its water drawn from source by 30 percent based on 2018 levels by adopting recycling and re-use of waste water;

UN SDG COMMITMENTS

Continuously aligning with the UN SDGs, all our manufacturing sites across continents adopt an international management systems standards on environmental management systems through ISO 14001.

ENERGY

- Use of LED lightings, reduction of operating hours on cooling tower, installation of duct links on air conditioning, optimization of operating hours of selected compressed dry air equipment
- Reduction/optimization of operating hours for cooling towers and compressors, retrofit of AHU and PACU units, cooling coil replacement (improves chiller setpoint)
- Central air conditioning uses secondary circulation water to save energy and protect the environment
- Exhaust gas produced in production is discharged after purification using activated carbon
- Initial installation of solar panels at IMI Laguna Philippines site

WATER

Optimization of de-ionized water system operations, re-use of treated water and recovery of excess water. Re-use and/or recycle water including reverse osmosis reject, replacement of aging main water piping supply.

WASTE

- Reduce-reuse-recycle program in disposing of waste materials/chemicals; assurance of proper disposal through accredited haulers, treaters, and recyclers.
- IMI Philippines achieved 98.20 percent of waste recovered diverting to municipal landfill, through reduce, re-use, recycle programs.

MONITORING

Regular emission testing and monitoring of air pollutants is conducted continuously.

ENERGY CONSUMPTION

Our initiatives to mitigate the impact of energy consumption:

- Standardization of Energy Efficiency Program (EEP) across regional sites/best practices and emergency efficiency programs from the Philippine site
- Reduction of kilowatt/cubic feet minute compressors or compressed dry air system to be retrofitting efficient element units
- Retrofitting of variable speed drive and air dropped temperature circulation for major AC support system equipment yielding 10,000 kw/h
- Conversion and retrofit of obsolete environmental controls to updated setup for increased reliability—replaced two out of three controls as planned
- Introduction to site facility risk assessment
- Data analytics for energy consumption with focus on air-conditioning and compressed air
- Coordination with power suppliers for bigger renewal energy allocation

WASTE MANAGEMENT

Our initiatives to mitigate the Impact of waste generation and waste disposal

- Continue and sustain the waste reduction programs from upstream waste sources by implementing the 4 Rs method—reduce, reuse, recycle, and replace material that are not hazardous to environment
- Initiate the redesign of equipment and processes to reduce material consumption
- Continue the recycling recovery and treatment of all wastes to zero out the disposal from municipal land fill

GREENHOUSE GAS EMISSION (GHG) IN TONNES CO2e

Scope 1	2020	2019	2018
Asia	363	213	324
Europe	111	158	21
US	29	35	11
TOTAL	503	407	356

Scope 2	2020	2019	2018
Asia	70,954	81,105	94,475
Europe	14,443	15,228	12,721
US	7,898	8, 692	7,628
TOTAL	93,294	105,025	114,825

Scope 3	2020	2019	2018
Asia	1,854	1,586	1,396
Europe	90	136	45
US	0	0.00	0.00
TOTAL	1,943	1,722	1,441

Note: Data from 2018 Scope 1,2,3 has been changed in accordance with the global standards
2020 data excluding VIA Germany, VIA China, & VTS Japan

WASTE MANAGEMENT (in '000 kg)

Hazardous	2020	2019	2018
Asia	313	418[b]	433
Europe	159	432[b]	167
US	68	120	74
TOTAL	540	970	674

Non-Hazardous RECYCLED	2020	2019	2018
Asia	532	851[b]	1,322
Europe	351	533[b]	504
US	784	831	712
TOTAL	1,667	2,215	2,538

Non-Hazardous RESIDUAL	2020	2019	2018
Asia	615	488[b]	287
Europe	124	14[b]	3
US	178	269	189
TOTAL	917	770	479

[b]2019 Germany and VTS Japan no data of waste management
2020 data excluding VIA Germany, VIA China & VTS Japan

ENERGY CONSUMPTION (in million kw/h)

Electricity	2020	2019	2018
Asia	100	116	135
Europe	26	28	24
US	17	19	17
TOTAL	144	163	176

WATER (in '000 m3)

	2020	2019	2018
Asia	1,244	1, 223	1, 870
Europe	96	200[a]	431
US	20	24	21
TOTAL	1,360	1, 447	2, 322

[a]2019 Germany no data of water consumption
2020 electricity & water consumption excluding VIA Germany, VIA China & VTS Japan

HUMAN CAPITAL

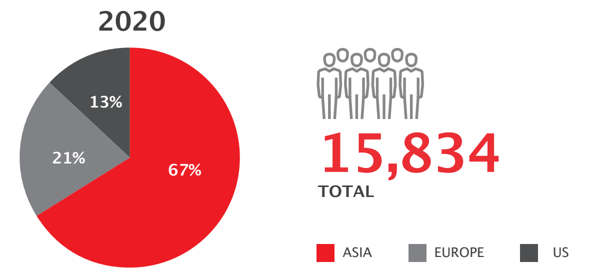
We recognize that human capital will become increasingly important as the world transforms into knowledge-based economies that depend on information, knowledge, and multi-level skills. This transformation was made more challenging in 2020 as the world adjusted to the new normal with the need to deploy more robust on-line, digital solutions to cater to work from home and telecommuting.

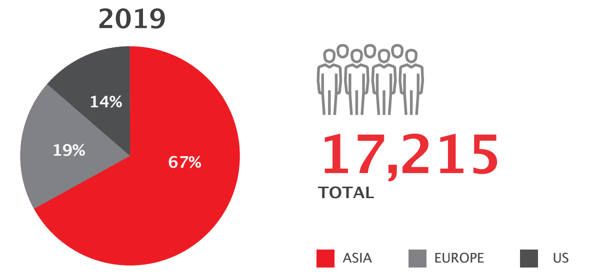
Our most important asset remains to be all 15,000+ strong employees spanning a multi-culturally diverse and global community that will continue to provide the strength, resilience, innovation, and creativity that will enable us to provide value to our customers and stakeholders. It was therefore incumbent upon IMI in the face of the global pandemic to prioritize and ensure the safety and well-being of all employees across the enterprise.

We continue to invest in strengthening our corporate culture and employee engagement utilizing more innovative and creative means as we adjust to the demands of a more digital world.

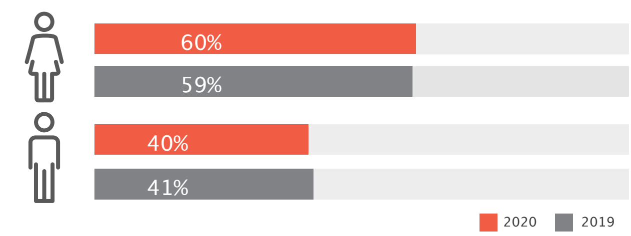
UN SDG COMMITMENTS

IMI GROUP HUMAN CAPITAL

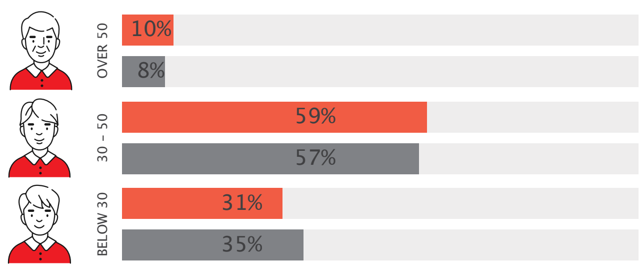




GENDER DIVERSITY (BY GENDER)*



WORKFORCE DIVERSITY (BY AGE)*



**Excluding VIA Germany, VIA China & VTS Japan*

HUMAN RESOURCES INITIATIVES

- Reinforcing IMI's core values
- Employee engagement survey
- Leadership assessment for key talents and successors
- Global talent review
- Organizational transformation through management program across levels

RESPECTING HUMAN RIGHTS

Our commitment to human rights starts with safeguarding the health and safety of our employees and their working environment.

This applies to all employees including temporary, project, migrant, student, direct employees, and any other type of employee. It also recognizes international standards (e.g., Universal Declaration of Human Rights, Social Accountability International, UN Global Compact, and the Ethical Trading).

IMI EMPLOYEE ENGAGEMENT SCORE

92%

86% Philippine Norms

88% Global Norms

We build on these strengths:
Communication, Customer Focus, and Operating Efficiency

TRAINING AND DEVELOPMENT

In 2020, IMI University conducted a total of 98 training programs completing 19,394 of training man hours. We certified additional four SMEs giving us a total of 127 SMEs supporting our IMI University. The IMI University Learning Management System (LMS) was successfully launched in Bulgaria and Serbia with 26 available LMS modules.

IMI Philippines provided assistance through the Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) of the Commission on Higher Education (CHED). In August last year, 11 employees achieved a bachelor's degree in engineering and business administration. Five of them were ETEEAP scholars. In partnership with a local university, scholarship grants were awarded to three qualified employees after a thorough screening.

HEALTH AND SAFETY OF OUR WORKFORCE

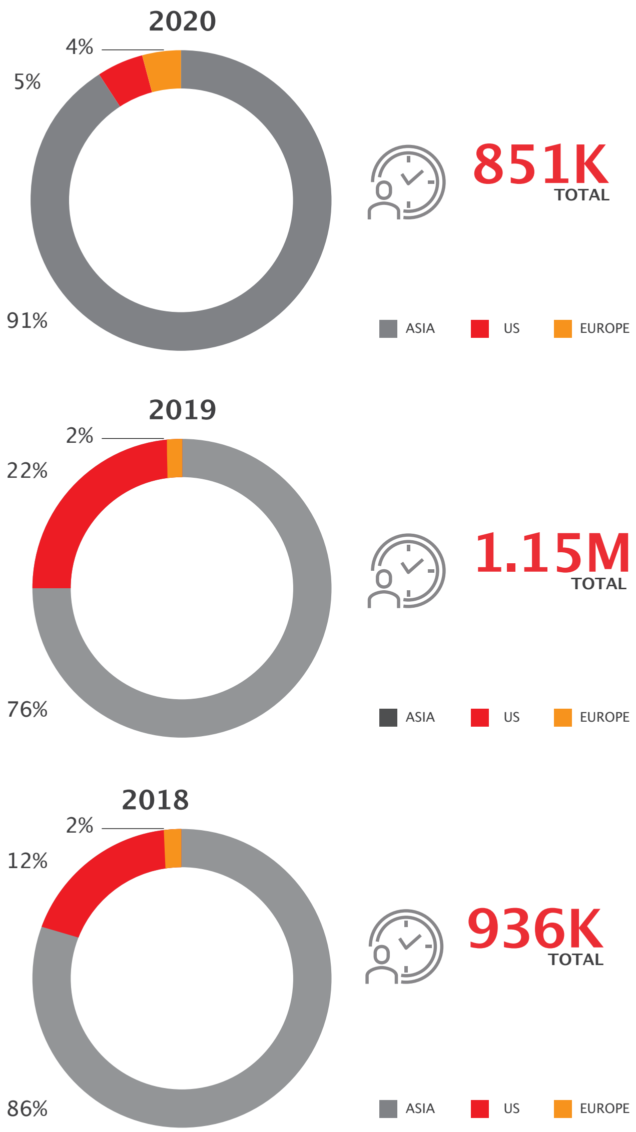
We safeguard the health, safety, and well-being of all members of our global IMI team, at the same time creating a fun working environment

To raise awareness and participation, we keep our employees informed of various health programs, blood drives, and annual physical examinations. In addition, annual vaccination programs are offered at workable deduction scheme to further encourage employees to avail the services offered.

Safety trainings are conducted regularly as part of our accident prevention program to minimize occupational hazards and risk while improving productivity.

Training session at IMI China

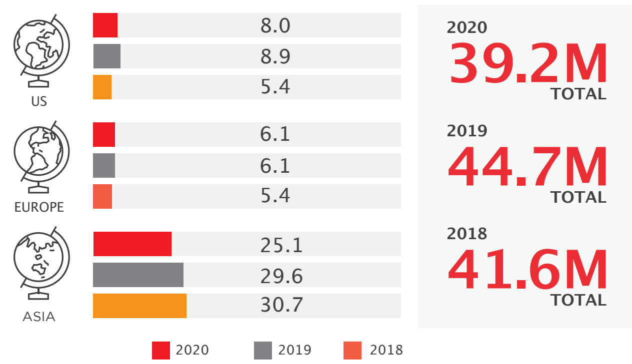
GLOBAL TRAINING HOURS



2020 data excluding VIA Germany, VIA China & VTS Japan

SAFE MAN HOURS

(IN MILLIONS)



SASB MATERIAL ISSUES INDEX

Sustainability Accounting Standards Board (SASB) Standards

Analyzing the materiality of sustainability information requires an understanding of the specific impact of business on society and the environment, as well as the impact of sustainability challenges on business. Companies operating in a specific industry are more likely to have similar business models and use resources in similar ways than companies in other industries. Therefore, they are likely to have similar sustainability risks and opportunities. The SASB develops sustainability accounting standards at the industry level, focusing on issues that are closely tied to resource use, business models, and other factors at play in the industry.

The SASB Standards identify industry-specific sustainability factors that likely to be material for 77 industries. They focus on the subset of environmental, social, and governance (ESG) issues most relevant to financial performance in each industry.

They are designed to:

1. **Meet investor needs**
   Investors across asset classes want comparable, consistent, and reliable data on financially material sustainability factors. For example, investors who evaluate corporate performance within an industry context can easily integrate and assess material sustainability factors alongside financial fundamentals.
2. **Be cost-effective and industry specific**
   Industry-specific disclosure reduces costs and minimizes noise by surfacing the most relevant information. IMI uses SASB for Electronic Manufacturing Services & Original Design Manufacturing - Sustainable Industry Classification System™ (SICS™) #TC0101 as our SASB reference guide.
3. **Be aligned and can be used with other frameworks and standards**
   Many companies use both SASB and GRI Standards to meet the needs of various audiences. It is also a practical tool for implementing principles-based frameworks, including those provided by the TCFD and IIRC.

SASB INDEX – SUSTAINABILITY ISSUES & TOPICS FOR EMS MANUFACTURING

MATERIAL TOPICS	ACCOUNTING METRICS	SDGS	PAGE NUMBER (S)
Environment	• GHG Emissions • Air Quality • Energy Management • Water Management • Waste & Hazardous Materials • Ecological Impact	6, 11, 12, 13, 14, 15	6 – 9 67 – 68
Human Capital	• Labor Practices • Employee Health & Safety • Employee Engagement, Diversity & Inclusion	1, 2, 5, 8, 10, 11	6 – 9 62 – 65 69 – 70
Business Model & Innovation	• Product Design & Life Cycle Management • Business Model Resilience • Supply Chain Management • Materials & Resource Efficiency • Physical Impact of Climate Change	9, 11, 12, 13, 17	18 – 31 66
Leadership & Governance	• Business Ethics • Competitive Behavior • Management of Legal & Regulatory Requirements • Critical Incident Risk Management • Systemic Risk Management	9, 10, 11, 12, 13, 16, 17	45 – 57 62 – 65 75 – 86

TCFD ADOPTION

As a public company, we recognize the value of global standards for corporate disclosure. We joined the network of supporters of Task Force on Climate-Related Financial Disclosure (TCFD) in January 2021 to promote a more resilient financial system through climate-related disclosure.

TCFD was set up by the G20's Financial Stability Board in 2015 with the goal of developing voluntary and consistent climate-related financial risk disclosure which can be adopted by companies to help inform investors, lenders, the market, and other members of the public to understand material risk related to climate change.

With this initiative, IMI is among the first electronic equipment manufacturers in South East Asia, and in the Philippines to join 1,800 companies in 78 countries across the globe to adopt the TCFD framework. Going forward, we will be guided by the Task Force's recommendations which involve four thematic areas: governance, strategy, risk management, and metrics and targets, where there are 11 adoptable recommendations which take into account physical and transition risks associated with climate change. By committing to this framework with focus on financial materiality, we hope to make the quality of information valuable to investors.

> **"IMI has always been in the forefront of pioneering ESG values in the manufacturing sector for the Philippines. As part of the global supply chain for the world's top brands and products, we have been complying and exceeding these requirements for years. Our decision to support the TCFD initiatives is a natural path for us to take and uphold."**
>
> **Arthur R. Tan**
> President and CEO

Recommendations and Supporting Recommended Disclosures

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2˚C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

BENEFITS OF TCFD

TCFD adoption supports IMI's vision of being Future-Ready as a global technology solutions company that takes into account its responsibility as one of Ayala Corporation and AC Industrial's sustainability champions, in the manufacturing industry, in the Philippines, and across the globe. IMI reinforces its commitment to help achieve AC/ACI's Sustainability Blueprint, and also to help mitigate the risk of climate change.

Companies implementing the TCFD recommendations will:

- have easier or better access to capital by increasing investors' and lenders' confidence that the company's climate-related risks are appropriately assessed and managed;
- more effectively meet existing disclosure requirements to report material information in financial filings;
- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning; and
- proactively address investors' demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received

IMI will work and align with the Ayala group to develop its TCFD roadmap to full adoption and implementation in 2021. In addition, as part of its first steps in this journey, IMI will place emphasis on climate-related risks in the upcoming 2021 Annual Risk Assessment. Results of the risk assessment will be used in IMI Strategic Planning Conference to cascade IMI's strategy and direction about the risks and opportunities of climate change to the organization.

MAIN BENEFITS OF TCFD ADOPTION

ACCESS TO CAPITAL

Easier or better access to capital by increasing investor's and lenders' confidence

DISCLOSURE REQUIREMENTS

More effectively meeting existing disclosure requirements to report material information in financial filings

MORE EFFECTIVE RISK MANAGEMENT

Increased awareness and understanding of climate-related risks and opportunities within the company resulting in **more effective risk management**

ADDRESING INVESTOR EXPECTATIONS

Proactively addressing investors' demand for climate-related information in a framework that investors are increasingly asking for

FINANCIAL STATEMENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Review of 2020 Performance

Revenues

COVID-19 had contained so much paradigm-shifting developments in the industry and changes in the strategies of almost all businesses globally.

Consolidated full year 2020 revenues were US$1.14 billion, nine percent lower than 2019. Our wholly owned businesses made US$867 million of revenues, down 14 percent from 2019, as plant shutdowns in various operating regions during the first half of the year significantly affected financial results. Facilities in the Philippines, China, and Mexico all adhered to government mandated lockdowns to contain the spread of COVID-19, while operating sites in Bulgaria and Czech Republic aligned with the demand slowdown of OEM customers by exercising voluntary reduced work schedules. The global situation led to a 28 percent year-on-year reduction in top line sales in the first half. Revenues in the second half of the year recouped, 36 percent better than first half on the back of strong demand recovery and subsequent normalization of operations. The global demand for security and I-o-T products boosted industrial revenue while mobility-focused European and North American facilities benefited from the rapid rise of global automotive production. In addition, IMI's growing foothold in the profitable medical segment also led to increased higher margin sales for its manufacturing plants in Asia.

Subsidiaries VIA optronics and STI Ltd. posted combined revenues of US$269 million, an increase of nine percent from the previous year. VIA optronics continues its shift towards automotive display solutions by partnering with leading manufacturers in both traditional and electric vehicle spaces. Meanwhile, STI Ltd. is buoyed by the continued growth of its medical segment and recovery of the aerospace and defense markets. The financial information included herein for the fourth quarter and full year 2020 for VIA optronics and STI Ltd. may change; however, IMI does not expect any such changes to be material, in the aggregate, to IMI.

Gross Margins and Net Profits

Our gross profit was down six percent year-on-year to US$96.3 million due to the decline in revenues from the lockdowns, but we were able to improve our margin to 8.5% from 8.2%. This was driven by improved manufacturing efficiency and cost-cutting initiatives implemented across all sites. In a continuing difficult market environment, we worked with the local government units of countries where we operate to secure various forms of employee-related subsidies in Bulgaria, China, Czech Republic, France, Mexico, Serbia, and Singapore, thereby reducing the operating costs.

Net loss amounted to US$3.5 million compared with net loss of US$7.8 million in the previous year. The improvement of US$4.3 million was primarily from higher operating income of US$7.9 million following the improved gross profit margins and reduced general and administrative expenses. The second half of 2020 also benefited from a significant swing from a net loss of US$21.5 million in the first half to a positive US$18.0 million in the second half—a testament to IMI's continuing efforts to respond swiftly in times of business disruptions.

Financial Condition

We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a robust balance sheet. At the end of 2020, current ratio stood at 1.54:1 compared to 1.49:1 in 2019, and debt-to-equity ratio was 0.41:1 from 0.55:1. And from net debt of US$116 million in 2019, we now have close to US$4 million of net cash mainly as a result of increased cash and cash equivalents and reduced financial indebtedness.

Our capital expenditures decreased to US$18.7 million in 2020 from US$38.8 million in the prior year due to our focus on cash flow management as well as maximum utilization of existing capacity. We spent most of our capital expenditures on expansionary strategic priorities including additional machineries and building expansions intended for emerging technologies, new projects, and improvement of existing facilities.

As a percentage of revenues, capital expenditures were 1.6%, down from 3.1% in 2019. We expect capital expenditures in 2021 at a level consistent with 2019 levels as we expand our portfolio of business opportunities.

REPORT OF THE AUDIT AND RISK COMMITTEE TO THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

The Board-approved Audit and Risk Committee Charter defines the duties and responsibilities of the Audit Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to:

- Integrity of the Company's financial statements and the financial reporting process
- Appointment, remuneration, qualifications, independence and performance of the independent external auditors and the integrity of the audit process as a whole
- Effectiveness of the systems of internal control and the risk management process
- Performance and leadership of the internal audit function
- Compliance with applicable legal, regulatory and corporate governance requirements

In compliance with the Audit and Risk Committee Charter, we confirm that:

- The Chairman and another member of the Committee are Independent Directors;
- We had four (4) regular meetings during the year with all the members present. We met separately with the internal and external auditors in an executive session during the year;
- We recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company's 2020 Independent Auditor;
- We have reviewed and discussed the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Integrated Micro-Electronics, Inc. and subsidiaries ("IMI") with management, the internal auditors, as well as SGV & Co. as the independent auditor of IMI, and that these activities were performed in the following context:
  - Management has the primary responsibility for the financial statements and the financial reporting process; and
  - SGV & Co. is responsible for expressing an opinion on the conformity of IMI's audited consolidated financial statements with Philippine Financial Reporting Standards;
- We have discussed and approved the overall scope and the respective audit plans of the Company's internal auditors and SGV & Co. We have also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments;
- We have reviewed the reports and updates of the internal auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. The Global Internal Audit Group obtained the highest rating of "Generally Conforms," from the External Quality Assessment Review performed by Punongbayan & Araullo/Grant Thornton external audit firm in January 2020.
- Based on the assurance provided by internal audit and SGV & Co., as a result of their audit activities, the Committee assessed that the Company's systems of internal controls, risk management, and governance processes are adequate;
- We have reviewed and discussed the adequacy of IMI's enterprise risk management process, including the nature of significant risk exposures, and the related risk mitigation efforts and initiatives. This activity was reviewed in the context that management is primarily responsible for the risk management process;
- We have reviewed and recommended for the approval by the Board of Directors all audit, audit-related and non-audit services provided by SGV & Co. to IMI and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;
- We have conducted an annual assessment of our performance to confirm that the Committee satisfactorily performed its responsibilities based on the requirements of its Charter; and
- We reviewed the Audit Committee Charter to ensure that it is updated and aligned with regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Risk Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Annual Report for the year ended December 31, 2020 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange.

The Audit and Risk Committee is also recommending to the Board of Directors the re-appointment of SGV & Co. as IMI's independent auditor for 2021 based on the review of their performance and qualifications.

23 February 2021

EDGAR O. CHUA Chairman	RAFAEL C. ROMUALDEZ Member	HIROSHI NISHIMURA Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-Electronics, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018, 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 the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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.

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

JAIME AUGUSTO ZOBEL DE AYALA
Chairman, Board of Directors

ARTHUR R. TAN Chief Executive Officer	JEROME S. TAN Global Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Integrated Micro-Electronics, Inc.

Opinion

We have audited the consolidated financial statements of Integrated Micro-Electronics, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, 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, 2020, 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 balance sheets of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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 matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2020, the Group's goodwill attributable to the following cash-generating units (CGUs): Integrated Micro-Electronics, Inc., Speedy-Tech Electronics, Ltd., IMI Czech Republic s.r.o., VIA Optronics GmbH (VIA), and Surface Technology International Enterprises Limited (STI), amounted to $147.25 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, gross margin and discount rate.

The Group's disclosures about goodwill are included in Note 11 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and assumptions used. These assumptions include revenue growth rate, gross margin and discount rate. We compared the key assumptions used such as revenue growth rate against actual historical performance of the CGU and industry outlook, the gross margins against historical rates, and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is more sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of the put options arising from the acquisition of VIA Optronics GmbH (VIA) and STI

The terms of the acquisition of VIA in 2016 and STI in 2017 included put options that granted the noncontrolling shareholders the right to sell their shares in the acquiree to the Group. This resulted to a recognition of financial liability which is being revalued at every reporting period. In 2020, the shareholders agreement for VIA was amended which resulted to the cancellation of the put option and reclassification of the put option liability amounting to $15.3 million to additional paid-in capital. As of December 31, 2020, the remaining put options liability for STI amounted to $1.59 million. We considered the valuation of the put options to be a key audit matter because it requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically, revenue growth rate, EBITDA multiple, discount rate, forecasted interest rate and the probability of trigger events occurring.

Details of the transactions and the valuation of the put options are disclosed in Notes 18 and 32 to the consolidated financial statements.

Audit response

We involved our internal specialists in testing the fair values of the put options, including the evaluation of the methodologies and key assumptions used. These assumptions include revenue growth rate, EBITDA multiple, discount rate, forecasted interest rate and probability of trigger events occurring. We evaluated the revenue growth rate against the acquirees' historical financial performance, the Group's business plan for the acquirees and industry outlook. We evaluated the EBITDA multiple against market data of comparable companies. We tested the parameters used in the derivation of the discount rate against market data. We compared the interest rate used in forecasting the future equity value to the risk-free rate in Germany and the United Kingdom, and inquired with management its basis for the probability of trigger events occurring. We also examined the agreement supporting the cancellation of the put option granted to the noncontrolling shareholders.

Recoverability of capitalized product development costs and property, plant and equipment

Under PFRS, the Group is required to test the recoverability of nonfinancial assets when indicators of impairment exist. In 2020, the continuing gross loss position since the start of mass production for the production line for certain customers in Philippines and Mexico has been assessed as an impairment indicator requiring an impairment assessment. The management's impairment assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate and inclusion of future price increases in the revenue growth, cost ratios and discount rates. As of December 31, 2020, the carrying amount of the capitalized product development costs and the property, plant, and equipment specifically used in the projects amounted to $10.99 million, and the impairment loss recognized for the year amounted to $7.22 million. These balances are considered significant to the consolidated financial statements.

The Group's disclosures about the capitalized product development costs and property, plant and equipment are included in Notes 10 and 12 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and assumptions used. These assumptions include revenue growth rate, cost ratios and discount rate. We compared the key assumptions used such as revenue growth rate and cost ratios against actual historical performance of the specific production line and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is more sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of the capitalized product development costs and property, plant and equipment.

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, 2020, 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, 2020 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 Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1737-A (Group A),
January 24, 2019, valid until January 23, 2022
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-074-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534376, January 4, 2021, Makati City

March 2, 2021

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	$244,355,425	$152,660,116
Receivables (Notes 6 and 31)	275,621,791	290,643,361
Contract assets (Note 7)	54,525,401	58,908,123
Inventories (Note 8)	142,316,055	152,629,272
Other current assets (Notes 9 and 33)	17,355,310	19,106,392
Total Current Assets	734,173,982	673,947,264
Noncurrent Assets		
Property, plant and equipment (Note 10)	177,950,968	194,294,448
Goodwill (Note 11)	147,245,094	140,781,251
Intangible assets (Note 12)	17,145,629	28,576,837
Right-of-use assets (Note 30)	32,660,720	32,027,604
Financial assets at FVOCI (Notes 13 and 32)	1,124,461	1,199,763
Deferred tax assets - net (Note 25)	3,491,878	3,610,639
Other noncurrent assets (Note 14)	19,882,038	21,898,132
Total Noncurrent Assets	399,500,788	422,388,674
	$1,133,674,770	$1,096,335,938

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	$253,824,928	$267,072,013
Contract liabilities (Note 7)	1,515,095	4,742,170
Loans payable (Note 16)	206,490,427	126,051,547
Other financial liabilities (Notes 18, 32 and 33)	1,680,879	22,370,085
Current portion of long-term debt (Note 17)	2,109,394	28,037,902
Current portion of lease liabilities (Note 30)	7,785,039	4,074,866
Income tax payable	3,350,479	1,441,505
Total Current Liabilities	476,756,241	453,790,088
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 17 and 32)	32,210,531	114,385,913
Lease liabilities (Note 30)	27,628,221	29,722,846
Net retirement liabilities (Note 27)	9,355,655	9,165,082
Deferred tax liabilities - net (Note 25)	1,598,134	1,869,955
Other noncurrent liabilities (Note 24)	5,263,259	3,623,257
Total Noncurrent Liabilities	76,055,800	158,767,053
Total Liabilities	552,812,041	612,557,141

(Forward)

	December 31	
	2020	2019
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common (Note 19)	$42,674,930	$42,674,027
Subscribed capital stock (Note 19)	744,823	752,560
Additional paid-in capital (Notes 18 and 19)	193,869,684	146,208,099
Subscriptions receivable (Notes 19 and 28)	(2,888,800)	(2,955,581)
Retained earnings (Note 19)	215,793,690	225,752,846
Treasury stock (Note 19)	(1,012,588)	(1,012,588)
Other components of equity (Note 13)	(874,804)	(735,811)
Cumulative translation adjustment	9,137,769	(17,682,926)
Remeasurement losses on defined benefit plans (Note 27)	(9,750,213)	(10,450,763)
	447,694,491	382,549,863
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries (Note 19)	133,168,238	101,228,934
Total Equity	580,862,729	483,778,797
	$1,133,674,770	$1,096,335,938

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 29)	$1,135,840,593	$1,250,365,914	$1,349,400,445
COST OF SALES (Notes 20 and 22)	1,039,503,708	1,148,137,698	1,214,979,839
GROSS PROFIT	96,336,885	102,228,216	134,420,606
OPERATING EXPENSES (Notes 21 and 22)	(92,460,393)	(106,222,063)	(96,935,285)
OTHERS – Net			
Interest expense and bank charges (Note 23)	(10,422,633)	(13,141,935)	(11,992,384)
Foreign exchange losses – net	(755,744)	(4,215,058)	(3,845,781)
Interest income (Note 5)	330,682	860,775	998,995
Miscellaneous income – net (Note 24)	5,522,929	9,285,288	34,178,491
	(5,324,766)	(7,210,930)	19,339,321
INCOME (LOSS) BEFORE INCOME TAX	(1,448,274)	(11,204,777)	56,824,642
PROVISION FOR INCOME TAX (Note 25)			
Current	6,496,089	5,279,215	7,737,422
Deferred	(1,570,668)	(3,288,780)	304,920
	4,925,421	1,990,435	8,042,342
NET INCOME (LOSS)	($6,373,695)	($13,195,212)	$48,782,300
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	($3,455,073)	($7,780,648)	$47,187,313
Non-controlling interests	(2,918,622)	(5,414,564)	1,594,987
	($6,373,695)	($13,195,212)	$48,782,300
Earnings (Loss) Per Share (Note 26)			
Basic and diluted	($0.002)	($0.004)	$0.022

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
NET INCOME (LOSS)	($6,373,695)	($13,195,212)	$48,782,300
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified into profit or loss in subsequent periods:			
Exchange differences arising from translation of foreign operations (Note 19)	29,152,586	(5,475,454)	(12,021,978)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Note 27)	700,550	(4,214,969)	1,201,302
Fair value changes on financial assets at FVOCI - net of tax	(138,993)	360,553	202,768
	561,557	(3,854,416)	1,404,070
	29,714,143	(9,329,870)	(10,617,908)
TOTAL COMPREHENSIVE INCOME (LOSS)	$23,340,448	($22,525,082)	$38,164,392
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	$23,927,179	($16,161,173)	$37,972,252
Non-controlling interests	(586,731)	(6,363,909)	192,140
	$23,340,448	($22,525,082)	$38,164,392

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Attributable to Equity Holders of the Parent Company						Other Comprehensive Income (Loss)					
	Capital Stock-Common (Note 19)	Subscribed Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable (Notes 19 and 28)	Retained Earnings (Notes 2 and 19)	Treasury Stock (Note 19)	Other Components of Equity (Note 13)	Cumulative Translation Adjustment (Note 19)	Remeasurement losses on defined benefit plans (Note 27)	Attributable to Equity Holders of the Parent Company (Note 19)	Attributable to Non-controlling Interests (Note 19)	Total
Balances at January 1, 2020	$42,674,027	$752,560	$146,208,099	($2,955,581)	$225,752,846	($1,012,588)	($735,811)	($17,682,926)	($10,450,763)	$382,549,863	$101,228,934	$483,778,797
Issued shares during the year	903	(903)	–	–	–	–	–	–	–	–	–	–
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–	(30,000,000)	(30,000,000)
Refund on subscriptions	–	–	–	(5,023)	–	–	–	–	–	(5,023)	–	(5,023)
Forfeitures during the year	–	(6,834)	(64,970)	71,804	–	–	–	–	–	–	–	–
Dilution of ownership interest in a subsidiary	–	–	32,397,610	–	–	–	–	–	–	32,397,610	62,526,035	94,923,645
Derecognition of put option financial liability	–	–	15,328,945	–	–	–	–	–	–	15,328,945	–	15,328,945
Cash dividends	–	–	–	–	(6,504,083)	–	–	–	–	(6,504,083)	–	(6,504,083)
	42,674,930	744,823	193,869,684	(2,888,800)	219,248,763	(1,012,588)	(735,811)	(17,682,926)	(10,450,763)	423,767,312	133,754,969	557,522,281
Net loss	–	–	–	–	(3,455,073)	–	–	–	–	(3,455,073)	(2,918,622)	(6,373,695)
Other comprehensive income (loss)	–	–	–	–	–	–	(138,993)	26,820,695	700,550	27,382,252	2,331,891	29,714,143
Total comprehensive income (loss)	–	–	–	–	(3,455,073)	–	(138,993)	26,820,695	700,550	23,927,179	(586,731)	23,340,448
Balances at December 31, 2020	$42,674,930	$744,823	$193,869,684	($2,888,800)	$215,793,690	($1,012,588)	($874,804)	$9,137,769	($9,750,213)	$447,694,491	$133,168,238	$580,862,729

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Attributable to Equity Holders of the Parent Company						Other Comprehensive Income (Loss)					
	Capital Stock - Common (Note 19)	Subscribed Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable (Notes 19 and 28)	Retained Earnings (Notes 2 and 19)	Treasury Stock (Note 19)	Other Components of Equity (Note 13)	Cumulative Translation Adjustment (Note 19)	Remeasurement losses on defined benefit plans (Note 27)	Attributable to Equity Holders of the Parent Company (Note 19)	Attributable to Non-controlling Interests (Note 19)	Total
Balances at January 1, 2019	$42,648,042	$815,198	$146,513,264	($3,402,940)	$236,289,815	($1,012,588)	($1,096,364)	($12,894,291)	($6,235,794)	$401,624,342	$4,811,994	$406,436,336
Effect of finalization of business combination (Note 2)	–	–	–	–	1,680,386	–	–	(262,526)	–	1,417,860	2,780,849	4,198,709
Balances at January 1, 2019, as restated	42,648,042	815,198	146,513,264	(3,402,940)	237,970,201	(1,012,588)	(1,096,364)	(13,156,817)	(6,235,794)	403,042,202	7,592,843	410,635,045
Issued shares during the year	25,985	(25,985)	–	–	–	–	–	–	–	–	–	–
Issuance of preferred shares (Note 19)	–	–	–	–	–	–	–	–	–	–	100,000,000	100,000,000
Collections on subscriptions	–	–	–	105,541	–	–	–	–	–	105,541	–	105,541
Forfeitures during the year	–	(36,653)	(305,165)	341,818	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(4,436,707)	–	–	–	–	(4,436,707)	–	(4,436,707)
	42,674,027	752,560	146,208,099	(2,955,581)	233,533,494	(1,012,588)	(1,096,364)	(13,156,817)	(6,235,794)	398,711,036	107,592,843	506,303,879
Net loss	–	–	–	–	(7,780,648)	–	–	–	–	(7,780,648)	(5,414,564)	(13,195,212)
Other comprehensive income (loss)	–	–	–	–	–	–	360,553	(4,526,109)	(4,214,969)	(8,380,525)	(949,345)	(9,329,870)
Total comprehensive income (loss)	–	–	–	–	(7,780,648)	–	360,553	(4,526,109)	(4,214,969)	(16,161,173)	(6,363,909)	(22,525,082)
Balances at December 31, 2019	$42,674,027	$752,560	$146,208,099	($2,955,581)	$225,752,846	($1,012,588)	($735,811)	($17,682,926)	($10,450,763)	$382,549,863	$101,228,934	$483,778,797

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Attributable to Equity Holders of the Parent Company											
							Other Comprehensive Income (Loss)					
	Capital Stock - Common (Note 19)	Subscribed Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable (Notes 19 and 28)	Retained Earnings (Note 19)	Treasury Stock (Note 19)	Other Components of Equity (Note 13)	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans (Note 27)	Attributable to Equity Holders of the Parent Company (Note 19)	Attributable to Non-controlling Interests (Note 2)	Total
Balances at January 1, 2018	$35,709,679	$1,058,278	$58,121,266	($5,351,844)	$194,499,540	($1,012,588)	$454,457	($2,537,686)	($7,437,096)	$273,504,006	$3,090,593	$276,594,599
Cumulative catch-up adjustment due to adoption of PFRS 9 and 15	–	–	–	–	6,413,470	–	(1,753,589)	–	–	4,659,881	295,522	4,955,403
Balances at January 1, 2018, adjusted	35,709,679	1,058,278	58,121,266	(5,351,844)	200,913,010	(1,012,588)	(1,299,132)	(2,537,686)	(7,437,096)	278,163,887	3,386,115	281,550,002
Issued shares during the year	220,513	(220,513)	–	–	–	–	–	–	–	–	–	–
Issued shares from stock rights offer	6,717,850	–	89,213,052	–	–	–	–	–	–	95,930,902	–	95,930,902
Transaction costs on shares issuance	–	–	(660,853)	–	–	–	–	–	–	(660,853)	–	(660,853)
Cost of share-based payments (Note 28)	–	–	29,589	–	–	–	–	–	–	29,589	–	29,589
Collections on subscriptions	–			1,736,547	–	–	–	–	–	1,736,547	–	1,736,547
Forfeitures during the year	–	(22,567)	(189,790)	212,357	–	–	–	–	–	–	–	–
Increase in non-controlling interest due to acquisition of a subsidiary during the year (Note 2)	–	–	–	–	–	–	–	–	–	–	4,065,562	4,065,562
Effect of finalization of business combination	–	–	–	–	–	–	–	–	–	–	(50,974)	(50,974)
Cash dividends	–	–	–	–	(10,130,122)	–	–	–	–	(10,130,122)	–	(10,130,122)
	42,648,042	815,198	146,513,264	(3,402,940)	190,782,888	(1,012,588)	(1,299,132)	(2,537,686)	(7,437,096)	365,069,950	7,400,703	372,470,653
Net income, as previously stated	–	–	–	–	45,506,927	–	–	–	–	45,506,927	2,344,129	47,851,056
Effect of finalization of business combination (Note 2)	–	–	–	–	1,680,386	–	–	–	–	1,680,386	(749,142)	931,244
Net income, as restated	–	–	–	–	47,187,313	–	–	–	–	47,187,313	1,594,987	48,782,300
Other comprehensive income (loss), as previously stated	–	–	–	–	–	–	202,768	(10,356,605)	1,201,302	(8,952,535)	(1,402,847)	(10,355,382)
Effect of finalization of business combination (Note 2)	–	–	–	–	–	–	–	(262,526)	–	(262,526)	–	(262,526)
Other comprehensive income (loss)	–	–	–	–	–	–	202,768	(10,619,131)	1,201,302	(9,215,061)	(1,402,847)	(10,617,908)
Total comprehensive income (loss)	–	–	–	–	47,187,313	–	202,768	(10,619,131)	1,201,302	37,972,252	192,140	38,164,392
Balances at December 31, 2018, as restated	$42,648,042	$815,198	$146,513,264	($3,402,940)	$237,970,201	($1,012,588)	($1,096,364)	($13,156,817)	($6,235,794)	$403,042,202	$7,592,843	$410,635,045

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	($1,448,274)	($11,204,777)	$56,824,642
Adjustments for:			
Depreciation of property, plant and equipment (Notes 10, 20, and 21)	38,158,147	35,308,020	31,097,283
Amortization of right-of-use asset (Notes 20, 21 and 30)	9,395,254	6,955,732	–
Interest expense on loans (Note 23)	8,411,717	10,262,423	10,566,675
Amortization of intangible assets (Notes 12, 20 and 21)	7,879,168	6,464,921	6,440,284
Impairment loss on product development cost (Note 24)	4,693,985	–	–
Unrealized foreign exchange losses - net	3,723,227	1,106,924	4,460,835
Impairment of property, plant and equipment (Note 24)	2,620,779	–	–
Interest expense on lease liabilities (Note 23)	1,644,189	1,368,494	–
Loss (gain) on derivative transactions (Note 33)	92,122	(15,373)	(152,368)
Gain on sale of property, plant and equipment (Notes 10 and 24)	(657,101)	(99,404)	(189,298)
Interest income (Note 5)	(330,682)	(860,775)	(998,995)
Mark-to-market loss (gain) on put options (Notes 18 and 24)	(6,068,906)	(3,445,288)	5,372,114
Reversal of contingent consideration (Notes 18 and 24)	–	(3,728,985)	(21,304,030)
Net gain on disposal of a subsidiary (Note 24)	–	–	(19,062,344)
Impairment loss on goodwill (Notes 11 and 24)	–	–	6,902,838
Gain from bargain purchase (Notes 2 and 24)	–	–	(2,411,951)
Cost of share-based payments (Note 28)	–	–	29,589
Operating income before working capital changes	68,113,625	42,111,912	77,575,274
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	21,328,413	13,411,173	(46,398,064)
Inventories	13,873,495	38,984,113	(36,441,769)
Contract assets	4,382,722	4,576,071	(16,364,351)
Other current assets	(5,446,059)	1,719,633	5,871,820
Increase (decrease) in:			
Accounts payable and accrued expenses	(7,405,255)	(16,870,412)	30,969,749
Contract liabilities	(3,227,075)	2,911,110	(3,794,787)
Retirement liabilities	487,307	717,179	549,433
Advances from customers	–	–	(1,843,501)
Net cash generated from operations	92,107,173	87,560,779	10,123,804
Interest paid	(9,954,398)	(9,915,877)	(9,624,264)
Income tax paid	(4,587,114)	(7,368,934)	(8,028,054)
Interest received	330,682	860,775	998,995
Net cash provided by (used in) operating activities	77,896,343	71,136,743	(6,529,519)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 10)	($18,121,100)	($37,398,057)	($63,822,429)
Intangible assets (Note 12)	(595,188)	(1,388,481)	(1,139,531)
Proceeds from sale and retirement of property, plant and equipment	1,529,412	862,996	3,136,331
Decrease (increase) in other noncurrent assets	4,130,406	(6,227,538)	(13,879,679)
Capitalized product development costs, excluding depreciation (Notes 10 and 12)	–	(2,520,866)	(3,476,821)
Acquisition through business combination, net of cash acquired (Note 2)	–	–	(1,558,227)
Increase (decrease) in deposits from a third party	–	(11,540,911)	(9,231,423)
Net cash used in investing activities	(13,056,470)	(58,212,857)	(89,971,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Net proceeds from subsidiary's public offering (Note 19)	106,787,500	–	–
Availments of loans payable and long-term debt	82,665,635	12,002,758	66,879,877
Stock rights offering (Note 19)	–	–	95,930,902
Payments of: (Note 35)			
Loans payable	(4,974,751)	(20,540,547)	(35,152,844)
Long-term debt	(108,497,471)	(46,510,457)	(6,710,439)
Lease liabilities (Note 30)	(10,799,326)	(7,603,732)	–
Dividends paid to preference shareholders of a subsidiary (Note 19)	(6,504,083)	–	–
Dividends paid to common equity holders of the Parent Company (Note 19)	–	(4,436,707)	(10,130,122)
Issuance (redemption) of preferred shares of a subsidiary to non-controlling interest (Note 19)	(30,000,000)	100,000,000	–
Increase (decrease) in noncurrent liabilities	1,640,002	(1,626,646)	1,949,887
Collections (refund) of subscriptions receivable (Note 19)	(5,023)	105,541	1,736,547
Settlement of derivatives (Note 33)	(5,321)	13,555	112,675
Net cash provided by financing activities	30,307,162	31,403,765	114,616,483
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(3,451,726)	(201,876)	(208,072)
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,695,309	44,125,775	17,907,113
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	152,660,116	108,534,341	90,627,228
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	$244,355,425	$152,660,116	$108,534,341

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Integrated Micro-Electronics, Inc. (IMI or the Parent Company), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the Group). The Parent Company is 52.03% owned by AC Industrial Technology Holdings, Inc. (AC Industrials), a wholly-owned subsidiary of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 47.28% owned by Mermac, Inc. (Ultimate Parent Company) and the rest by the public.

The registered office address of the Parent Company is at North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna.

The Parent Company was listed by way of introduction in the PSE on January 21, 2010. It has completed its follow-on offering and listing of 215,000,000 common shares on December 5, 2014. On March 2, 2018, the Parent Company completed the stock rights offer and listing of 350,000,000 common shares to all eligible stockholders.

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) as an exporter of printed circuit board assemblies (PCBA), flip chip assemblies, electronic sub-assemblies, box build products and enclosure systems. It also provides the following solutions: product design and development, test and systems development, automation, advanced manufacturing engineering, and power module assembly, among others. It serves diversified markets that include those in the automotive, industrial, medical, storage device, and consumer electronics industries, and non-electronic products (including among others, automobiles, motorcycles, solar panels) or parts, components or materials of non-electronic products, as well as to perform and provide information technology services such as but not limited to data labeling/encoding or image annotation services.

IMI Singapore is a strategic management, investment and holding entity that owns operating subsidiaries of the Group and was incorporated and domiciled in Singapore. Its wholly-owned subsidiary, Speedy-Tech Electronics Ltd. (STEL), was incorporated and domiciled also in Singapore. STEL, on its own, has subsidiaries located in Hong Kong and China. STEL and its subsidiaries (collectively referred to as the STEL Group) are principally engaged in the provision of electronic manufacturing services (EMS) and power electronics solutions to original equipment manufacturers (OEMs) in the automotive, consumer electronics, telecommunications, industrial equipment, and medical device sectors, among others.

In 2011, the Parent Company, through its indirect subsidiary, Cooperatief IMI Europe U.A. (Cooperatief) acquired Integrated Micro-Electronics Bulgaria EOOD (formerly EPIQ Electronic Assembly EOOD) (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (formerly EPIQ CZ s.r.o.) (IMI CZ) and Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (formerly EPIQ MX, S.A.P.I. de C.V.) (IMI MX) (collectively referred to as the IMI EU/MX Subsidiaries). IMI EU/MX Subsidiaries design and produce PCBA, engage in plastic injection, embedded toolshop, supply assembled and tested systems and sub-systems which include drive and control elements for automotive equipment, household appliances, and industrial equipment, among others. IMI EU/MX Subsidiaries also provide engineering, test and system development and logistics management services.

In 2016, Cooperatief acquired a 76.01% ownership interest in VIA Optronics GmbH (VIA), a Germany-based company with operations in Germany and China and sales offices in the USA and Taiwan. VIA is a leading provider of enhanced display solutions for multiple end markets in which superior functionality or durability is a critical differentiating factor. The acquisition allows the Group to strengthen its partnerships with customers by offering complementary automotive camera and display monitor solutions for advanced driver assistance systems. The Group together with VIA enables the scale to introduce patented technology into automotive camera monitor systems for increased safety.

In 2018, VIA acquired 65% ownership interest in VTS-Touchsensor Co., Ltd. (VTS), a Japanese entity that develops and manufactures metal mesh touch sensor technologies and electrode base film.

In 2019, VIA formed VIA Optronics AG (VIA AG) by way of a contribution in kind against issuance of new shares making VIA AG the sole shareholder of VIA Optronics GmbH. The contribution in kind and resulting re-organization was recognized as a business combination under common control. In the same year, VIA Optronics (Taiwan) Ltd was also founded as a new subsidiary with the purpose of conducting sales activities.

In 2020, VIA raised some proceeds through an initial public offering (IPO) and was listed on the New York Stock Exchange under the ticker symbol “VIAO”. As a result of the IPO, IMI’s ownership interest in VIA was diluted from 76.01% to 50.32% (see Note 19).

In 2018, the Group opened its 21st manufacturing site in Niš, Republic of Serbia in line with the IMI’s strategy to strengthen its global footprint and support the growing market for automotive components in the European region.

IMI France serves as a support entity which provides manufacturing support services, market research and analysis, sales promotional activity support, strategic planning advisory, and general corporate marketing support.

In 2017, IMI, through its indirect subsidiary Integrated Micro-electronics UK Limited (IMI UK), acquired an 80% stake in Surface Technology International Enterprises Limited (STI), an EMS company based in the United Kingdom (UK). STI has factories in the UK and Cebu, Philippines. STI provides electronics design and manufacturing solutions in both PCBA and full box-build manufacturing for high-reliability industries. The acquisition of STI strengthens the Group’s industrial and automotive manufacturing competencies, broaden its customer base, and also provides access to the UK market. Further, the partnership allows the Group’s entry into the aerospace, security and defense sectors.

IMI USA acts as direct support to the Group’s customers by providing program management, customer service, engineering development and prototype manufacturing services to customers, especially for processes using direct die attach to various electronics substrates. It specializes in prototyping low to medium PCBA and sub-assembly and is at the forefront of technology with regard to precision assembly capabilities including, but not limited to, surface mount technology (SMT), chip on flex, chip on board and flip chip on flex. IMI USA is also engaged in advanced manufacturing process development, engineering development, prototype manufacturing and small precision assemblies.

IMI Japan was registered and is domiciled in Japan to serve as IMI’s front-end design and product development and sales support center. IMI Japan was established to attract more Japanese OEMs to outsource their product development to IMI.

PSi is a power semiconductor assembly and test services company serving niche markets in the global power semiconductor market. PSi provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices.

The consolidated financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were endorsed for approval by the Audit Committee on February 22, 2021 and authorized for issue by the Parent Company’s Board of Directors (BOD) on March 2, 2021.

2. Group Information

Information about Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ)	**100.00%**	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd. [a]	**100.00%**	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH)	**100.00%**	100.00%	Philippines	USD
Cooperatief IMI Europe U.A.	**100.00%**	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	**100.00%**	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš (IMI Serbia)	**100.00%**	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	**100.00%**	100.00%	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	**100.00%**	100.00%	Mexico	USD
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics AG (VIA) [b/c]	**50.32%**	76.01%	Germany	EUR
VIA Optronics GmbH (VIA)	**100.00%**	100.00%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**100.00%**	100.00%	China	RMB
VIA Optronics LLC (VIA LLC)	**100.00%**	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd [b]	**100.00%**	100.00%	Taiwan	Taiwan Dollar
VTS-Touchsensor Co., Ltd. (VTS)	**65.00%**	65.00%	Japan	Japanese Yen (JPY)
(Forward)				

Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation	Functional Currency
Integrated Micro-Electronics UK Limited (IMI UK)	**100.00%**	100.00%	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	**80.00%**	80.00%	United Kingdom	GBP
STI Limited	**100.00%**	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	**100.00%**	100.00%	Philippines	USD
STI Asia Ltd [d]	**100.00%**	100.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd [d]	**100.00%**	100.00%	United Kingdom	GBP
ST Intercept Limited	**100.00%**	100.00%	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	USD
PSi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [d]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [d]	**64.00%**	64.00%	Philippines	USD

[a] *New subsidiary under IMI SZ incorporated in 2019 as a spin-off of the Kuichong operations*
[b] *New entities of VIA in 2019*
[c] *IMI’s ownership in VIA was diluted to 50.32% as a result of the initial public offering of VIA in the New York Stock Exchange (NYSE)*
[d] *In the process of liquidation*

Business Combinations

Acquisition of VTS-Touchsensor Co., Ltd. (VTS)

On April 9, 2018, VIA and Toppan Printing Co., Ltd. (Toppan) entered into an agreement to serve the market for copper-based metal mesh touch sensors. The agreement provides that Toppan transfer 65% of its shares in VTS to VIA. VTS is a newly formed spin-off company of Toppan.

VTS develops and manufactures the metal mesh touch sensors in Japan on the existing premises of Toppan. The new setup strengthens VIA’s portfolio of differentiated and value-added sensor technology for touch panels, touch-display modules, display head assemblies, and interactive display systems across multiple markets and segments.

The Group elected to measure the non-controlling interest in VTS at the proportionate share of its interest in the acquiree’s identifiable net assets.

The net assets recognized in December 31, 2018 financial statements were based on a provisional assessment of their fair value. The valuation had not been completed by the date the 2018 financial statements were approved for issue by the Board of Directors.

In March 2019, the purchase price allocation was finalized. The fair value of the property, plant and equipment (PPE) and intangible asset increased by $7.16 million and $2.58 million, respectively (see Notes 10 and 12). The increase in fair value of PPE arose from the assessment and valuation mainly of technical equipment and machinery, buildings and improvements and other equipment, which was determined using current replacement cost method. The increase in intangible asset is due to the identification and valuation of customer relationship as a separate asset with fair value determined using the Multi Period Excess Earnings Method (MEEM). PPE was depreciated using various useful lives ranging from 3-10 years while the customer relationship is amortized over a period of 5 years.

As a result, deferred tax liability on the increase in fair value of the property, plant and equipment and intangible asset was recognized amounting to $3.32 million. There was also corresponding recognition of gain on a bargain purchase amounting to $2.41 million upon finalization and the provisional goodwill amounting to $0.97 million was reversed. In addition, additional depreciation and amortization from increase in fair values of property and equipment and intangible assets net of share of non-controlling interest totaling to $0.73 million was recognized in 2018.

Below are the final fair values and provisional fair values as of December 31, 2019:

	Fair Values	Provisional Fair Values
Assets		
Receivables	$184,781	$184,781
Inventories	1,338,391	1,243,686
Property, plant and equipment (Note 10)	7,252,918	97,536
Intangible assets (Note 12)	7,835,218	5,258,211
	16,611,308	6,784,214
Liabilities		
Deferred tax liabilities	3,321,558	–
Other noncurrent liabilities	5,254,010	5,254,010
	8,575,568	5,254,010
Net Assets	$8,035,740	$1,530,204
Non-controlling interest (35%)	(4,065,562)	(535,571)
Goodwill (Gain on a bargain purchase) (Note 11)	(2,411,951)	970,725
Cost of acquisition	$1,558,227	$1,965,358

The 2018 comparative information was restated to reflect the adjustments to the provisional amounts. The effects of the restatement on the consolidated financial statements as of December 31, 2018 are as follows:

Consolidated Balance Sheet

Increase (decrease) after depreciation and amortization:	
Receivables	$407,131
Inventories	(2,204)
Property, plant and equipment	5,086,344
Goodwill	(918,412)
Intangible assets	2,031,774
Deferred tax liabilities	2,405,924
Retained earnings	1,680,386
Cumulative translation adjustment	(262,526)
Non-controlling interests in balance sheet	2,780,849

Consolidated Statement of Income

Increase (decrease) in:	
Cost of sales	$1,820,635
Operating expenses	416,083
Gain from bargain purchase	2,411,951
Deferred tax benefit	756,011
Non-controlling interest in net income	(749,142)

Consolidated Statement of Cash Flow

Increase (decrease) in:	
Cash flow from operating activities	($407,131)
Cash flow from investing activities	407,131

Analysis of cash flows on acquisition:

Initial purchase consideration	$1,965,358
Purchase price adjustment related to inventory	(407,131)
Cost of acquisition	$1,558,227

From the date of acquisition, VTS contributed $26.46 million of revenue and $0.95 million profit before tax to the Group in 2018.

Acquisition-related costs, which consist of professional and legal fees, travel and recruitment services amounting to $1.47 million were recognized as expense in 2018.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI). The consolidated financial statements are presented in United States Dollar (USD) and all values are rounded to the nearest dollar, unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020.

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 investee.

Specifically, the Group controls an investee if and only if the Group has:

a. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
b. Exposure, or rights, to variable returns from its involvement with the investee, and
c. 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:

a. The contractual arrangement with the other vote holders of the investee
b. Rights arising from other contractual arrangements
c. The Group's voting rights and potential voting rights

The Group re-assesses whether 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 or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

In accounting for call and put options over non-controlling interests, management determines whether it has present access to the returns associated with the non-controlling interests. If the options give the Group access to the returns over the non-controlling interests, the Group consolidates the acquiree as if it acquired a 100% interest.

If the options do not give the Group present access to the returns over the non-controlling interests, the Group takes the view that the non-controlling interests should be accounted for in accordance with PFRS 10, *Consolidated Financial Statements,* and must be presented within equity separate from the equity of the Parent Company, until the option is exercised.

The call option is accounted for under PFRS 9, *Financial Instruments,* as a derivative instrument carried at fair value through profit or loss.

The financial liability for the put option is accounted for under PFRS 9 like any other written put option on equity instruments. On initial recognition, the corresponding debit is made to a component of equity attributable to the parent, not to the non-controlling interest. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value payable on exercise are recognized in profit or loss also attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and reverses the component of equity that was reduced on initial recognition. If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company. The difference is included as part of additional paid-in capital.

If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while the resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

  These amendments had no impact on the consolidated financial statements of the Group as it did not enter to any business combinations during the period.

- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

  The amendments were consistently applied on the disclosures of the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

  The amendments were consistently applied on the disclosures of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The Group adopted the amendments to PFRS 16 using the practical expedient beginning January 1, 2020 and recognized rent concession as variable lease payments amounting to $0.42 million as part of cost of sales.

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- 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.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *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.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- 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 by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

  - 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.

    The amendments are expected to have no impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The amendments are expected to have no impact on the Group.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the balance sheet date; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet 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 twelve months after the balance sheet date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as noncurrent.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets
Initial recognition and measurement
Financial assets are classified at fair value, at initial recognition, and subsequently measured at amortized cost, FVOCI, and FVPL.

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

In order for a financial asset to be classified and measured at amortized cost or 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The financial assets of the Group as of December 31, 2020 and 2019 consist of financial assets at amortized cost (debt instruments) and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset 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 (EIR) 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's financial assets at amortized cost includes cash and cash equivalents, receivables and miscellaneous deposits included under "Other noncurrent assets" account.

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of 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 FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in club shares and non-listed common equity shares under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments which the Group had not irrevocably elected to classify at FVOCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated balance sheet) when:
- The rights to receive cash flows from the asset have expired, or
- 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. 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. 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 those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade 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 considers a financial asset 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 held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, 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.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

This category applies to the Group's derivative liabilities and financial liabilities on put options over the non-controlling interests.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding advances from customers, advances from third party, statutory payables and taxes payables), loans payable and long-term debt.

Derecognition
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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

<u>Fair Value Measurement</u>
The Group measures its derivatives, financial assets at FVOCI and financial liabilities at FVPL at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32.

The 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.

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

All assets and liabilities for which the 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 and liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method for raw materials and supplies. For finished goods and work-in-process, cost includes direct materials, direct labor, and a proportion of manufacturing overhead costs based on normal operating capacity determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in profit or loss.

<u>Deferred Charges</u>
Deferred charges are recognized when the Group incurred expenses but the benefits are not expected to be realized on a short-term basis. These are normally chargeable to the customers as part of the selling price of the manufactured items.

<u>Property, Plant and Equipment</u>
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Construction in progress is stated at cost, less impairment loss, if any. This includes costs of construction and installation of equipment and machinery items, and any other costs directly attributable to bringing the asset to its intended use. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation of property, plant and equipment commences once the property, plant and equipment are available for use and is calculated on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Buildings	25 - 30
Building improvements	5
Machineries and facilities equipment	7
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Tools and instruments	2 - 5

The EUL and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate. The EUL of property, plant and equipment are based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss when the asset is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer used and no further depreciation is charged to profit or loss.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Business Combinations and Goodwill
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 acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statements of income under "Operating expenses" account.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized in profit or loss. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

Each unit or group of units to which the goodwill is allocated should:

- Represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

When goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill allocated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

(a) The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
(b) Its intention to complete and ability to use or sell the intangible asset;
(c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization begins when development is complete and the asset is available for use. It is amortized over the period of expected benefit.

The EUL of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over their EUL and assessed for impairment whenever there is an indication that the intangible asset is impaired. The amortization period and method for intangible assets with finite useful lives are reviewed at least at the end of each balance sheet date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss.

The EUL of intangible assets of finite useful life are as follows:

	Years
Customer relationships	5
Unpatented technology	5
Licenses	3-5
Intellectual properties	5
Product development costs	5

Intangible assets with indefinite useful lives and those not yet available for use are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Leases (Upon Adoption of PFRS 16 beginning January 1, 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as 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.

Right-of-use Assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs 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 assets.

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 also subject to impairment.

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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term Leases (STL) and Leases of Low-value Assets
The Group applies the STL recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value, when new, of US$5,000 and below. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to Adoption of PFRS 16 beginning January 1, 2019)
The determination of whether an arrangement is, or contains, a lease, is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, or whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating and finance lease commitments - Group as lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the "Property, plant and equipment" account, with the corresponding liability to the lessor included in the "Accounts payable and accrued expenses" account for the current portion, and "Noncurrent portion of obligation under finance lease" account for the noncurrent portion in the consolidated balance sheets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized under "Interest expense and bank charges" account in the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the respective lease terms.

Impairment of Nonfinancial Assets
The Group assesses, at each balance sheet date, whether there is an indication that a nonfinancial asset (e.g., deferred charges, property, plant and equipment, right-of-use assets and intangible assets) is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. Recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations generally covered a period of five years.

For nonfinancial assets, excluding goodwill, an assessment is made at each balance sheet date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining EUL.

All goodwill of the Group are tested for impairment annually as of December 31 and also tested for impairment when circumstances indicate that the carrying amount is impaired. Provisional goodwill allocated to a CGU is also tested for impairment even if the fair value exercise is not complete during the year.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

When the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Equity

Capital stock
Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Preferred shares may be issued with various rights. In determining whether a preference share is financial liability or equity instrument, the issuer is required to assess the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. A preference share redeemable only at the holder's option is an equity instrument because the issuer does not have a present or future obligation to transfer financial assets to the shareholder.

Additional paid-in capital
Additional paid-in capital pertains to the difference of the par value and selling price of issued and outstanding shares of stock. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against "Retained earnings" account.

The financial liabilities for the put options over the non-controlling interests are recognized at the acquisition date with a debit to additional paid-in capital.

An increase or decrease in a parent's ownership interest that does not result in a loss of control of a subsidiary is accounted for as an equity transaction, i.e. a transaction with owners in their capacity as owners. A parent's ownership interest may change without a loss of control, e.g. when a parent buys shares from or sells shares to a non-controlling interest, a subsidiary redeems shares held by a non-controlling interest, or when a subsidiary issues new shares to a non-controlling interest.

The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. PFRS 10 states that 'the entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent. The Group recognize this difference under "Additional paid-in capital" account.

Subscriptions receivable
Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings and dividends on capital stock of the Parent Company
Retained earnings represent net accumulated earnings of the Group, less dividends declared. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by Parent Company's BOD.

Treasury stock
Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the "Capital stock" account is reduced by its par value and the excess of cost over par value upon retirement is debited to "Additional paid-in capital" account to the extent of the specific or average additional paid-in capital when the shares were issued and to "Retained earnings" account for the remaining balance.

Revenue 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.

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 goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time, when control of the asset is transferred to the customer, generally when goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customer.

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.

Revenue from optical bonding technology and metal mesh touch sensors (VIA and VTS)
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 typically controls the goods or services before transferring them to the customer.

For optical bonding services performed under the consignment model, revenue is recognized at a point in time based on the fact that the assets created have alternative use to the Group entities. This is when the enhancement process is finalized, the customer removes the enhanced products from the consignment stock and is invoiced, according to contract.

For the sale of products under the full service model, revenue is recognized at a point in time when control of the products are transferred to the customers, generally on delivery of the products.

Non-recurring engineering services
Non-recurring engineering charges, tooling and other pre-production revenue stream (NREs) are recognized at a point in time since the criteria for over time recognition is not met. This is based on the assessment that while, in general, the Group has no alternative use for these NREs, either due to customization or restrictions by the customer, there is no assurance or relevant experience that IMI has enforceable right to payment or can recover the cost, plus reasonable margin, in case of contract termination. Point in time revenue recognition for NREs would mean revenue is recognized upon customer acceptance of the NREs (transfer of control).

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 the customer, if any.

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 year or less.

The Group does not have significant separate performance obligations wherein the transaction price needs to be allocated as of December 31, 2020 and 2019.

b) Contract balances

Contract asset
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). A contract liability is recognized as revenue when the Group performs under the contract.

c) Cost to obtain a contract

The Group pays sales commission to its employees 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 year or less.

Other Income
Interest income
Interest income is recognized as it accrues using the EIR method.

Dividends
Dividend income is recognized when the right to receive the payment is established.

Miscellaneous income
Miscellaneous income is recognized as the Group earns the right over it.

Expenses
Cost of sales
This account includes cost of goods sold and cost of services. These expenses pertain to the direct expenses incurred by the Group in relation to the products and services offered. Cost of sales is recognized when the related goods are sold and when services are rendered.

Operating expenses
This account pertains to the general and administrative expenses. Operating expenses are recognized when incurred, except for short term and low value rental expense, which is computed on a straight line-basis over the lease term.

Government Grants
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is initially recognized as a liability in the consolidated balance sheet and recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to the acquisition or construction of a fixed asset, it is initially recognized as a liability in the consolidated balance sheet and recognized as income in equal amounts over the period of depreciation of the related asset.

Foreign Currency Transactions
Functional currency is determined for each entity within the Group and items included in the financial statements of each entity are measured and recorded using that functional currency. For consolidation purposes, the foreign subsidiaries' balances are translated to USD, which is the Parent Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The functional currencies of the Group's foreign subsidiaries are summarized in Note 2 to the consolidated financial statements. As at the balance sheet date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their profit and loss 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.

Exchange differences arising from elimination of intragroup balances and intragroup transactions are recognized in profit or loss. As an exception, if the exchange differences arise from intragroup balances that, in substance, forms part of an entity's net investment in a foreign operation, the exchange differences are not to be recognized in profit or loss, but are recognized in OCI and accumulated in a separate component of equity until the disposal of the foreign operation.

On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Income Taxes
Current tax
Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date in the countries where the Group operates and generates taxable profit.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, when appropriate.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as of the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized, except:
- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in 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 as of the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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 tax authority.

For periods where an Income Tax Holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the Group neither results in a deductible temporary difference or taxable temporary difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company
Basic EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding and adjusted to give retroactive effect to any stock

dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding, plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on EPS.

Retirement and Other Employee Benefits
Defined benefit plans
The Parent Company, PSi, IMI BG and IMI Serbia maintain separate defined benefit plans covering substantially all of their employees. The plans of the Parent Company and PSi are funded and noncontributory retirement plans administered by their respective Boards of Trustees, while that of IMI BG and IMI Serbia is unfunded and noncontributory.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on net retirement liabilities is the change during the period in net retirement liabilities that arises from the passage of time which is determined by applying the discount rate based on government bonds to net retirement liabilities. Net interest on retirement liabilities is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on net retirement liabilities) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net retirement liabilities are the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement 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.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The 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).

Defined contribution plans
The Parent Company's subsidiaries in Singapore, China and Hong Kong, Czech Republic, Mexico, Germany, and UK participate in the respective national retirement schemes defined by the laws of the countries in which it has operations. These retirement schemes are considered as defined contribution plans. A defined contribution plan is a plan under which the subsidiary pays fixed contributions. Each subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The required contributions to the national retirement schemes are recognized as retirement expense as accrued.

Singapore
The subsidiaries incorporated in Singapore make contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution scheme. Contributions to the CPF scheme are recognized as an expense in the period in which the related service is performed.

China
The subsidiaries incorporated and operating in China are required to provide certain staff retirement benefits to their employees under existing China regulations, a defined contribution scheme. Retirement contributions are provided at rates stipulated by China regulations and are contributed to a retirement fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. Contributions to this defined contribution scheme are recognized as expense in the period in which the related service is performed.

Hong Kong
The subsidiary in Hong Kong participates in the defined provident fund. The subsidiary and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Contributions to this defined contribution scheme are recognized as expense in the period in which the related service is performed.

IMI CZ
IMI CZ, under its collective agreement, is committed to pay contributions to life and retirement insurance of its loyal employees. This is done on a monthly basis as part of payroll expenses and only over the employment period. IMI CZ is not obliged to any other payments if employment terminates.

IMI MX
In accordance with the Mexican Labor Law, IMI MX provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to twelve days of wage for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with fifteen or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

IMI MX also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus twenty days wages for each year of service payable upon involuntary termination without just cause. These are recognized when such an event occurs.

VIA
VIA only has defined contribution plans relating to statutory pension. Funds paid by the employees and employers are not saved or invested but are used to pay current pension obligations. Obligations for contributions to defined contribution plans are recognized as an expense when incurred.

STI
Contributions to defined contribution plans are recognized as an expense in the period in which the related service is provided. Prepaid contributions are recognized as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognized as a finance cost in profit or loss in the period in which it arises.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the balance sheet date is recognized for services rendered by employees up to the end of the balance sheet date.

Share-based Payment Transactions
Certain employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares at a discounted price. The Group recognizes employee benefit expense over the holding period. The Group treats its ESOWN plan as option payable within a given period. These are accounted for similar to the methods outlined in PFRS 2. Dividends paid on the awards that have vested are deducted from equity while those paid on awards that are unvested are charged to profit or loss.

Operating Segments
The Group is organized and managed separately according to geographical locations of businesses. The geographical segments are segregated as follows: Philippines, China, Europe, Mexico, Germany/UK, and USA/Japan/Singapore/IMI UK. These geographical businesses are the basis upon which the Group reports its operating segment information presented in Note 29.

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

Events after the Balance Sheet Date
Post period events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post period events that are non-adjusting events are disclosed in the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities affected in future periods.

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

Determining the lease term of contracts with renewal and termination options - Group as lessee
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 has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain 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 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., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

The Group's leases consist mainly of land, production facilities and warehouses and office buildings (land and buildings). The Group included the renewal period as part of the lease term for leases of land and buildings due to the significance of these assets to its operations. These leases have a lease term of more than one year and there will be a significant negative effect on the business if a replacement is not readily available.

Operating lease commitments - Group as lessee (Prior to adoption of PFRS 16)
The Group has entered into contracts with various lease contracts for office spaces and land. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor. Further details are disclosed in Note 30.

Revenue from contracts with customers
- Identifying contracts with customers
  Generally, a valid and approved manufacturing service agreement (MSA), scheduling agreement (SA), customer accepted quote, customer forecast, and/or customer purchase order or firm delivery schedule 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 or firm delivery schedule under the MSA or SA, respectively. The purchase order or firm delivery schedule creates the enforceable rights and obligations and is therefore evaluated together with the MSA or SA 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 goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.

- Determining the method of 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.

Product development costs
Expenditures for the development of new products or production systems are recognized as intangible assets if such expenditures, with a high degree of certainty, will result in future economic benefits for the Group. The rules require stringent criteria to be met for these development expenditures to be recognized as assets such as determining technical feasibility of completing the intangible asset. Management assessed that it is able to meet the identifiability and separability criteria provided in PAS 38, *Intangible Assets,* on the premise that the projects involved are in separate locations from other existing lines and that each project arises from a contractual right between the Group and each customer. Moreover, management is able to demonstrate that the projects are in the advanced stage of development.

Functional currency
PAS 21, *Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine each entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Group. In making this judgment, each entity within the Group considers the currency in which the sales prices for its goods and services are denominated and settled.

Contingencies
The Group is currently involved in various legal proceedings. The estimates of the probable costs of the resolutions and assessments of these claims have been developed in consultation with outside counsels handling the defense in these matters and are based upon analyses of potential results. The Group currently does not believe that these proceedings and tax assessments will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Further details are disclosed in Note 34.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Lease commitments - Group as lessee

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (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 (for example, when leases are not in the subsidiary's functional currency).

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).

Fair value of the financial liabilities on put options
The acquisition of VIA in 2016 and STI in 2017 included call and put options over the non-controlling interests. These options are considered when determining whether the entity has obtained control over the acquiree if in substance the entity already has access to the returns associated with that ownership interest. Management assessed that the options do not give the Group present access to the returns associated with the non-controlling interests in subsidiary and, therefore, accounted for the non-controlling interests under PFRS 10, while the financial liability was accounted for under PFRS 9 measured at the present value of the redemption amount, with a debit to a component of equity attributable to the parent.

Management assessed that the discounted, probability-weighted cash flow methodology is the appropriate model to derive the present value of the redemption amount. The key estimates and assumptions used in the valuation include impact of coronavirus pandemic, the current equity value of the acquiree, forecasted interest rate and probability of trigger events occurring. The equity value of

VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronic services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

Further details on the valuation of the put options are disclosed in Notes 18 and 32.

Provision for expected credit losses of trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type and rating, and coverage by letters of credit and other forms of credit insurance, etc.).

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. For instance, if forecast economic conditions (i.e., industry compounded annual growth rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. 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 ECLs 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.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from the sales of the Group during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Further details on the expected credit loss are disclosed in Note 6.

Estimating NRV of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In line with the impact of COVID-19, the Group experienced lower demand and production that resulted to lower sales in 2020. In the event that NRV is lower than cost, the decline is recognized as an expense. Further details on inventories are disclosed in Note 8.

Depreciation and amortization
The Group computes depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets with finite useful life on a straight-line basis over the assets' EUL. The EUL and depreciation and amortization method are reviewed annually to ensure that these are consistent with the expected pattern of the 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 and amortization period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation and amortization expense on property, plant and equipment and intangible assets with finite useful lives are recognized in profit or loss, in the expense category, consistent with the function of the property, plant and equipment and intangible assets.

Further details on property, plant and equipment, right-of-use assets and intangible assets are disclosed in Notes 10, 30 and 12, respectively.

Evaluation of impairment of nonfinancial assets
The Group reviews certain property, plant and equipment, right-of-use assets, goodwill, intangible assets and deferred charges, for impairment of value. Except for the impairment for goodwill which is assessed at least annually, the impairment evaluation for the other nonfinancial assets includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Moreover, lockdown to Group manufacturing sites due to the impact of COVID-19 pandemic that leads to lower production post impairment indicators requiring the assessment of the recoverable amount for the said assets.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property, plant and equipment, right-of-use assets, intangible assets and deferred charges. For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value-in-use of the CGU to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows. Further details on property, plant and equipment, right-of-use assets, goodwill, intangible assets and deferred charges are disclosed in Notes 10, 30, 11, 12 and 14, respectively.

Details of the impairment loss recognized are disclosed in Note 24.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable profits. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience on previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the entities within the Group.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 25.

Retirement and other employee benefits
The cost of defined benefit plans and other long-term employee benefits as well as the present value of defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, turnover rates, mortality rates, salary increase rates, and future retirement increases. Due to the complexity of the actuarial valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The turnover rate represents the proportion of the current plan members who will resign from service prior to their retirement date and hence, be entitled to resignation benefits instead of retirement benefits. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Salary increase rates and future retirement increases are based on expected future inflation rates.

The Group also estimates other short-term employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policies. These estimates may vary depending on the future changes in salaries, turn-over rates, mortality rates and actual experiences during the period.

Further details on retirement and other employee benefits are disclosed in Note 27.

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	$70,169	$81,479
Cash in banks	244,285,256	127,288,749
Cash equivalents	–	25,289,888
	$244,355,425	$152,660,116

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to $0.33 million in 2020, $0.86 million in 2019 and $1.00 million in 2018.

Net proceeds from VIA's IPO in 2020 amounted to $87.19 million, net of underwriting discounts and commissions, but before expenses. In addition, proceeds from separate concurrent private placement by Corning Research and Development Corporation on VIA shares amounted to $20 million ($19.6 million net of commissions) (see Note 19).

6. Receivables

This account consists of:

	2020	2019
Trade	$273,278,729	$284,594,422
Nontrade	2,825,231	6,080,113
Receivable from insurance	1,095,700	1,086,673
Receivable from employees	329,548	642,995
Due from related parties (Note 31)	299,253	439,973
Others	540,695	94,696
	278,369,156	292,938,872
Less allowance for ECLs	2,747,365	2,295,511
	$275,621,791	$290,643,361

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 70 days from invoice date.

Nontrade
Nontrade receivables represent billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These receivables have credit terms averaging 45 days from invoice date.

Receivable from Insurance
Receivable from insurance pertains to claims for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.09 million and which was fully impaired as of December 31, 2020 and 2019.

Receivable from Employees
Receivable from employees mostly pertain to non-interest bearing short-term loans granted to the Group's employees which are collectible through salary deduction.

Allowance for ECLs
Trade receivables, nontrade receivables and receivable from insurance with aggregate nominal value of $2.75 million and $2.30 million as of December 31, 2020 and 2019, respectively, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Movements in the allowance for ECLs are as follows:

	December 31, 2020			
	Trade	Nontrade	Receivable from Insurance	Total
At beginning of year	$1,051,715	$157,123	$1,086,673	$2,295,511
Provisions (Note 22)	574,495	–	–	574,495
Foreign currency exchange difference	(122,641)	(9,027)	9,027	(122,641)
At end of year	$1,503,569	$148,096	$1,095,700	$2,747,365

	December 31, 2019			
	Trade	Nontrade	Receivable from Insurance	Total
At beginning of year	$797,163	$160,516	$1,056,529	$2,014,208
Provisions (Note 22)	265,059	31,148	–	296,207
Accounts written-off	(24,952)	(5,349)	–	(30,301)
Foreign currency exchange difference	14,445	(29,192)	30,144	15,397
At end of year	$1,051,715	$157,123	$1,086,673	$2,295,511

Provisions form part of "Operating expenses" account and are included under "Facilities costs and others" (see Note 22).

7. Contract Balances

This account consists of:

	2020	2019
Contract assets	$54,525,401	$58,908,123
Contract liabilities	1,515,095	4,742,170

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 received from customers depending on the credit terms.

For the years ended December 31, 2020 and 2019, the Group did not recognize a provision for expected credit losses on contract assets.

Contract liabilities includes short-term advances received to render manufacturing services. The significant decrease in contract liabilities was mainly due to lower advance payments received from new and existing customers towards the end of the year.

The Group applied the practical expedient in 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 year or less.

8. Inventories

This account consists of:

	2020	2019
Raw materials and supplies	$140,573,218	$149,038,976
Work-in-process	6,344,858	7,767,003
Finished goods	8,644,901	8,989,036
	155,562,977	165,795,015
Less allowance for:		
Inventory obsolescence	13,151,796	13,072,876
Decline in value of inventories	95,126	92,867
	13,246,922	13,165,743
	$142,316,055	$152,629,272

The cost of the inventories carried at NRV amounted to $46.67 million and $46.90 million as of December 31, 2020 and 2019, respectively. The amount of inventories recognized as an expense under "Cost of sales" account amounted to $796.04 million in 2020, $888.42 million in 2019, and $952.19 million in 2018 (see Note 20).

Balance of work-in-process and finished goods inventories pertain to VIA's sale of product under the full service model since VIA typically controls the goods before transferring them to customers and therefore revenue is recognized at a point in time upon the delivery of products.

Movements in the allowance for inventory obsolescence follows:

	2020	2019
At beginning of year	$13,072,876	$8,473,726
Provisions (reversals) (Note 22)	(291,526)	4,599,150
Foreign currency exchange difference	370,446	–
At end of year	$13,151,796	$13,072,876

Movements in the allowance for decline in value of inventories value follows:

	2020	2019
At beginning of year	$92,867	$172,389
Provisions (reversals) (Note 22)	2,259	(79,522)
At end of year	$95,126	$92,867

The Group recognized gains from sale of materials and scrap amounting to $0.04 million in 2020, $0.03 million in 2019, and $0.82 million in 2018. Gains from sale of materials and scrap are included under "Miscellaneous income (loss) - net" account in the consolidated statements of income (see Note 24).

9. Other Current Assets

This account consists of:

	2020	2019
Prepayments and deferred charges	$5,807,226	$11,113,227
Advances to suppliers	5,437,643	2,893,138
Input taxes	3,709,501	2,538,002
Tax credits	2,007,747	2,547,694
Derivative assets (Note 33)	–	5,321
Others	393,193	9,010
	$17,355,310	$19,106,392

Prepayments and Deferred Charges
Prepayments include prepayments for rent, life and fire insurance and prepaid insurance for product liability and recall which covers product recall expenses and potential liability to third parties seeking damage if the Group recalls any of its products. This also includes prepaid intellectual property rights and financing transaction costs and deferred charges related to capital raising activity. In 2020, the prepayment pertaining to IPO transaction costs was charged to equity upon IPO of VIA.

Advances to Suppliers
This account represents advance payments made to suppliers for purchase of direct materials.

Input Taxes
This account includes input tax expected to be applied against output tax within 12 months from the balance sheet date. Input tax is recognized when an entity in the Group purchases goods or services from a supplier or vendor.

Tax Credits
Tax credits represent recoverable taxes of IMI MX and BG such as VAT refundable and business tax and amounts withheld from income tax payments of the Parent Company and PSi.

10. Property, Plant and Equipment

Movements in this account follows:

	2020						
	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
At beginning of year	$98,810,242	$214,876,716	$24,812,986	$2,490,664	$10,292,763	$4,433,974	$355,717,345
Additions	2,173,444	4,550,405	549,379	405,134	825,140	9,617,598	18,121,100
Disposals/retirement	(718,140)	(8,396,245)	(1,698,207)	(432,735)	(94,342)	–	(11,339,669)
Transfers (Notes 12 and 14)	2,698,514	4,459,496	(1,498,556)	53,450	(1,176,201)	(8,245,470)	(3,708,767)
Foreign currency exchange difference	3,758,216	9,281,484	981,754	144,139	94,018	402,257	14,661,868
At end of year	106,722,276	224,771,856	23,147,356	2,660,652	9,941,378	6,208,359	373,451,877
Accumulated depreciation							
At beginning of year	38,011,962	98,328,542	18,642,159	1,226,971	3,481,051	–	159,690,685
Depreciation	6,597,929	28,789,323	1,882,472	512,201	376,222	–	38,158,147
Disposals/retirement	(668,833)	(7,613,276)	(1,693,083)	(397,825)	(94,342)	–	(10,467,359)
Transfers (Note 12)	–	–	(1,152,456)	–	–	–	(1,152,456)
Foreign currency exchange difference	557,358	4,017,755	162,325	95,897	85,566	–	4,918,901
At end of year	44,498,416	123,522,344	17,841,417	1,437,244	3,848,497	–	191,147,918
Accumulated impairment losses							
At beginning and end of year	–	1,732,212	–	–	–	–	1,732,212
Impairment loss (Note 24)	–	2,620,779	–	–	–	–	2,620,779
At end of year	–	4,352,991	–	–	–	–	4,352,991
Net book value	$62,223,860	$96,896,521	$5,305,939	$1,223,408	$6,092,881	$6,208,359	$177,950,968

	2019						
	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
At beginning of year, as previously stated	$92,595,629	$188,629,382	$25,215,170	$2,457,369	$9,034,650	$13,547,924	$331,480,124
Effects of finalization of business combination	17,673	6,692,850	59,246	–	–	–	6,769,769
At beginning of year, as restated	92,613,302	195,322,232	25,274,416	2,457,369	9,034,650	13,547,924	338,249,893
Additions	5,028,622	21,801,433	1,354,800	348,897	1,406,714	7,457,591	37,398,057
Disposals/retirement	(14,457)	(13,755,433)	(2,223,490)	(303,371)	(292,879)	–	(16,589,630)
Transfers	1,999,274	13,668,702	535,160	22,211	159,751	(16,385,098)	–
Foreign currency exchange difference	(816,499)	(2,160,218)	(127,900)	(34,442)	(15,473)	(186,443)	(3,340,975)
At end of year	98,810,242	214,876,716	24,812,986	2,490,664	10,292,763	4,433,974	355,717,345
Accumulated depreciation							
At beginning of year, as previously stated	31,674,062	83,586,109	18,308,498	942,347	3,494,764	–	138,005,780
Effects of finalization of business combination	1,325	1,673,213	8,887	–	–	–	1,683,425
At beginning of year, as restated	31,675,387	85,259,322	18,317,385	942,347	3,494,764	–	139,689,205
Depreciation	6,188,538	25,581,603	2,691,888	583,575	262,416	–	35,308,020
Depreciation capitalized as development cost	295,704	1,225,787	13,203	–	33,204	–	1,567,898
Disposals/retirement	(2,528)	(13,068,055)	(2,201,573)	(272,443)	(281,439)	–	(15,826,038)
Foreign currency exchange difference	(145,139)	(670,115)	(178,744)	(26,508)	(27,894)	–	(1,048,400)
At end of year	38,011,962	98,328,542	18,642,159	1,226,971	3,481,051	–	159,690,685
Accumulated impairment losses							
At beginning and end of year	–	1,732,212	–	–	–	–	1,732,212
Net book value	$60,798,280	$114,815,962	$6,170,827	$1,263,693	$6,811,712	$4,433,974	$194,294,448

The Group capitalized depreciation related to development phase for certain projects amounting to nil in 2020 and $1.57 million in 2019. The capitalized cost is included as part of product development under "Intangible assets" account.

During the year, the Company transferred property, plant and equipment with a net book value of $2.56 million to "Other noncurrent assets" representing deferred tooling charges, and licenses to "Intangible assets" account amounting to $2.11 million and $0.44 million, respectively (see Note 12).

Due to declining demand brought by the global automotive downturn, the Group recognized impairment losses on certain machineries amounting to $2.62 million in 2020 (see Note 24).

Construction in progress pertains to the construction and development of manufacturing production lines of the Group. Construction in progress transferred to property, plant and equipment amounted to $8.25 million and $16.39 million as of December 31, 2020 and 2019, respectively.

The Group recognized gains from disposal and retirement of certain property, plant and equipment amounting to $0.66 million in 2020, $0.10 million in 2019, and $0.19 million in 2018 (see Note 24).

As of December 31, 2020 and 2019, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $71.43 million and $75.20 million, respectively.

Depreciation expense included in “Cost of sales” and “Operating expenses” accounts follows:

	2020	2019	2018
Cost of sales (Note 20)	$34,148,037	$30,961,361	$26,080,694
Operating expenses (Note 21)	4,010,110	4,346,659	5,016,589
	$38,158,147	$35,308,020	$31,097,283

The Group has no restrictions on its property and equipment and none of these have been pledged as security for its obligations.

11. Goodwill

Goodwill acquired through business combinations had been allocated to the following CGUs:

	2020	2019
STI	$58,637,679	$56,627,517
VIA	48,728,404	44,324,971
STEL	38,225,186	38,225,186
Parent Company	1,097,776	1,097,776
IMI CZ	556,049	505,801
	$147,245,094	$140,781,251

Movement in goodwill follows:

	2020	2019
Cost		
At beginning of year	$147,684,089	$147,354,138
Foreign currency exchange difference	6,463,843	329,951
At end of year	154,147,932	147,684,089
Accumulated impairment loss		
At beginning and end of year	6,902,838	6,902,838
	$147,245,094	$140,781,251

STI, VIA, STEL and IMI CZ

The recoverable amounts of these CGUs have been based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five (5)-year period. The pre-tax discount rates applied to cash flow projections follows:

	2020	2019
STI	10.11%	9.47%
VIA	11.45%	12.78%
STEL	12.85%	12.36%
IMI CZ	10.60%	7.90%

Cash flows beyond the 5-year period are extrapolated using a steady growth rate of 1%, which does not exceed the compound annual growth rate (CAGR) for the global electronics manufacturing services (EMS) industry, specifically on automotive, industrial equipment, consumer electronics and telecommunications segments.

Key assumptions used in the value-in-use calculations

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Revenue - Revenue forecasts are management’s best estimates considering factors such as industry CAGR, existing customer contracts and projections, historical experiences and other economic factors.
- Forecasted gross margins - Gross margins are based on the mix of business model arrangements with the customers.
- Overhead and administrative expenses - estimates are based on applicable inflation rates in the respective countries of the cash generating units considering expected future cost efficiencies and production facilities rationalization.
- Pre-tax discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital.

No impairment loss was assessed for STI, VIA and IMI CZ in 2020, 2019 and 2018.

For STEL, the assessment resulted to an impairment loss of $6.90 million in 2018 triggered by slowing growth in the region. The impairment loss is included under “Miscellaneous income (loss) - net” account in the consolidated statements of income (see Note 24). In 2020 and 2019, despite the weak economy and impact of the pandemic, management assessed that no additional impairment loss should be recognized given the strategies in place to improve the financial performance and lower discount rates.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of STI, VIA and IMI CZ, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of these CGUs to exceed their recoverable amount.

Parent Company

The goodwill of the Parent Company pertains to its acquisition of M. Hansson Consulting, Inc. (MHCI) in 2006 and IMI USA in 2005. MHCI was subsequently merged to the Parent Company as testing and development department. IMI USA acts as direct support to the Group’s customers by providing program management, customer service, engineering development and prototyping manufacturing services. IMI USA’s expertise in product design and development particularly on the flip chip technology is being used across the Group in providing competitive solutions to customers. In 2018, the recoverable amount was based on the market price of the Parent Company’s shares at valuation date, less estimated costs to sell. The fair value of the Parent Company’s shares represents the value of the Group. In 2020 and 2019 given the volatile market, the Group assessed the impairment based on value-in-use calculations using cash flow projections of the Parent Company from financial budgets approved by management covering a 5-year period.

The comparison of the recoverable amounts and the carrying amounts resulted to no impairment loss in 2020, 2019 and 2018.

12. Intangible Assets

Movements in this account are as follows:

	December 31, 2020					
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year	$22,046,083	$100,000	$13,858,721	$14,521,541	$20,599,131	$71,125,476
Additions	–	–	595,188	–	–	595,188
Transfers (Note 10)	–	–	442,001	–	–	442,001
Foreign currency exchange difference	196,017	–	584,334	(44,291)	–	736,060
At end of year	22,242,100	100,000	15,480,244	14,477,250	20,599,131	72,898,725
Accumulated amortization						
At beginning of year	20,599,134	100,000	9,936,846	6,161,827	5,226,127	42,023,934
Amortization	828,554	–	1,084,613	2,372,035	3,593,966	7,879,168
Foreign currency exchange difference	52,271	–	494,552	84,481	–	631,304
At end of year	21,479,959	100,000	11,516,011	8,618,343	8,820,093	50,534,406
Accumulated impairment loss						
At beginning of year	–	–	–	–	524,705	524,705
Impairment loss (Note 24)	–	–	–	–	4,693,985	4,693,985
At end of year	–	–	–	–	5,218,690	5,218,690
Net book value	$762,141	$–	$3,964,233	$5,858,907	$6,560,348	$17,145,629

	December 31, 2019					
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year, as previously stated	$19,666,617	$100,000	$13,439,236	$13,868,690	$16,510,367	$63,584,910
Effects of finalization of business combination	2,438,129	–	–	–	–	2,438,129
At beginning of year, as restated	22,104,746	100,000	13,439,236	13,868,690	16,510,367	66,023,039
Additions	–	–	573,704	814,777	–	1,388,481
Capitalized development costs	–	–	–	–	4,088,764	4,088,764
Foreign currency exchange difference	(58,663)	–	(154,219)	(161,926)	–	(374,808)
At end of year	22,046,083	100,000	13,858,721	14,521,541	20,599,131	71,125,476
Accumulated amortization						
At beginning of year, as previously stated	19,666,617	100,000	8,260,262	4,428,684	2,815,074	35,270,637
Effects of finalization of business combination	406,355	–	–	–	–	406,355
At beginning of year, as restated	20,072,972	100,000	8,260,262	4,428,684	2,815,074	35,676,992
Amortization	530,132	–	1,762,098	1,761,638	2,411,053	6,464,921
Foreign currency exchange difference	(3,970)	–	(85,514)	(28,495)	–	(117,979)
At end of year	20,599,134	100,000	9,936,846	6,161,827	5,226,127	42,023,934
Accumulated impairment loss	–	–	–	–	524,705	524,705
Net book value	$1,446,949	$–	$3,921,875	$8,359,714	$14,848,299	$28,576,837

Customer Relationships
Customer relationships pertain to STEL Group, IMI BG and VTS' contractual agreements with certain customers, which lay out the principal terms upon which the parties agree to undertake business.

Customer relationships of STEL Group and IMI BG aggregating to $19.67 million were fully amortized as of December 31, 2020, 2019 and 2018.

In 2018, the acquisition of VTS gave rise to identification and valuation of customer relationships that were not recognized as internally-developed intangible assets. The net book value of the customer relationships acquired through business combination (VTS) restated as of December 31, 2018 amounted to $2.03 million, net of accumulated amortization and foreign currency revaluation.

Licenses
This includes acquisitions of computer software, applications and modules.

Intellectual Properties
The Group's intellectual properties relate to the acquisition of VIA and VTS. VIA's intellectual properties pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods. The finalization of the purchase price allocation for the acquisition of VIA resulted to the measurement of intellectual properties at fair value amounting to $7.85 million.

Acquisition through business combination in connection with the establishment of VTS amounted to ¥568.68 million ($5.26 million). Toppan has agreed to transfer to VTS the intellectual property (technology) relevant to run the business.

As of December 31, 2020 and 2019, the carrying value of VIA and VTS's intellectual properties amounted to $4.23 million and $5.15 million, respectively.

Product Development Costs
This includes capitalized costs arising from the development phase of certain projects which are still undergoing qualification.

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The recoverable amounts of these product development costs and related property, plant and equipment have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects. The pre-tax discount rates applied to cash flow projections range from 10.28% to 10.68%. Key assumptions used in the value-in-use calculations are consistent with those disclosed in Note 11.

Significant delay in the ramp up of certain projects and declining demand brought by the global automotive downturn resulted to impairment of the related capitalized development cost. Impairment loss amounting to $4.69 million was recognized under "Miscellaneous income (loss) - net" account in 2020 (see Note 24).

Research expenditure recognized as expense amounted to $4.94 million, $0.85 million, and $2.37 million in 2020, 2019 and 2018, respectively.

Amortization expense included in "Cost of sales" and "Operating expenses" accounts follows:

	2020	2019	2018
Cost of sales (Note 20)	$3,810,122	$2,614,302	$3,088,002
Operating expenses (Note 21)	4,069,046	3,850,619	3,352,282
	$7,879,168	$6,464,921	$6,440,284

13. Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	2020	2019
Club shares - quoted	$1,124,461	$1,199,763

The table below shows reconciliation of fair value measurements:

	2020	2019
Balance at beginning of year	$1,199,763	$1,076,455
Change in fair value of quoted securities	(75,302)	123,308
Balance at end of year	$1,124,461	$1,199,763

14. Other Noncurrent Assets

This account consists of:

	2020	2019
Deferred charges	$18,203,997	$20,080,285
Miscellaneous deposits	1,547,045	1,558,138
Others	130,996	259,709
	$19,882,038	$21,898,132

Deferred charges represent tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

Miscellaneous deposits comprise utilities and rent deposits.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Trade payables	$176,556,142	$188,022,901
Accrued expenses	33,117,472	24,687,733
Employee-related accruals	22,993,540	21,443,971
Nontrade payables	15,625,138	26,994,655
Taxes and government-related payables	3,100,732	1,272,642
Advances from customers	1,288,622	934,975
Accrued interest payable	821,933	2,364,614
Customer deposits	230,701	878,202
Due to related parties (Note 31)	27,333	2,024
Others	63,315	470,296
	$253,824,928	$267,072,013

Trade Payables
Trade payables are noninterest-bearing and are normally settled on 30 to 90-day average terms.

Accrued Expenses
Accrued expenses consist mainly of accruals for taxes, supplies, professional fees, utilities, insurance, and freight and brokerage.

Employee-Related Accruals
This account consists mainly accrued compensation and benefits including accrued salaries, leave credits and other employee benefits.

Nontrade Payables
This account consists of obligations related to outsourced manpower, logistics and freight forwarders, professional and service fees and other nontrade related payables. These payables are normally settled on 30 to 60-day terms.

Taxes and Government-related Payables
Taxes payable pertain to taxes due other than corporate income tax and remittances related to government agencies such as social security and insurance, housing fund and health insurance.

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA.

Customer Deposits
Customer deposits pertain to advance payment from customers as manufacturing bond.

Others
This account consists of unreleased checks and consignment payables of the Parent Company for the materials received from its customers.

16. Loans Payable

This account consists of borrowings of the following entities:

	2020	2019
Parent Company	$143,000,000	$72,000,000
STEL	35,500,000	25,901,039
VIA and STI	27,110,927	28,150,508
CZ	879,500	–
	$206,490,427	$126,051,547

Parent Company
As of December 31, 2020 and 2019, the Parent Company has unsecured short-term loans aggregating to $143.00 million and $72.00 million, respectively, with maturities ranging from 30 to 94 days, and fixed annual interest rates ranging from 1.42% to 2.94% in 2020, 2.45% to 2.95% in 2019, and 2.50% to 3.12% in 2018.

The Parent Company incurred interest expense on its short-term loans amounting to $3.23 million in 2020, $1.67 million in 2019, and $2.68 million in 2018 (see Note 23).

STEL
As of December 31, 2020 and 2019, STEL has short-term loans aggregating to $35.50 million and $25.90 million, respectively, are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate from 2.93% to 4.46% in 2020, 3.46% to 4.64% in 2019, and 4.02% to 5.32% in 2018, and have maturities of 91 to 92 days from the date of issue.

STEL incurred interest expense on short-term loans amounting to $1.28 million in 2020, $1.51 million in 2019, and $1.29 million in 2018 (see Note 23).

VIA & STI
The loans of VIA and STI were obtained from China, Germany and UK-based banks with terms ranging from 90 to 365 days and interest rates ranging from 1.16% to 4.0% in 2020 and 2.91% to 5.0% in 2019. VIA has pledged a portion of its trade accounts receivable, up to amounts drawn under the respective loans, in support of the obligations. The carrying value of the related trade receivables factored amounted to $21.09 million and $17.58 million as of December 31, 2020 and 2019, respectively.

VIA and STI incurred interest expense on the short-term loan amounting to $1.47 million, $1.29 million and $1.39 million in 2020, 2019 and 2018, respectively (see Note 23).

IMI CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR plus 0.9%.

IMI CZ incurred interest expense on short-term loans amounting to $0.01 million in 2020, $0.01 million in 2019 and $0.02 million in 2018 (see Note 23).

17. Long-Term Debt

This account consists of borrowings of the following entities:

	2020	2019
Parent Company	$29,795,564	$135,835,000
VTS and IMI CZ	4,524,361	6,588,815
	34,319,925	142,423,815
Less current portion:		
Parent Company	–	25,830,000
VTS and IMI CZ	2,109,394	2,207,902
	2,109,394	28,037,902
Noncurrent portion	$32,210,531	$114,385,913

Parent Company
The long-term debts of the Parent Company aggregating to $30 million ($29.80 million if net of discount) and $135.84 million as of December 31, 2020 and 2019, respectively, were obtained from Singapore-based and Philippine banks with terms of three to five years, subject to fixed annual interest rate of 3.798% in 2020 and interest ranging from 2.70% to 3.41% in 2019.

Loan covenants related to the Parent Company's loans are as follows:

- The ratio of net debt to equity shall not exceed 1.75:1 with reference to the borrower's consolidated financial statements;
- Maintenance of debt service coverage ratio of at least 1.25:1 on the consolidated financial statements;
- Maintenance at all times of a current ratio of at least 1:1 on the parent financial statements;

As of December 31, 2020 and 2019, the Parent Company has complied with all of the above-mentioned loan covenants.

The Parent Company incurred interest expense on its long-term loans amounting to $2.36 million in 2020, $5.70 million in 2019, and $5.00 million in 2018 (see Note 23).

VTS and IMI CZ
VTS and IMI CZ have unsecured long-term loans with Japanese and Czech-based banks that are payable in regular monthly installments both with terms of five years. The VTS loan has interest rate ranging 1.67% while the CZ loan bears interest based on 1-month EURIBOR plus 0.9% but is not to exceed 15% per annum.

VTS and IMI CZ incurred interest expense on its long-term debt amounting to $0.06 million, $0.08 million and $0.06 million in 2020, 2019 and 2018, respectively (see Note 23).

18. Other Financial Liabilities

The account consists of:

	2020	2019
Put options over non-controlling interests (Note 32)		
STI	$1,592,518	$5,477,227
VIA	–	16,892,858
Derivative liabilities (Note 33)	88,361	–
	$1,680,879	$22,370,085

Put options over non-controlling interests
The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5%

put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%.

In 2020, the put options of VIA was terminated in accordance with the amendment in the shareholders' agreement. Triggered by VIA's IPO, the balance of $15.33 million liability before the termination was closed to equity under "Additional paid-in capital" account (see Note 19).

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all non-controlling interests held upon the happening of certain trigger events as specified in the shareholders agreement. The put option of STI is exercisable during the period commencing upon the earlier of: (1) No Fault Leaver Event (i.e., First Founder of STI ceases to be an employee of a member of the STI Group) occurring in respect of a Founder, (2) the aggregate relevant proportion of the Founders falling to less than 5%, or (3) the fifth anniversary of the service agreement.

The value of put options of STI amounted to $1.59 and $5.48 million as of December 31, 2020 and 2019, respectively.

Mark-to-market gains (loss) on put options included under "Miscellaneous income (expense) - net" account amounted to $6.07 million in 2020, $3.45 million in 2019 and ($5.37) million in 2018 (see Note 24).

Contingent consideration
The contingent consideration is part of the cost of acquisition of STI and is valued based on the actual normalized EBITDA performance.

In 2018, the Group reversed $21.30 million contingent liability. The remaining balance of $3.73 million was reversed in full in 2019 and was included under "Miscellaneous income (expense) - net" account (see Note 24).

19. Equity

Capital Stock
This account consists of:

	2020		2019		2018	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized - ₱1 par value						
Common	**2,250,000,000**		2,250,000,000		2,250,000,000	
Preferred	**200,000,000**		200,000,000		200,000,000	
Issued - Common						
At beginning of year	**2,191,273,522**	**$42,674,027**	2,190,076,503	$42,648,042	1,829,892,224	$35,709,679
Issuances from ESOWN	**41,765**	**903**	1,197,019	25,985	10,184,279	220,513
Issuance from stock rights offer	**–**	**–**	–	–	350,000,000	6,717,850
At end of year*	**2,191,315,287**	**$42,674,930**	2,191,273,522	$42,674,027	2,190,076,503	$42,648,042

* *Out of the total issued shares, 15,892,224 shares or $1.01 million as of December 31, 2020, 2019 and 2018 pertain to treasury shares.*

On January 30, 2018, IMI obtained the approval of the PSE for a stock rights offer of up to 350,000,000 new common shares to eligible shareholders. Under the rights offer, each shareholder is entitled to subscribe to one rights share for every 5.3551 existing common shares held as of record date February 14, 2018. The offer price was determined to be at ₱14.28 per rights share which was based on the 30-day volume-weighted average price of IMI common shares listed at the PSE as of February 7, 2018 at a discount of 25.3%. On March 2, 2018, the Parent Company completed the offer and the listing of the shares, raising ₱5.00 billion ($95.93 million) of proceeds to fund capital expenditures and support business expansions and refinance debts. The Parent Company has 2,190,076,503 issued and outstanding shares after the offer.

As of December 31, 2020, 2019 and 2018, there were 288, 287 and 295 registered common stockholders, respectively.

Subscribed Capital Stock
Subscribed capital pertains to subscriptions relating to the ESOWN of the Group.

Details of this account follow:

	2020		2019		2018	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**33,308,281**	**$752,560**	36,177,963	$815,198	47,403,889	$1,058,278
Issuances during the year - ESOWN	**(41,765)**	**(903)**	(1,197,019)	(25,985)	(10,184,279)	(220,513)
Forfeitures during the year - ESOWN	**(315,235)**	**(6,834)**	(1,672,663)	(36,653)	(1,041,647)	(22,567)
At end of year	**32,951,281**	**$744,823**	33,308,281	$752,560	36,177,963	$815,198

Additional Paid-in Capital
VIA Initial Public Offering
On September 25, 2020, VIA Optronics, a 76%-owned German subsidiary of IMI, raised some proceeds through an initial public offering (IPO) and was listed on the New York Stock Exchange under the ticker symbol "VIAO". The IPO involves issuance of 6,250,000 American Depositary Shares (ADSs), representing 1,250,000 ordinary shares at a public offering price of $15.00 per ADS, for gross proceeds of $93.75 million (net proceeds of $87.19 million after deducting underwriting discounts and commissions). Corning Research & Development Corporation ("Corning"), one of VIA's commercial partners, has also agreed to purchase additional 1,403,505 ADSs, representing 280,701 ordinary shares, at an aggregate purchase price of approximately $20 million (net $19.6 million after commissions) in a separate concurrent private placement.

As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was increased by $62.52 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attributed it to the owners of the Parent Company. The amount recognized in equity amounted to $32.40 million and was recognized as a credit to the "Additional paid-in capital" account.

The additional credit to additional paid up capital of $15.33 million is coming from the reversal of put option liability as discussed in Note 18.

Subscriptions Receivable
Details of this account follow:

	2020	2019	2018
At beginning of year	$2,955,581	$3,402,940	$5,351,844
Forfeitures during the year	(71,804)	(341,818)	(212,357)
Refund/(collections) during the year	5,023	(105,541)	(1,736,547)
At end of year (Note 28)	$2,888,800	$2,955,581	$3,402,940

Dividends
2020
IMI Singapore paid dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) on the anniversary dates amounting to $3.47 million and $2.02 million in March 2020 and October 2020, respectively. In November 2020, dividends were paid to the redeemed portion of the RCPS that have accrued as of redemption date amounting to $1.01 million. No dividend payment was declared to common shareholders.

2019
On April 8, 2019, the BOD of the Parent Company approved the declaration of cash dividend of $0.00201 or ₱0.10542 per share to all outstanding common shares aggregating to $4.44 million as of record date of April 25, 2019 paid on May 7, 2019.

2018
On February 20, 2018, the BOD of the Parent Company approved the declaration of cash dividend of $0.00458 or ₱0.235 per share to all outstanding common shares aggregating to $10.13 million as of record date of March 7, 2018 paid on March 21, 2018.

Retained Earnings
Retained earnings as of January 1, 2019 was adjusted for the effect of the finalization of purchase price allocation of VTS with a net increase of $1.68 million. The net increase is due to the gain on a bargain purchase of $2.41 million, net of the increase in depreciation and amortization, deferred taxes and corresponding share of non-controlling interest totaling to $0.73 million.

Upon adoption of PFRS 9, any cumulative impairment losses previously recognized under PAS 39 for equity instruments measured at FVOCI will have to be transferred from retained earnings to OCI. As a result, a cumulative catch up adjustment was made as of January 1, 2018 resulting to a decrease in OCI and an increase in retained earnings of $1.75 million.

Accumulated net earnings of the subsidiaries amounting to $202.52 million and $201.15 million as of December 31, 2020 and 2019, respectively, are not available for dividend declaration. This accumulated net earnings of subsidiaries becomes available for dividend upon receipt of cash dividends from the investees.

The retained earnings are restricted to dividend declaration to the extent of the cost of treasury shares amounting to $1.01 million.

In accordance with Securities Regulation Code Rule 68, As Amended (2019), Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 amounted to $2.58 million.

Treasury Shares
In July 1999, the Company repurchased a total of 8,867,318 Class B common shares issued to a minority stockholder for a price ₱75 million.

Cumulative Translation Adjustments
This account pertains to cumulative translation adjustments of subsidiaries with functional currency other than the Group's presentation currency (see Note 2). Exchange differences arising from translation of foreign operations for the period ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
EU and MX	$14,970,268	($3,977,210)	($7,502,790)
VIA and STI	8,330,030	1,927,491	(7,435,746)
STEL	3,185,241	(33,983)	(113,776)
Consolidation and eliminations	2,667,047	(3,391,752)	3,030,334
	$29,152,586	($5,475,454)	($12,021,978)
Attributable to:			
Equity holders of the Parent	$26,820,695	($4,526,109)	($10,619,131)
Non-controlling interest	2,331,891	(949,345)	(1,402,847)
	$29,152,586	($5,475,454)	($12,021,978)

Non-controlling interest
Issuance of capital stock - preferred by IMI Singapore
In 2019, IMI Singapore, a wholly-owned subsidiary of the Parent Company, issued RCPS, which were subscribed by AC Industrials (Singapore) Pte, Ltd., an entity under common control of AC Industrials. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of IMI Singapore and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore. Total shares issued aggregated to $100 million, $60 million of which was allotted and issued in July 2019 and $40 million in November 2019.

In November 2020, the Board approved the partial redemption of the RCPS amounting to $30.0 million and paid the dividends that have accrued as of redemption date amounting to $1.01 million. Outstanding balance of the RCPS as of December 31, 2020 amounted to $70.0 million.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

No changes were made in the objectives, policies and processes for the years ended December 31, 2020 and 2019.

The Group monitors capital using a gearing ratio of debt-to-equity and net debt-to-equity. The Group considers bank borrowings in the determination of debt, which consist of loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	2020	2019
Loans payable	$206,490,427	$126,051,547
Long-term bank borrowings	34,319,925	142,423,815
Total bank debt	240,810,352	268,475,362
Less cash and cash equivalents	244,355,425	152,660,116
Net bank debt (cash)	($3,545,073)	$115,815,246
Total Equity	$580,862,729	$483,778,797
Debt-to-equity ratio	0.41:1	0.55:1
Net debt (cash)-to-equity ratio	(0.01):1	0.24:1

The Group is not subject to externally-imposed capital requirements.

20. Cost of Sales

This account consists of:

	2020	2019	2018
Direct, indirect and other material-related costs (Note 8)	$796,036,703	$888,417,084	$952,186,147
Direct labor, salaries, wages and employee benefits (Note 27)	165,020,873	172,657,671	179,892,752
Depreciation and amortization (Notes 10, 12 and 30)	43,435,464	38,475,325	29,168,696
Facilities costs and others (Note 22)	35,010,668	48,587,618	53,732,244
	$1,039,503,708	$1,148,137,698	$1,214,979,839

21. Operating Expenses

This account consists of:

	2020	2019	2018
Salaries, wages and employee benefits (Note 27)	$50,543,361	$54,178,946	$46,727,732
Depreciation and amortization (Notes 10, 12 and 30)	11,997,105	10,253,348	8,368,871
Facilities costs and others (Note 22)	29,919,927	41,789,769	41,838,682
	$92,460,393	$106,222,063	$96,935,285

22. Facilities Costs and Others - Net

This account consists of:

	Cost of Sales			Operating Expenses		
	2020	2019	2018	2020	2019	2018
Utilities	$16,944,219	$18,561,156	$19,599,504	$1,479,229	$948,015	$1,336,139
Outsourced activities	7,968,725	10,332,444	15,828,874	11,184,209	14,143,794	14,377,484
Repairs and maintenance	6,203,813	13,052,752	11,508,562	781,950	1,076,059	921,113
Government-related	1,795,352	1,316,475	2,226,864	3,028,921	3,497,749	4,505,120
Travel and transportation	934,445	1,741,426	1,497,218	2,247,563	5,314,278	5,435,915
Technology-related	710,862	1,098,239	361,746	4,224,730	3,912,362	6,229,630
Insurance	673,733	1,359,974	1,564,971	2,823,246	2,000,776	1,928,184
Postal and communication	301,012	371,828	382,798	431,548	1,459,905	1,171,214
Promotional materials, representation and entertainment	117,674	476,418	242,534	637,995	1,012,922	1,102,576
Staff house	15,083	155,727	333,749	272,056	296,117	477,608
Membership fees	4,839	57,467	10,237	143,575	143,923	174,346
Provision (reversal of provision) for inventory obsolescence (Note 8)	–	–	–	(291,526)	4,599,150	2,344,158
Sales commission	–	–		399,402	1,659,413	1,398,391
Provision for ECLs (Note 6)	–	–	–	574,495	296,207	88,238
Provision (reversal of provision) for decline in value of inventories (Note 8)	–	–	–	2,259	(79,522)	93,123
Others - net	(659,089)	63,712	175,187	1,980,275	1,508,621	255,443
	$35,010,668	$48,587,618	$53,732,244	$29,919,927	$41,789,769	$41,838,682

Others include donations, small tools and instruments, spare parts, materials, office supplies, and copying expenses. In 2020, this also includes Covid-related incentives in the form of social insurance refunds, electricity cost subsidies and other job support schemes in China, Europe and Singapore recognized as reduction in cost of sales and operating expenses.

23. Interest Expense and Bank Charges

This account consists of:

	2020	2019	2018
Interest expense on loans (Notes 16 and 17)	$8,411,717	$10,262,423	$10,566,675
Interest on leases (Note 30)	1,644,189	1,368,494	–
Bank charges	320,526	1,505,259	1,398,669
Others	46,201	5,759	27,040
	$10,422,633	$13,141,935	$11,992,384

Others include interest on employee housing and car loans in 2020, 2019, and 2018.

24. Miscellaneous Income - Net

Miscellaneous income (loss) - net consists of:

	2020	2019	2018
Financial subsidies	$6,288,982	$1,735,855	$1,223,397
Mark-to-market gain (loss) on put options (Note 18)	6,068,906	3,445,288	(5,372,114)
Gain on sale of property, plant and equipment (Note 10)	657,101	99,404	189,298
Other income from customers	404,813	456,291	890,489
Gain on insurance claims	61,260	12,672	–
Sale of materials and scrap (Note 8)	36,332	32,927	820,231
Impairment on property, plant and equipment (Notes 3 and 10)	(2,620,779)	–	–
Impairment loss on product development cost (Notes 3 and 12)	(4,693,985)	–	–
Set up of intellectual property related liability	–	(1,638,206)	–
Net gain on disposal of a subsidiary	–	–	19,062,344
Gain from bargain purchase (Note 2)	–	–	2,411,951
Impairment loss on goodwill (Notes 3 and 11)	–	–	(6,902,838)
Reversal of contingent consideration (Note 18)	–	3,728,985	21,304,030
Other income (expense) - net	(679,701)	1,412,072	551,703
	$5,522,929	$9,285,288	$34,178,491

Financial subsidies are comprised of special subsidy funds such as industrial, economic and technological development fund subsidies provided by the China government, amortization of the grant incentives received from the government of Serbia related to the new manufacturing facility and other Covid-related grants in China, Europe and Singapore. The balance of the Serbia grant incentive included under "Other noncurrent liabilities" account amounted to $2.49 million and $1.61 million in 2020 and 2019, respectively.

Gain on sale of property, plant and equipment includes gain on the sale of the manufacturing building located in the Cavite Economic Zone amounting to $0.41 million in 2020.

The liability on contingent consideration was reversed in full to arrive at the fair value of the expected earn-out based on target normalized EBITDA performance in relation to the acquisition of STI. The period for the prepayment of contingent consideration has lapsed in 2019.

Intellectual property (IP) related liability pertains to provision for potential compensation related to IP rights acquired on the acquisition of VTS.

In 2018, the sale of Shenzhen entity was completed for a final purchase price of $85.09 million. The net gain recognized from the sale amounted to $19.06 million, net of employee relocation incentive.

Other income and expenses pertain to accruals and reversals for certain non-operating expenses.

25. Income Tax

Current Tax

Parent Company

The Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2020, there are three remaining project activities with ITH. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH, the Parent Company will be subject to a 5% tax on gross income earned after certain allowable deductions provided under Republic Act (R.A.) No. 7916, otherwise known as the "Special Economic Zone Act of 1995", in lieu of payment of national and local taxes. Income from other income-producing activities that are not registered with PEZA is subject to regular corporate income tax (RCIT) rate of 30%.

IMICD, IMISZ and STJX

In accordance with the "Income Tax Law of the China for Enterprises with Foreign Investment and Foreign Enterprises," the subsidiaries in China are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

During the financial year ended December 31, 2020, STJX and IMISZ have been granted tax preference by the State Taxation Administration of the People's Republic of China (PRC) for a period of 3 years as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of 15% in 2020 and 25% in 2019 on its taxable income as reported in its financial statements, prepared in accordance with the accounting regulations in the PRC.

IMICD is subject to taxation at the statutory rate of 15% on its taxable income as reported in the financial statements.

STHK

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

Cooperatief

Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 20% on the first €200,000 and 25% on the taxable amount exceeding €200,000, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities.

IMI BG

Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate is 10%.

IMI NIS

Taxable income is established on the basis of accounting profit. The applicable tax rate is 15%.

IMI CZ

Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of Czech Republic. The tax base comprises the book income from operations, which is increased or decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate is 19%.

IMI MX

The Mexican Income Tax Law (MITL) established a corporate income tax rate of 30% for fiscal years 2020, 2019 and 2018. The MITL established requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the company but should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

IMI France

Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one year. The tax rate applicable is 33% based on net income.

VIA and VTS
VIA GmbH is subject to corporate income tax and trade taxes in Germany. For the years ended December 31, 2020, 2019 and 2018, the statutory German corporate income tax rate applicable to VIA GmbH is 15,0% plus solidarity surcharge of 5,5% thereon. The municipal trade tax is approximately 16,0% in 2020 and 16,0% in 2019 and 2018. Overall tax rate for Germany is 31.8% for 2020, 2019 and 2018. The change in the municipal trade tax is due to the relocation of a permanent establishment from Altdorf to Nuremberg, with Nuremberg having higher tax rates.

For VIA's subsidiaries, VIA LLC (USA) a tax rate of 27.0% in 2020, 2019 and 2018, for VIA Suzhou (China) a tax rate of 25.0% for 2020, 2019 and 2018 and for VTS (Japan) a tax rate of 33.9% is applicable.

STI
The standard rate of corporation tax in the UK is 19%. STI Philippines is governed by the rules of R.A. No. 7916, which prescribes a final tax rate of 5% on gross income net of certain deductions specifically provided for by the law.

PSi
As a PEZA-registered entity, PSi is subject to a 5% tax on gross income less allowable deductions, as defined in R.A. No. 7916, as amended by R.A. No. 8748, in lieu of all national and local taxes, except real property tax on land being leased by PSi. The 5% tax on gross income shall be paid and remitted as follows: (a) 3% to the National Government; and (b) 2% to the treasurer's office of the municipality or city where the enterprise is located. Income from other income-producing activities that are not registered with PEZA is subject to RCIT rate of 30%.

As at December 31, 2020 and 2019, PSi has no PEZA-registered activities with ITH entitlement.

Deferred Tax
Recognized deferred taxes of the Group relate to the tax effects of the following:

	2020	2019
Deferred tax assets:		
Lease liabilities	$7,355,223	$7,254,586
Net operating loss carry-over	2,070,468	3,970,284
Allowance for inventory obsolescence	580,259	173,612
Allowance for doubtful accounts	149,828	21,493
Unrealized foreign exchange loss on monetary assets - net	6,748	–
Fair value adjustment on property, plant and equipment arising from business combination	–	78,571
Others	947,960	–
	$11,110,486	$11,498,546

	2020	2019
Deferred tax liabilities:		
Right-of-use asset	$6,715,279	$7,230,198
Fair value adjustment on property, plant and equipment arising from business combination	1,804,127	857,370
Contract assets	340,363	856,766
Fair value adjustments on intangible assets from business combination	263,810	615,557
Unrealized foreign exchange gain on monetary assets - net	93,163	34,956
Others	–	163,015
	$9,216,742	$9,757,862

Deferred tax assets and deferred tax liabilities are offset on per entity level and the net amount is reported in consolidated balance sheets as follows:

	December 31, 2020			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	$–	($106,169)	$–	($106,169)
PSI	396,315	(389,247)	7,068	–
IMI BG	683,776	(1,054,562)	–	(370,786)
IMI CZ	286,934	(55,404)	231,530	–
IMI MX	1,005,534	(853,560)	151,974	–
VIA and STI	5,527,574	(3,490,362)	2,037,212	–
STEL	3,111,258	(2,073,750)	1,037,508	–
Serbia	26,231	–	26,231	–
Consolidation	72,864	(1,193,688)	355	(1,121,179)
	$11,110,486	($9,216,742)	$3,491,878	($1,598,134)

	December 31, 2019			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	$–	($45,751)	$–	($45,751)
PSI	172,261	(116,244)	56,017	–
IMI BG	–	(289,848)	–	(289,848)
IMI CZ	286,905	(82,596)	204,309	–
IMI MX	1,037,754	(984,357)	53,397	–
VIA and STI	5,814,691	(4,577,227)	1,237,464	–
STEL	4,169,299	(2,109,847)	2,059,452	–
Consolidation	17,636	(1,551,992)	–	(1,534,356)
	$11,498,546	($9,757,862)	$3,610,639	($1,869,955)

Others pertain to the deferred tax liabilities resulting from the acquisition of IMI EU/MX Subsidiaries. The movement in deferred taxes are impacted by the translation of the deferred taxes of the subsidiaries with functional currency other than the presentation currency of the Parent Company. The deferred taxes are translated using the closing rate as at balance sheet date and the exchange differences are recognized as part of the other comprehensive income and reported as separate component of equity.

As of December 31, 2020 and 2019, the temporary differences for which no deferred tax assets have been recognized are as follows:

	2020	2019
Net operating loss carry-over	$36,274,754	$20,896,912
Accumulated impairment losses on property, plant and equipment	4,352,991	1,732,212
Excess of cost over NRV of inventories	625,966	644,030
Provisions	462,938	786,727
Allowance for doubtful accounts	61,805	58,730
	$41,778,454	$24,118,611

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used.

As of December 31, 2020 and 2019, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries (see Note 19) and the related cumulative translation adjustments since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

On September 30, 2020, the Philippine Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) 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.

As of December 31, 2020, the entities operating in the Philippines has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2017	2018 to 2020	$182,397	$182,397	$–
2018	2019 to 2021	12,295,900	–	12,295,900
2019	2020 to 2022	15,757,987	–	15,757,987
		$28,236,284	$182,397	$28,053,887

As of December 31, 2020, the entities operating in the Philippines has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2020	2020 to 2025	$8,619,419	$–	$8,619,419

For the carry-over losses of certain entities within the Group, this expires between three to ten years from the date incurred depending on the jurisdiction the entity is operating.

Year Incurred	Amount	Applied/Expired	Unapplied
2020	$30,661,230	$–	$30,661,230
2019	36,629,041	5,244,205	31,384,836
2018	20,750,755	1,297,954	19,452,801
2017 and prior	17,357,130	226,014	17,131,116
	$105,398,156	$6,768,173	$98,629,983

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

	2020	2019	2018
Statutory income tax	(30.00%)	(30.00%)	30.00%
Tax effects of:			
Nondeductible expenses and movement in unrecognized deferred taxes	(277.93%)	(13.30%)	16.36%
Income subject to minimum corporate income tax	7.48%	0.66%	(0.31%)
Income subject to gross income tax	100.57%	17.45%	(18.36%)
Difference in tax jurisdiction	(140.61%)	7.24%	(13.40%)
Interest income subjected to final tax	0.40%	0.19%	(0.14%)
Provision for income tax	(340.09%)	(17.76%)	14.15%

26. **Earnings per Share**

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	2020	2019	2018
Net income (loss) attributable to equity holders of Parent Company	($3,455,073)	($7,780,648)	$47,187,313
Weighted average number of common shares outstanding	2,208,592,993	2,208,966,029	2,152,356,856
Basic and diluted EPS	($0.002)	($0.004)	$0.022

As of December 31, 2020, 2019 and 2018, the Group has no dilutive potential common shares.

27. **Personnel Costs**

Details of salaries, wages, and employee benefits follow:

	2020	2019	2018
Salaries, wages and benefits	$193,371,691	$203,260,943	$202,411,802
Government related contributions	9,509,438	8,699,424	7,692,058
Retirement expense under defined contribution plans	7,239,590	8,877,809	9,104,762
Net retirement expense under defined benefit plans	2,093,381	1,552,705	1,574,569
Employee spin-off (Note 21)	–	131,270	–
Others	3,350,134	4,314,466	5,837,293
	$215,564,234	$226,836,617	$226,620,484

Others include expenses such as employee social and recreation, employee awards and recognition, trainings and seminars, labor union expenses, and uniforms.

Salaries, wages, and employee benefits are allocated as follows:

	2020	2019	2018
Cost of sales (Note 20)	$165,020,873	$172,657,671	$179,892,752
Operating expenses (Note 21)	50,543,361	54,178,946	46,727,732
	$215,564,234	$226,836,617	$226,620,484

Defined Benefit Plans

The Parent Company, IMI BG and PSi have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2020.

The plan is administered by local banks as trustees. The Board of Trustees is responsible for the investment direction of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, and the Treasurer. The Treasurer oversees the entire investment process.

The defined benefit plans of the Parent Company and PSi meet the minimum retirement benefit specified under R.A. No. 7641, *Retirement Pay Law*, while IMI BG is in accordance with the Bulgarian labour legislation and the Collective Labour Contract.

The Group has net retirement liabilities attributable to the following:

	2020	2019
Parent Company	$7,253,561	$7,549,797
IMI BG	1,751,670	1,314,853
PSi	343,258	300,432
Serbia	7,166	–
	$9,355,655	$9,165,082

Parent Company, IMI BG and PSi
Changes in net retirement liabilities of the Parent Company, IMI BG and PSi's defined benefit plans are as follows:

2020

		Net Retirement Expense					Remeasurements							
	January 1	Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$22,193,986	$1,786,540	$986,717	$-	$2,773,257	($1,182,460)	$-	($856,746)	$-	$247,298	($609,448)	$-	$1,307,463	$24,482,798
Fair value of plan assets	(13,028,904)	-	(679,876)	-	(679,876)	(585,093)	(77,031)	(14,071)	-	-	(91,102)	-	(742,168)	(15,127,143)
Net retirement liabilities	$9,165,082	$1,786,540	$306,841	$-	$2,093,381	($1,767,553)	($77,031)	($870,817)	$-	$247,298	($700,550)	$-	$565,295	$9,355,655

2019

		Net Retirement Expense					Remeasurements							
	January 1	Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$16,224,860	$1,403,966	$1,081,100	$19,299	$2,504,365	($1,557,084)	$-	$1,044,080	($327,171)	$3,681,397	$4,398,306	$-	$623,539	$22,193,986
Fair value of plan assets	(11,991,926)	-	(951,660)	-	(951,660)	562,269	(174,752)	(8,585)	-	-	(183,337)	-	(464,250)	(13,028,904)
Net retirement liabilities	$4,232,934	$1,403,966	$129,440	$19,299	$1,552,705	($994,815)	($174,752)	$1,035,495	($327,171)	$3,681,397	$4,214,969	$-	$159,289	$9,165,082

The maximum economic benefit available is a contribution of expected refunds from the plans and reductions in future contributions.

The distribution of the plan assets as of December 31, 2020 and 2019 follows:

	2020	2019
Government securities	$10,799,098	$9,623,334
Equities	1,596,656	1,207,358
Corporate bonds	1,164,006	1,100,609
Trust funds	1,057,038	645,374
Investment properties	486,472	461,378
Cash and cash equivalents	50	76
Others	23,823	(9,205)
	$15,127,143	$13,028,924

The plan assets include corporate bonds and deposit instruments of related parties, primarily AC, Ayala Land, Inc. (ALI) and Bank of the Philippine Islands (BPI). As of December 31, 2020 and 2019, the fair value of these plan assets amounted to $1.51 million and $1.02 million, respectively.

The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute $2.26 million to the defined benefit plans for 2021.

The actual return (loss) of plan assets amounted to ($0.08) million, ($0.17) million and $0.83 million in 2020, 2019 and 2018, respectively.

The average duration of net retirement liabilities at the end of the balance sheet date is 13.2 to 20.03 years as of December 31, 2020 and 14.26 to 21.31 years as of December 31, 2019.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Less than one year	$1,877,723	$1,843,180
More than one year to five years	8,798,373	8,497,569
More than five years to ten years	12,181,108	11,889,588
More than ten years to fifteen years	13,120,139	13,784,395
More than fifteen years	46,901,027	52,490,273
	$82,878,370	$88,505,005

Principal actuarial assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2020	2019	2018
Discount rate	0.34% - 3.89%	0.40% - 4.99%	0.90% - 7.38%
Salary increase rate	3.00% - 5.00%	4.00% - 5.00%	4.00% - 5.00%

The sensitivity analysis per entity below has been determined based on reasonably possible changes of each significant assumption on the net retirement liabilities as of the end of the balance sheet date, assuming all other assumptions were held constant:

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability 2020	2019
Discount rate	+1%	($1,833,819)	($1,647,358)
	-1%	2,102,930	1,951,455
Salary increase rate	+1%	2,230,776	2,068,298
	-1%	(1,981,362)	(1,873,459)

The mortality rate in 2020 and 2019 is based on the 2017 Philippine Intercompany Mortality Table for the Parent Company and PSi. Meanwhile, IMI BG used the table for mortality and average life continuance population in the period 2017-2019 from National Statistical Institute (of Bulgaria) for 2020 and 2019. IMI Serbia used the 2012 table of mortality published by the Statistical Office of the Republic of Serbia for 2020.

The net retirement expense of the Parent Company, IMI BG and PSi under the defined benefit plans is allocated as follows:

	2020	2019	2018
Cost of sales	$1,481,625	$1,058,798	$1,133,974
Operating expenses	611,756	493,907	440,595
	$2,093,381	$1,552,705	$1,574,569

Defined Contribution Plans
The Parent Company's subsidiaries, excluding PSi, IMI BG and IMI Serbia, participate in their respective national retirement schemes which are considered as defined contribution plans. The retirement expense of these subsidiaries is allocated as follows:

	2020	2019	2018
Cost of sales	$6,024,351	$7,696,667	$7,726,248
Operating expenses	1,215,239	1,181,142	1,378,514
	$7,239,590	$8,877,809	$9,104,762

28. Employee Stock Ownership Plan (ESOWN)

The Group has an ESOWN, which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Parent Company's Compensation Committee.

- Term of payment is eight years reckoned from the date of subscription:

Initial payment	2.5%
1st Anniversary	5.0%
2nd Anniversary	7.5%
3rd Anniversary	10.0%
Over the remaining years	75.0% balance

- Holding period:
  40% after one (1) year from subscription date
  30% after two (2) years from subscription date
  30% after three (3) years from subscription date

Movements in the number of shares outstanding under ESOWN in 2019, 2018 and 2017 follow:

	2020		2019		2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
At beginning of year	137,692,186	₱6.62	139,364,849	₱6.65	140,406,496	₱6.67
Forfeitures	(315,235)	10.49	(1,672,663)	9.39	(1,041,647)	9.40
At end of year	137,376,951	₱6.61	137,692,186	₱6.62	139,364,849	₱6.65

The balance of the subscriptions receivable amounted to $2.89 million, $2.96 million and $3.40 million as of December 31, 2020, 2019 and 2018, respectively (see Note 19).

The share option expense amounted to nil in 2020 and 2019, and $0.03 million in 2018.

29. Segment Information

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and expense and net income before and after tax of its major manufacturing sites. The Parent Company and PSi are combined under Philippine segment, STEL Group is categorized under China segment, IMI BG, IMI CZ and IMI Serbia are combined under Europe based on the industry segment and customers served, IMI Mexico is presented under Mexico segment, VIA and STI are combined under Germany/UK segment representing non-wholly owned subsidiaries, IMI USA, IMI Japan, IMI UK and IMI Singapore/ROHQ are combined being the holding and support facilities for strategic management, research and development, engineering development and sales and marketing.

Prior period information is consistent with the current year basis of segmentation.

The Parent Company and its subsidiaries generally account for inter-segment revenue and transfers as if the revenue and transfers were to third parties at current market prices. These transactions are accounted for in accordance with PFRS.

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the years ended December 31, 2020, 2019 and 2018:

December 31, 2020	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue from contracts with customers:									
Third party	$199,431,778	$13,841,873	$225,121,982	$264,650,680	$125,021,387	$268,973,935	$38,798,958	$–	$1,135,840,593
Intersegment	39,560,353	–	27,381,619	4,176,480	730,411	–	5,839,775	(77,688,638)	–
Total revenue from contracts with customers	$238,992,131	$13,841,873	$252,503,601	$268,827,160	$125,751,798	$268,973,935	$44,638,733	($77,688,638)	$1,135,840,593
Segment interest income	$1,172,755	$1,723	$1,385,590	$455,145	$–	$5,001	$5,791,518	($8,481,050)	$330,682
Segment interest expense	$6,031,447	$773,566	$2,995,988	$904,448	$2,907,522	$3,629,390	$345,271	($7,164,999)	$10,422,633
Segment profit (loss) before income tax	($8,821,652)	($2,275,826)	$9,913,597	$19,712,613	($12,695,167)	($8,197,912)	$20,301,542	($19,385,469)	($1,448,274)
Segment provision for income tax	(1,625,830)	(55,074)	(1,083,409)	(1,741,563)	98,577	(925,219)	(175,593)	582,690	($4,925,421)
Segment profit (loss) after income tax	($10,447,482)	($2,330,900)	$8,830,188	$17,971,050	($12,596,590)	($9,123,131)	$20,125,949	($18,802,779)	($6,373,695)
Net income (loss) attributable to the equity holders of the Parent Company	($10,447,482)	($2,330,900)	$8,830,188	$17,971,050	($12,596,590)	($6,574,888)	$20,125,949	($18,432,400)	($3,455,073)

December 31, 2019	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue from contracts with customers:									
Third party	$227,466,226	$18,381,775	$258,300,064	$325,097,663	$159,560,558	$247,597,090	$13,962,538	$–	$1,250,365,914
Intersegment	24,023,512	–	19,542,444	3,925,576	612,541	–	6,738,431	(54,842,504)	–
Total revenue from contracts with customers	$251,489,738	$18,381,775	$277,842,508	$329,023,239	$160,173,099	$247,597,090	$20,700,969	($54,842,504)	$1,250,365,914
Segment interest income	$2,846,963	$2,835	$796,795	$345,781	$–	$–	$4,408,597	($7,540,196)	$860,775
Segment interest expense	$7,543,137	$1,051,845	$2,397,163	$1,185,177	$3,302,459	$3,557,069	$217,924	($6,112,839)	$13,141,935
Segment profit (loss) before income tax	$2,906,087	($3,325,773)	($5,308,769)	$19,232,806	($10,218,427)	($15,776,081)	($1,814,996)	$3,100,376	($11,204,777)
Segment provision for income tax	(2,362,461)	25,119	2,119,691	(2,035,036)	(259,504)	18,518	311,927	191,311	($1,990,435)
Segment profit (loss) after income tax	$543,626	($3,300,654)	($3,189,078)	$17,197,770	($10,477,931)	($15,757,563)	($1,503,069)	$3,291,687	($13,195,212)
Net income (loss) attributable to the equity holders of the Parent Company	$543,626	($3,300,654)	($3,189,078)	$17,197,770	($10,477,931)	($10,635,161)	($1,503,069)	$3,583,849	($7,780,648)

December 31, 2018	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue:									
Third party	$242,582,741	$36,044,400	$332,755,846	$319,126,425	$105,477,420	$312,401,704	$1,011,909	$–	$1,349,400,445
Intersegment	1,992,122	–	85,555	918,396	1,575,391	–	7,178,118	(11,749,582)	–
Total revenue	$244,574,863	$36,044,400	$332,841,401	$320,044,821	$107,052,811	$312,401,704	$8,190,027	($11,749,582)	$1,349,400,445
Segment interest income	$3,175,737	$1,705	$1,039,448	$–	$–	$–	$2,342,669	($5,560,564)	$998,995
Segment interest expense	$8,056,665	$666,421	$1,748,361	$553,883	$2,319,178	$2,855,175	$6,014	($4,213,313)	$11,992,384
Segment profit (loss) before income tax	$14,487,977	$400,983	$15,152,053	$30,129,968	($15,701,909)	$15,320,704	($1,425,367)	($1,715,001)	$56,649,408
Segment provision for income tax	(2,442,028)	(171,797)	1,066,461	(3,030,726)	(950,036)	(3,158,054)	(453,742)	341,569	($8,798,353)
Segment profit (loss) after income tax	$12,045,949	$229,186	$16,218,514	$27,099,242	($16,651,945)	$12,162,650	($1,879,109)	($1,373,432)	$47,851,055
Net income (loss) attributable to the equity holders of the Parent Company	$12,045,949	$229,186	$16,218,514	$27,099,242	($16,651,945)	$9,526,359	($1,879,109)	($1,081,269)	$45,506,927

The following table presents segment assets of the Group's geographical segments as of December 31, 2020 and 2019:

	Philippines		China	Europe	Mexico	Germany /UK	USA/ Japan/ Singapore	Consolidation and Eliminations	Total
	Parent Company	PSi							
2020	$467,734,712	$10,370,946	$238,505,190	$304,254,610	$91,015,689	$315,906,870	$415,927,432	($710,040,679)	$1,133,674,770
2019	$515,512,985	$11,743,464	$272,001,788	$289,406,640	$123,660,935	$219,970,705	$418,136,948	($754,097,527)	$1,096,335,938

Investments in subsidiaries and intersegment receivables amounting to $392.90 million and $350.52 million as of December 31, 2020, respectively, and $395.47 million and $386.13 million as of December 31, 2019, respectively are eliminated in consolidation.

Goodwill arising from the acquisitions as disclosed in Note 11, are recognized at consolidated level for both years ended December 31, 2020 and 2019.

Revenue from Contracts with Customers

Revenues from contracts with customers are further disaggregated by type, customer's nationality, market segment 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:

	2020	2019
Manufacturing of goods	$1,129,576,030	$1,244,997,918
Non-recurring engineering services	6,264,563	5,367,996
Revenue from contracts with customers	$1,135,840,593	$1,250,365,914

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

	2020		
	Revenue recognized over time	Revenue recognized at point in time	Total
Philippines			
Parent Company	$199,431,778	$–	$199,431,778
PSi	13,841,873	–	13,841,873
China	225,121,982	–	225,121,982
Europe	263,304,840	1,345,840	264,650,680
Mexico	121,994,587	3,026,800	125,021,387
Germany/UK	93,140,200	175,833,735	268,973,935
USA/Japan/Singapore	37,429,668	1,369,290	38,798,958
Revenue from contracts with customers	$954,264,928	$181,575,665	$1,135,840,593

	2019		
	Revenue recognized over time	Revenue recognized at point in time	Total
Philippines			
Parent Company	$227,466,226	$–	$227,466,226
PSi	18,381,775	–	18,381,775
China	258,300,064	–	258,300,064
Europe	322,701,152	1,986,185	324,687,337
Mexico	157,852,371	1,708,187	159,560,558
Germany/UK	93,569,019	154,028,071	247,597,090
USA/Japan/Singapore	–	14,372,864	14,372,864
Revenue from contracts with customers	$1,078,270,607	$172,095,307	$1,250,365,914

The following table presents revenues from external customers based on customer's nationality:

	2020	2019	2018
Europe	$675,265,274	$777,467,488	$797,205,895
America	164,835,520	197,209,628	238,841,358
Japan	73,620,703	71,563,832	51,634,368
Rest of Asia/Others	222,119,096	204,124,966	261,718,824
	$1,135,840,593	$1,250,365,914	$1,349,400,445

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 8.34%, 8.51% and 5.88% of the Group's total revenue in 2020, 2019 and 2018, respectively.

The following table presents revenues per market segment:

	2020	2019	2018
Automotive	$521,070,692	$601,996,871	$571,123,693
Industrial	355,463,462	380,061,711	379,753,654
Consumer	85,591,512	95,446,491	172,044,981
Telecommunication	64,928,610	80,762,597	89,004,663
Aerospace/defense	47,317,163	53,181,362	56,827,484
Medical	38,013,836	17,592,584	14,273,519
Multiple market/others	23,455,318	21,324,298	66,372,451
	$1,135,840,593	$1,250,365,914	$1,349,400,445

The following table presents noncurrent assets based on their physical location:

	2020	2019
Europe*	$217,770,002	$211,101,116
America**	36,579,308	45,076,036
Rest of Asia/Others	120,653,101	139,502,988
	$375,002,411	$395,680,140

**Pertains to Europe, Germany and UK*
***Pertains to Mexico and USA*

Noncurrent assets include property, plant and equipment, goodwill, intangible assets and right of use assets.

The following table presents the depreciation and amortization expense based on their physical location:

	2020	2019	2018
Europe*	$21,591,738	$21,958,792	$14,147,465
America**	6,417,245	4,575,137	4,054,506
Rest of Asia/Others	27,423,586	22,194,744	19,335,596
	$55,432,569	$48,728,673	$37,537,567

**Pertains to Europe, Germany and UK*
***Pertains to Mexico and USA*

30. **Lease Commitments**

Set out below are the carrying amounts of the Group's right-of-use assets presented under non-current assets, and the movements during the period:

	2020	2019
As at January 1, 2020	$32,027,604	$39,099,942
Additions	8,450,830	–
Amortization expense	(9,818,095)	(6,955,732)
Cumulative translation adjustment	2,000,381	(116,606)
As at December 31, 2020	$32,660,720	$32,027,604

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the period:

	2020	2019
As at January 1, 2020	$33,797,712	$39,099,942
Additions	10,050,921	–
Interest expense on lease liabilities	1,644,189	1,368,494
Rental payments	(10,799,326)	(7,603,732)
Waived rentals	(422,841)	–
Cumulative translation adjustment	1,142,605	933,008
As at December 31, 2020	$35,413,260	$33,797,712
Current	$7,785,039	$4,074,866
Noncurrent	$27,628,221	$29,722,846

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

	2020	2019
Amortization expense of right-of-use assets (Notes 20 and 21)	$9,395,254	$6,955,732
Interest expense on lease liabilities (Note 23)	1,644,189	1,368,494
Expense related to short-term leases and low-value assets (included in cost of sales)	1,300,718	2,552,296
Expense related to short-term leases and low-value assets (included in operating expenses)	394,971	409,527
	$12,735,132	$11,286,049

Amortization expense of right-of-use assets recorded in the consolidated statements of income is net of the recognized effect of waived rentals for COVID-19-related rent concessions amounting to $0.42 million (see Note 3).

The Group's lease agreements have terms of fixed payments and there are no variable payment provisions.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019 follow:

	2020	2019
Within one year	$11,615,891	$8,451,525
After one year but not more than five years	26,108,092	27,268,012
More than five years	10,098,182	10,694,962
	$47,822,165	$46,414,499

Lease Commitments

Parent Company

In 2018, the Parent Company entered into a lease agreement related to warehouse building located in Laguna. The non-cancellable lease is for a period of five years from September 1, 2018 to August 31, 2023 without renewal and termination option.

The Parent Company entered into an amended lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The previous lease contract which will expire on December 31, 2022 was extended by another five years up to 2027 subject to new lease rates beginning 2023 based on market with annual escalation thereafter until the end of the term.

On March 7, 2014, the Parent Company executed a Lease Agreement with PEZA for the use of land located at the Blk 16 Phase 4 PEZA, Rosario, Cavite to be used exclusively for IMI Cavite's registered activities. The lease is for a period of 50 years renewable once at the option of the lessee for a period of not more than 25 years. In 2020, the lease agreement was cancelled in line with the sale of the building to a third party.

The Parent Company also entered into an agreement involving the lease of residential houses and lots located in Sta. Rosa, Laguna covering a period of five years from January 1, 2016 to December 31, 2020.

IMI Singapore and STEL Group

STEL Group have various operating lease agreements on office premises, plant and equipment, leasehold building and improvement, and motor vehicles. These non-cancellable lease contracts have lease terms of between two to eight years. There are no lease commitments for IMI Singapore.

In 2017, the new entity, IMI SZ, entered into a lease agreement on its manufacturing facility covering a period of six years from May 2017 to May 2023. The lease premise is a five floor building with 29,340 square meters located in an industrial park in Pingshan district of Shenzhen. In 2020, IMI SZ executed a renewal of lease agreement for its 30,430 square meters plant in Kuichong. The coverage of the lease is from November 2019 to November 2022.

In January 2020, IMI CD entered a five year lease agreement, from January 2021 to January 2026, for its electronic production, office and staff accommodation. The lease premises is a three floor building and a dormitory located at Xindu district, Chengdu City.

IMI BG

IMI BG have lease agreements related to office and warehouse building rent lease terms of five years. These leases have renewal options.

I*MI CZ*

IMI CZ have various operating lease agreements in respect of its company cars with lease terms of four to five years.

I*MI MX*

IMI MX have various lease agreements related to building and automobiles used in operation with lease terms of three to five years

PSi

PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity with a term of four years. The operating lease agreements will expire in 2022.

VIA and VTS

VIA and VTS lease production buildings with terms ranging from 10 to 20 years. Other agreements involve lease of vehicles and other equipment for periods ranging from one to eight years.

STI

STI have various lease agreements in respect of manufacturing facilities, office premises and vehicles both in the UK and Philippines. These non-cancellable lease contracts have remaining non-cancellable lease terms of between three to fifty years. There are no restrictions placed upon the lessee by entering into these leases.

IMI Japan

IMI Japan entered into a six-year lease for the lease of office premises which matured in 2018. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor.

IMI USA

On June 5, 2020, IMI USA entered into a fourth amendment to a standard industrial commercial single tenant lease contract for an extended term of five years commencing from November 1, 2020 to October 31, 2025 for the lease of office premises. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties.

31. 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 which include affiliates. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans and reimbursement of expenses. Sales and purchases of goods and services as well as other income and expenses to and from related parties are made at normal commercial prices and terms.

Terms and Conditions of Transactions with Related Parties

The Group has a Related Party Transactions (RPT) Committee that evaluates and governs related party transactions. Prior to finalization of any related party agreement, the management shall report for review and approval to the RPT Committee all new and proposed significant related party transaction above the threshold set by the RPT Committee.

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the years ended December 31, 2020, 2019 and 2018, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

- Transactions with BPI, an affiliate

  As of December 31, 2020 and 2019, the Group maintains current and savings accounts and short-term investments with BPI amounting to nil and $1.14 million, respectively.

  Total interest income earned from investments with BPI amounted to $0.01 million, $0.01 million and $0.31 million for the years ended December 31, 2020, 2019 and 2018, respectively.

- Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables/Deposits		Payables	
	2020	2019	2020	2019
KTM Asia Motor Manufacturing Inc. (KAMMI)	$184,412	$256,167	$–	$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	99,862	135,751	–	–
AC Industrials Technology Inc. (AC Industrials)	14,979	48,055	–	–
BPI	–	–	20,873	–
Innove Communication, Inc. (ICI)			6,460	
Globe Telecom, Inc. (GTI)	–	–	–	2,024
	$299,253	$439,973	$27,333	$2,024

i. Transaction with KAMMI and MSTPI pertains to trade related receivables.

ii. Transaction with AC Industrials pertains to management fee on corporate and support services.

iii. Payable to BPI pertains to employee related transactions.

iv. Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.

v. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

- Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2020	2019	2018	2020	2019	2018
KAMMI	$1,040,797	$1,361,041	$3,845,192	$-	$-	$-
MSTPI	857,807	668,115	872,118	-	-	-
AC Industrials	42,801	49,370	–	-	-	-
BPI	3,851	9,740	223,944	–	–	–
IADI	-	-	110,900	-	-	-
HCMI	-	-	66,540	-	-	-
ACEI	-	-	15,430	-	-	-
TLI	-	-	-	1,407,557	1,094,592	1,032,845
Laguna Water (LAWC)	-	-	-	961,519	608,094	571,938
AC	-	-	-	676,738	1,913,224	1,664,336
AG Legal	-	-	-	172,011	113,111	131,289
ICI	-	-	-	135,011	210,871	132,578
GTI	-	-	-	103,492	147,337	108,812
ACEHI	-	-	-	-	463,874	4,633,019
	$1,945,256	$2,088,266	$5,134,124	$3,456,328	$4,551,103	$8,274,817

Revenue/income from its affiliates pertains to the following transactions:

i. Revenues from KAMMI and MSTPI pertain to subcontracting services related to registered activities.

ii. Revenues from AC Industrials, IADI, HCMI and ACEI represent recoveries for the provision of corporate and support services.

iii. Interest income earned from investments with BPI.

Expenses incurred from related party transactions include:

i. Light and power allocation charged by ACEHI to the Parent Company. The contract with ACEHI ended in January 2019.

ii. Administrative services charged by AC related to certain transactions.

iii. Rental expense from the lease contract between the Parent Company and TLI.

iv. Water allocation charged by LAWC.

v. Building rental, leased lines, internet connections and ATM connections with ICI.

vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

vii. Billings for cellphone charges and WiFi connections with GTI.

- Revenue and expenses eliminated at the Group level follow:

i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore and the Parent Company for recovery costs related to the management salaries of key management personnel under IMI ROHQ.

ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX, STI and IMI CZ from loans granted by the Parent Company, IMI Singapore and STSN.

Guarantees and Commitments
IMI BG has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH ("C-Con"), a related party and an entity under common control of AC Industrials, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency ("Breach"), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach. As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG.

Compensation of Key Management Personnel of the Group
Compensation of key management personnel by benefit type follows:

	2020	2019
Short-term employee benefits	$6,482,928	$9,513,678
Post-employment benefits	73,519	206,487
	$6,556,447	$9,720,165

32. Fair Values of Financial Instruments

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values
Financial assets and financial liabilities that are liquid or are short-term in nature which consist of cash and cash equivalents, receivables, accounts payables and accrued expenses, loans payable and current portion of long-term debt, are assumed to have carrying amounts approximating their fair values.

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of December 31, 2020 and 2019:

	Carrying Amounts		Fair Values	
	2020	2019	2020	2019
Financial assets:				
Financial assets at FVOCI	$1,124,461	$1,199,763	$1,124,461	$1,199,763
Financial liabilities:				
Noncurrent portion of long-term debt	$32,210,531	$114,385,913	$33,678,393	$109,757,132
Financial liabilities on put options	1,592,518	22,370,085	1,592,518	22,370,085
	$33,803,049	$136,755,998	$35,270,911	$132,127,217

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial assets at FVOCI pertain to investments in club shares. Fair value is based on the most recent selling price of the club shares.

Derivatives - These pertain to currency forwards hedged by the Group for risks associated with foreign currency fluctuations. The fair value of the currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturities as advised by the counterparty to the currency forwards contracts.

Financial liabilities on put options - These pertain to the liabilities of Cooperatief and IMI UK arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is (0.72%) and 0.17% for VIA and (1.27%) and 0.74% for STI for 2020 and 2019, respectively. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put options will occur.

The current equity value of VIA prior to derecognition is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization. Another significant assumption is the probability of trigger event occurring within the put option period.

Contingent consideration - This pertains to the contingent consideration related to the acquisition of STI determined by discounting the probability weighted payout as estimated by management. The payout is estimated using the projected revenue growth rate of STI. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. The contingent liability was fully reversed in 2019.

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2020 and 2019 ranged from 1.67% to 2.33% and from 1.67% to 3.76%, respectively.

Fair Value Hierarchy
The following tables provide the fair value hierarchy of the Group's assets and liabilities:

	December 31, 2020			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVOCI	$–	$1,124,461	$–	$1,124,461
Liabilities measured at fair value:				
Financial liabilities on put options	$–	$–	$1,592,518	$1,592,518
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$32,210,531	$32,210,531

	December 31, 2019			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVOCI	$–	$1,199,763	$–	$1,199,763
Liabilities measured at fair value:				
Financial liabilities on put options	$–	$–	$22,370,085	$22,370,085
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$114,385,913	$114,385,913

The table below shows reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Dec 31, 2019	Mark-to-market gain-net	Adjustment to APIC	Currency Translation Adjustment	Dec 31, 2020
Financial liabilities on put options	$22,370,085	($6,068,906)	($15,328,945)	$620,284	$1,592,518

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial liabilities categorized as Level 3:

December 31, 2020

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Probability of trigger events occurring	1%-10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by $0.01 million.

December 31, 2019

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by $1.59 million. Decrease in growth rate by 1% would result in a fair value decrease of $1.25 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by $1.83 million. Decrease in discount rate by 1% would result in a fair value increase of $2.31 million.
		Probability of trigger events occurring	1%-10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $0.77 million. Decrease in the probability to 1% would result in a decrease in fair value by $1.17 million.

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.

The Group's risk management policies are summarized below:

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended December 31, 2020 and 2019. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Loss before Tax	
Increase/Decrease in Basis Points	2020	2019
+100	($734,980)	($1,114,874)
-100	734,980	1,114,874

The following table shows the information about the Group's debt as of December 31, 2020 and 2019 that are exposed to interest rate risk presented by maturity profile:

	2020	2019
Within one year	$40,879,500	$78,369,092
One to five years	32,618,457	33,118,322
	$73,497,957	$111,487,414

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	2020				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Trade payables	$–	$176,556,142	$–	$–	$176,556,142
Employee-related accruals and contributions	–	22,993,540	–	–	22,993,540
Accrued expenses*	–	26,815,538	–	–	26,815,538
Nontrade payables	–	15,625,138	–	–	15,625,138
Accrued interest payable	–	821,933	–	–	821,933
Due to related parties	–	27,333	–	–	27,333
Others	–	63,315	–	–	63,315
Contract liabilities	–	1,515,095	–	–	1,515,095
Other financial liabilities	1,680,879	–	–	–	1,680,879
Loans payable	–	193,247,087	13,243,340	–	206,490,427
Current portion of long-term debt	–	–	2,109,394	–	2,109,394
Noncurrent portion of long-term debt**	–	–	–	33,678,393	33,678,393
	$1,680,879	$437,665,121	$15,352,734	$33,678,393	$488,377,127

** Excluding statutory payables.*
*** Including future interest payments.*

	2019				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Trade payables	$–	$188,022,901	$–	$–	$188,022,901
Accrued compensation and benefits	–	20,768,163	–	–	20,768,163
Accrued expenses*	–	14,887,159	–	–	14,887,159
Nontrade payables	–	30,288,964	–	–	30,288,964
Accrued interest payable	–	2,364,614	–	–	2,364,614
Due to related parties	–	2,024	–	–	2,024
Others	–	470,296	–	–	470,296
Contract liabilities	–	4,742,170	–	–	4,742,170
Financial liabilities on put options	22,370,085	–	–	–	22,370,085
Loans payable	–	109,861,945	16,189,602	–	126,051,547
Current portion of long-term debt	–	–	28,037,902	–	28,037,902
Noncurrent portion of long-term debt**	–	–	–	117,999,395	117,999,395
	$22,370,085	$371,408,236	$44,227,504	$117,999,395	$556,005,220

** Excluding statutory payables.*
*** Including future interest payments.*

The financial liabilities in the above tables are gross undiscounted cash flows and these amounts are to be settled through cash and cash equivalents. Furthermore, liquid assets such as cash and cash equivalents and trade receivables, and available credit lines are used by the Group to manage liquidity.

Credit lines
The Group has credit lines with different financing institutions as of December 31, 2020 and 2019, as follows:

	2020		2019	
Financial Institution / Currency	Credit Limit	Available Credit Line	Credit Limit	Available Credit Line
Local:				
USD	112,000,000	9,000,000	68,000,000	26,000,000
PHP	300,000,000	300,000,000	300,000,000	300,000,000
Foreign:				
USD	106,500,000	25,403,436	110,500,000	40,120,045
JPY	600,000,000	258,900,000	600,000,000	102,940,000
Singapore Dollar (SGD)	32,000,000	11,075,000	32,000,000	27,679,595
EUR	18,769,597	14,650,130	27,430,000	17,585,654
GBP	5,000,000	2,721,751	5,000,000	3,648,121

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group defines a financial asset as in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. Such internal or external information includes discontinuance of orders, financial difficulty or insolvency, probable bankruptcy or other financial reorganization. Actual historical experience shows low defaulted accounts which were also substantially recovered subsequently resulting to insignificant write-offs.

The Group's maximum exposure to credit risk as of December 31, 2020 and 2019 is the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 20% and 25% of trade receivables relating to three major customers as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the aging analysis of receivables, contract assets and miscellaneous deposits follows:

	December 31, 2020							
			Past Due but not Impaired					
	Total	Neither Past Due nor Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Specifically Impaired
Receivables:								
Trade	$273,278,729	$225,019,629	$26,442,860	$10,695,524	$3,153,478	$1,009,684	$5,453,985	$1,503,569
Nontrade	2,825,231	2,469,447	65,695	66,214	18,250	2,219	55,310	148,096
Receivable from insurance	1,095,700	–	–	–	–	–	–	1,095,700
Receivable from employees	329,548	329,548	–	–	–	–	–	–
Due from related parties	299,253	299,253	–	–	–	–	–	–
Others	540,695	540,695	–	–	–	–	–	–
Contract assets	54,525,401	54,525,401	–	–	–	–	–	–
Miscellaneous deposits	1,547,045	1,547,045	–	–	–	–	–	–
	$334,441,602	$284,731,018	$26,508,555	$10,761,738	$3,171,728	$1,011,903	$5,509,295	$2,747,365

	December 31, 2019							
		Neither Past Due nor	Past Due but not Impaired					Specifically
	Total	Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Impaired
Receivables:								
Trade	$284,594,422	$243,321,981	$20,071,061	$6,174,046	$4,368,587	$449,142	$9,157,890	$1,051,715
Nontrade	6,080,113	5,765,890	26,151	46,769	43,508	3,284	37,388	157,123
Receivable from insurance	1,086,673	–	–	–	–	–	–	1,086,673
Receivable from employees	642,995	642,995	–	–	–	–	–	–
Due from related parties	439,973	439,973	–	–	–	–	–	–
Others	94,696	94,696	–	–	–	–	–	–
Contract assets	58,908,123	58,908,123	–	–	–	–	–	–
Miscellaneous deposits	1,558,138	1,558,138	–	–	–	–	–	–
	$353,405,133	$310,731,796	$20,097,212	$6,220,815	$4,412,095	$452,426	$9,195,278	$2,295,511

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2020 and 2019:

	December 31, 2020					
	Neither Past Due nor Impaired				Past Due or	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk	Individually Impaired	Total
Cash and cash equivalents	$244,355,425	$–	$–	$–	$–	$244,355,425
Receivables:						
Trade	6,730,485	218,297,025	–	–	48,251,219	273,278,729
Nontrade	2,469,473	–	–	–	355,758	2,825,231
Receivable from insurance	–	–	–	–	1,095,700	1,095,700
Receivable from employees	329,548	–	–	–	–	329,548
Due from related parties	299,253	–	–	–	–	299,253
Others	540,695	–	–	–	–	540,695
Financial assets at FVOCI	1,124,461	–	–	–	1,753,589	2,878,050
Miscellaneous deposits	1,547,045	–	–	–	–	1,547,045
	$257,396,385	$218,297,025	$–	$–	$51,456,266	$527,149,676

	December 31, 2019					
	Neither Past Due nor Impaired				Past Due or	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk	Individually Impaired	Total
Cash and cash equivalents	$152,660,116	$–	$–	$–	$–	$152,660,116
Receivables:						
Trade	7,639,505	235,682,476	–	–	41,272,441	284,594,422
Nontrade	5,765,890	–	–	–	314,223	6,080,113
Receivable from insurance	–	–	–	–	1,086,673	1,086,673
Receivable from employees	642,995	–	–	–	–	642,995
Due from related parties	439,973	–	–	–	–	439,973
Others	94,696	–	–	–	–	94,696
Financial assets at FVOCI	1,199,763	–	–	–	1,753,589	2,953,352
Miscellaneous deposits	1,558,138	–	–	–	–	1,558,138
	$170,001,076	$235,682,476	$–	$–	$44,426,926	$450,110,478

The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable LC and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk
The Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by movements in the USD versus these currencies. In 2020 and 2019, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 62% and 61% of the Group's sales for the years ended December 31, 2020 and 2019, respectively, and 58% and 48% of costs for the years ended December 31, 2020 and 2019, respectively, are denominated in currencies other than USD.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Renminbi (RMB)

	2020		2019	
	In USD	In RMB	In USD	In RMB
Cash and cash equivalents	$2,351,896	RMB15,345,793	$12,454,756	RMB87,035,335
Receivables	20,873,053	136,193,743	57,840,044	404,193,179
Accounts payable and accrued expenses	(26,081,420)	(170,177,605)	(44,575,728)	(311,500,545)
Net foreign currency-denominated assets (liabilities)	($2,856,471)	(RMB18,638,069)	$25,719,072	RMB179,727,969

Philippine Peso (₱)

	2020		2019	
	In USD	In PHP	In USD	In PHP
Cash and cash equivalents	$1,096,126	₱52,639,248	$1,006,890	₱50,983,899
Receivables	2,015,909	96,809,988	903,770	45,762,395
Miscellaneous deposits	718,605	34,509,570	681,536	34,509,570
Accounts payable and accrued expenses	(18,288,415)	(878,264,558)	(12,508,462)	(633,365,998)
Net retirement liabilities	(8,989,957)	(431,724,693)	(7,549,797)	(382,283,970)
Net foreign currency-denominated liabilities	($23,447,732)	(₱1,126,030,445)	($17,466,063)	(₱884,394,104)

Euro (€)

	2020		2019	
	In USD	In EUR	In USD	In EUR
Cash and cash equivalents	$2,990,044	€2,443,046	$2,919,381	€2,622,277
Receivables	10,264,297	8,386,549	10,341,564	9,289,108
Accounts payable and accrued expenses	(16,388,400)	(13,390,309)	(9,088,738)	(8,163,782)
Net foreign currency-denominated assets (liabilities)	($3,134,059)	(€2,560,714)	$4,172,207	€3,747,603

Information on the Group's USD-denominated monetary assets and liabilities of the Parent Company's subsidiaries with functional currencies other than USD and which is also affected by movements of USD compared with their respective functional currencies as at December 31, 2020 and 2019 follows:

	2020			
	In USD	In EUR	In RMB	In GBP
Cash and cash equivalents	$100,824,850	€80,925,059	RMB1,936,150	£1,098,723
Receivables	16,739,927	5,511,729	24,914,721	4,572,554
Accounts payable and accrued expenses	(48,618,830)	(15,520,948)	(158,942,289)	(3,896,969)
Net foreign currency-denominated assets (liabilities)	$68,945,947	€70,915,840	(RMB132,091,418)	£1,774,308

**The USD-denominated monetary assets and liabilities are translated using EURO.81706 for $1, RMB6.5249 for $1 and GBP0.74041 for $1.*

	2019			
	In USD	In EUR	In RMB	In GBP
Cash and cash equivalents	$2,592,288	€1,043,813	RMB1,064	£1,096,419
Receivables	13,763,749	3,194,786	359,633	7,786,193
Accounts payable and accrued expenses	(27,643,450)	(12,978,500)	(31,648,618)	(6,643,847)
Net foreign currency-denominated assets (liabilities)	($11,287,413)	(€8,739,901)	(RMB31,287,921)	£2,238,765

**The USD-denominated monetary assets and liabilities are translated using EURO.8982 for $1, RMB6.9881 for $1 and GBP0.7667 for $1.*

Sensitivity Analysis
The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2020 and 2019. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax 2020	2019
RMB	+1%	$31,134	($284,898)
	-1%	(31,134)	284,898
PHP	+1%	246,365	167,699
	-1%	(246,365)	(167,699)
EUR	+1%	49,052	(42,366)
	-1%	(49,052)	42,366
USD*	+1%	1,123,204	(138,146)
	-1%	(1,160,951)	141,162

** The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for $1, RMB6.5249 for $1 and GBP0.74041 for $1.*

Derivatives
As of December 31, 2020, and 2019, the outstanding forward contracts have a net fair value of $88,361 (liability) and $5,321 (asset), respectively. The changes in fair value of currency forwards recognized in 2020 and 2019 amounted to $0.1 million loss and $0.02 million gain, respectively. The changes in fair value of currency forwards are recognized in the consolidated statements of income under "Foreign exchange gains (losses) - net" account.

Fair Value Changes on Derivatives
The net movements in the fair value of the Group's derivative instruments as of December 31, 2020 and 2019 follow:

	2020	2019
Financial assets:		
At beginning of year	$5,321	$3,521
Fair value of currency forwards	–	15,373
Fair value of settled instruments	(5,321)	(13,555)
Foreign currency exchange difference	–	(18)
At end of year	$–	$5,321
Financial liabilities:		
At beginning of year	$–	$–
Fair value of currency forwards	92,122	–
Fair value of settled currency forwards	–	–
Foreign currency exchange difference	(3,761)	–
At end of year	$88,361	$–

34. Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The outcome of these cases is not presently determinable.

The Group's expanding global activities, while continuing to present a myriad of growth opportunities, also tend to increase its exposure to potential disputes with customers and suppliers. Such exposure could, in turn, directly or indirectly, affect the Group's ability to realize its short and long-term target revenues and operating margins from its services as well as adversely impact its net assets, financial position and results of operations. In this connection, the Group is currently involved in an ongoing arbitration proceeding arising from a contractual dispute with its customer.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

35. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing activities include capitalization by the Group of depreciation related to the development phase of certain projects amounting to nil and $1.57 million for 2020 and 2019, respectively. During the year, the Group transferred property, plant and equipment with a net book value of $2.56 million to other noncurrent assets, and licenses to intangible assets amounting to $2.11 million.

The following table shows the reconciliation of liabilities arising from financing activities:

		Cash Flows		Non-cash Changes						
	2019	Availment	Settlement/ Payment	Reclass	Addition	Declaration	Accretion of interest expense	Waived rentals	Foreign currency translation	2020
Dividends payable	$-	$-	($6,504,083)	$-	$-	$6,504,083	$-	$-	$-	$-
Loans payable	126,051,547	82,665,635	(4,974,751)	–	–	-	-	-	2,747,996	206,490,427
Current portion of long-term debt	28,037,902	–	(28,288,035)	2,062,455	-	-	-	-	297,072	2,109,394
Long-term debt	114,385,913	–	(80,209,436)	(2,062,455)	-	-	-	-	96,509	32,210,531
Lease liabilities	33,797,712	–	(10,799,326)	-	10,050,921	-	1,644,189	(422,841)	1,142,605	35,413,260
Other noncurrent liabilities	3,623,257	1,640,002	–	-	-	-	–	–	–	5,263,259
	$305,896,331	$84,305,637	($130,775,631)	$-	$10,050,921	$6,504,083	$1,644,189	($422,841)	$4,284,182	$281,486,871

		Cash Flows		Non-cash Changes					
	2018	Availment	Settlement/ Payment	Reclass	Addition	Declaration	Accretion of interest expense	Foreign currency translation	2019
Dividends payable	$-	$-	($4,436,707)	$-	$-	$4,436,707	$-	$-	$-
Loans payable	136,338,960	11,099,338	(20,540,547)	–	–	-	-	(846,204)	126,051,547
Current portion of long-term debt	63,431,844	–	(46,510,457)	11,167,522	-	-	-	(51,007)	28,037,902
Long-term debt	124,543,174	903,420	–	(11,167,522)	-	-	-	106,841	114,385,913
Lease liabilities	39,099,942	–	(7,603,732)	-	1,174,346	-	1,368,494	(241,338)	33,797,712
Other noncurrent liabilities	5,249,903	–	(1,626,646)	-	–	-	–	–	3,623,257
	$368,663,823	$12,002,758	($80,718,089)	$-	$1,174,346	$4,436,707	$1,368,494	($1,031,708)	$305,896,331

Most of the loans are from existing revolving credit lines.

36. Other Matters

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
On February 3, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). Some of the key features of the CREATE bill are the following:

- Reduction in current income tax rate from 30% to 25% or 20%, whichever is applicable, effective July 1, 2020;
- Reduction of non-deductible interest expense
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%;
- Exemption to tax on foreign-sourced dividends received subject to certain conditions;
- Imposition of improperly accumulated earnings tax is hereby repealed;
- Rationalization of fiscal incentives

As at February 24, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.

COVID-19 Pandemic
The manufacturing operations of IMI was highly affected by various government mandated lockdowns in China, Philippines and Mexico and voluntary shutdowns in the Europe factories to align with the demand slowdown during the first half of the year. Revenues in the second half of the year recouped, 39% better than first half and 7% higher year-on year on the back of strong demand recovery and subsequent normalization of operations. The global demand for security and I-o-T products boosted industrial revenue while mobility-focused European and North American facilities benefitted from the rapid rise of global automotive production. In addition, IMI's growing foothold in the profitable medical segment also led to increased higher margin sales for its manufacturing plants in Asia.

To mitigate the impact of the lockdowns, various sites affected obtained approvals to run essential businesses, optimized manpower resources and implemented various cost cutting initiatives. The Group also collaborated with local government units to secure various forms of employee related subsidies as a result of the shutdowns in Bulgaria, China, Czech Republic, France, Mexico, Serbia, and Singapore. These, along with improved manufacturing efficiency drove improved margins and lower losses compared to last year.

The effects of potential recurrence of pandemic related shutdowns after the reporting period may pose risks and unfavorable impact to the Company but will not materially affect the Company's ability to continue as going concern.

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