COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 94419

COMPANY NAME

INTEGRATED MICRO-ELECTRONICS, INC. and SUBSIDIARIES

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

NORTH SCIENCE AVENUE, LAGUNA TECHNOPARK-SPECIAL ECONOMIC ZONE (LT-SEZ), BO. BIÑAN, BIÑAN, LAGUNA

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
ir@global-imi.com	(02) 7756-6840	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
288	APRIL 15	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jerome S. Tan	jerome.tan@global-imi.com	(02) 7756-6840	N/A

CONTACT PERSON's ADDRESS

North Science Avenue, Laguna Technopark, Biñan, Laguna

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

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

SEC Number: 94419
File Number: ______

INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ),
Bo. Binan, Binan, Laguna

(Company Address)

(632) 7756-6840

(Telephone Number)

DECEMBER 31, 2020

(Fiscal Year Ending)
(Month & Day)

SEC Form 17-A

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2020**

2. SEC Identification Number: **94419**

3. BIR Tax Identification No. **000-409-747-000**

4. Exact name of issuer as specified in its charter: **INTEGRATED MICRO-ELECTRONICS, INC.**

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

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of principal office: **North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna** Postal Code: **4024**

8. Registrant's telephone number: **(632) 7756-6840**

9. Former name, former address, and former fiscal year: **Not applicable**

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

Title of Each Class	Number of Shares Issued and Outstanding
Common *	2,217,293,215

* Net of 15,892,224 treasury shares

11. Are any or all of these securities listed on a Stock Exchange? Yes [**x**] No [ ]

    2,233,185,439 common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares.

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [**x**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days: Yes [**x**] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company is about ₱6.2 billion (based on closing stock price of IMI common shares as of December 31, 2020)

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(A) Description of Business

(1) Business Development

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 of the Audited Financial Statements).

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.

(2) Business of Issuer

<u>Product Capabilities</u>

IMI has experience in working with some of the world's leading companies in the following products:

Automotive Electronics
Safety

- Electronic Power Steering
- Communication Power
- Electronic Stability Program (ESP)
- Body Control Module (BCM)
- Headlight
- Backlight
- Switch and Fan Controller
- HVAC control panel
- Cabin system
- Motor & Valve driver
- Head Lamp
- Seatbelt pretensioner

Advanced Driver Assistance Systems

- Front Vision
- Surround View
- Rear View Camera
- Mirror Replacement Systems
- Advanced driver-assistance systems ("ADAS") ECUs

Sensors

- Tire Pressure Sensor
- Temperature and Humidity Sensor
- Rotor Position Sensor (RPS)
- Gasoline System sensor
- Transmission sensor
- Speed sensor
- Connector sensor
- Engine sensor
- Door sensor adaptor
- Door handle controller

Others

- Anti-fogging system
- Wiper
- Gear box shift
- Window lifter
- Head rest
- Heating system
- HFA smart opener

Industrial Electronics
Security

- Electronic Door Access System
- Biometrics
- Asset tracking
- Radiation detector
- Security alarm

- Cashless Payment
- Seismic detector

Automation
- System Integration (Robotics)
- Automated Meter Readers
- Ultrasonic Welding

Power Management and Smart Grid
- Modules for Renewable Energy Generation, Transmission and Conversion
- Solar Panel
- Solar Inverters
- EV Charging Systems
- Power module
- Building and lighting control
- Thermostat
- Charger for agricultural machine
- Energy management
- Timer
- Monitoring and control system
- Frequency Charger

Controls and Sensors
- Printer Control
- Power Amplifier
- DC-DC Power Converter
- Engine Controllers
- Mirror Controls
- Industrial system and switch
- Anti-pitch sensors
- Luminaire Controller
- Access Control

Others
- LED lighting
- Aircon damper
- Accelerometer
- UPS
- Industrial power
- Power supply
- Industrial tooling
- Actuator

Medical Electronics
Diagnostics
- Static detectors for fix and mobile RAD exams
- Auto Body Contouring Imaging Equipment
- Defibrillator Component
- Biomedical and Laboratory Equipment
- Centrifuge Control
- Fitness Equipment Control

Others
- Dental Imaging System
- Hearing Aids
- Personal healthcare

Communications Electronics

Telecom Equipment and Devices

- Cellular alarm communicators for LTE networks
- Back Panel
- Fiber to “X” (FFTx) systems
- Booster Amplifier
- GPON (Gigabit Passive Optical Network) Systems
- Base Station Power Supply
- Digital Station Control
- Power Transistors for amplifiers in cellular base stations
- Power Conversion ICs in adapters and chargers for cell phones and cordless phones
- DC Port and USB Port Protection for cell phones and satellite radio peripherals
- RF Signal Analyzer
- RF Meter

Consumer Electronics

White goods

- Gas Ignitor and Re-Ignitor
- Air-Conditioning (HVAC) Controller
- Refrigerator and Cooker Hood Control
- Power Management & Home Appliance
- Household Metering Device
- Electric Drive Control for Home Appliances
- Programmable Timer
- Pressure Cookers
- Washing Machine controllers
- Coffee Machines

Personal devices and lighting

- Ultrasonic Toothbrush
- Projector Lamp Drivers
- Bluetooth Headset
- Main Power Supply for Flat-panel TV
- Power Supply for Game Consoles and Entertainment Electronics
- High Voltage Power Conversion ICs in Adapters and Chargers for Personal Electronics

Power Semiconductor

- Low-Medium Power Packages
- Medium-High Power Packages
- Small Signal Packages

Optical Bonding, Enhanced Display Solutions and Metal Mesh Touch Sensor Technology (VIA/VTS)

- Fully customized Interactive Display Systems (mirror replacement, driver monitoring systems, camera management systems, etc.)
- High reliable, sunlight readable enhanced display solutions
- Metal mesh touch sensor technology and image processing
- Camera solutions (Minicube, MicroCube, Configurable Standard Camera Modules)

Precision Machining

- Conventional machines
- CNC Turning with Milling function
- CNC Vertical Machining center (3 axis, 5 axis)
- Coordinate Measuring Machine (CMM)
- Hydraulic Press Brake and Hydraulic Shear

Aviation

- Fuel Computers
- Brake by Wire
- Entertainment Controls
- Satellite Communications
- Inflight internet systems
- Lighting Retro-fit
- Safety equipment
- Captor Radar
- Navigation and Communications Systems
- Cockpit Displays

Except as otherwise disclosed as above, there are no other publicly-announced new products or services during the year.

Principal Products and Services

MOBILITY

Advanced driver-assistance systems, or ADAS, are systems to help vehicle drivers. Autonomous driving is supported by cloud data, car-to-car communication, and car-to-infrastructure communication. ADAS systems must link to a vehicle's communication module directly to enable fully autonomous driving.

The race to develop autonomous vehicles (AV) and ADAS is on. Major vehicle original equipment manufacturers and Tier 1 suppliers, as well as disruptive newcomers, are accelerating AV and ADAS development efforts to get ahead in the race.

IMI has been working with leading automotive Tier 1 suppliers in providing vision systems supporting progression into the new era of mobility. Within our mobility segment, we continued to supply key product solutions for safety critical and environmentally focused systems including pump ECUs, motor controls as well as full telemetry systems utilizing an internally developed platform which will provide automotive grade traceability and system monitoring for vehicles. Our USA teams continues to excel, achieving strong development wins, aligning to our revised customer focus, and delivering complex electronics including smart motor sensors, medical devices as well as exciting new technologies for the growing EV market. These solutions provide critical vision solutions including, Surround-View, E-Mirrors, ADAS, Driver Monitoring, as well as providing a technical platform for LiDAR and future segment requirements within the camera and vision technologies.

IMI PRODUCTS:
ADAS Technologies
Seat Occupancy Sensor ECU, Camera, Engine control unit, Mirror replacement camera, Lighting Modules, Powertrain Controls, Steering System, Heating Controls, Airbag ECU, Transmission Sensor, Speed Sensor, Powertrain Sensor, Speed Sensor, Gasoline system Sensor, Seatbelt controller, Gear shifter sensor, Acceleration pedal module, ECU or steering (ASIL), Headlight Controls

CONNECTIVITY

IMI's progress in IoT has been extensive, offering customized solutions to customer projects by using mature platforms already developed within IMI. These include 4G/5G, NB IoT/CAT M1, GPS/Satellite and a multitude of sensors providing real time data solutions.

IMI continues to support the development and manufacturing of systems and products that use IoT, automation, and big data such as electronic door systems, tracking devices, wearables, and wireless industrial controllers.

IMI PRODUCTS:
Security/Access Controls:
Security Alarm System, Surveillance Camera, Access Control, Fire Alarm System, Door Security Lock, Biometric Security Sensors

IoT:
Temperature and Dust Detector, Cashless payment module, Network Power add-on, Asset Tracking Device, Wearable Patch-based vital sign monitor, Oil / Gas Indicator

Industrial / Automation:
Pneumatic Controls and Systems, System Integration, Automated Testing Equipment, Ultrasonic Welding, Radiation Detection Instrument, IC Testers, Thermostat controllers

Communications:
Base Station Communications, Data and Communication Network, Broadcast satellite modem, Audience monitoring system, GPS signal receiver

SMART ENERGY

IMI continues to invest in having the capabilities and technology to support new energy systems that will consume less power and space. As investments in fossil fuels continue to fall, IMI expects industries to shift on having lesser carbon emissions and having more efficient use of power. With the growth in vehicle electrification and power needs across multiple segments, our power module business, continued to provide high reliability modules and solutions.

IMI PRODUCTS:
Energy Management System, Energy Storage System, Solar Power DC to AC power, Battery Charger for Defibrillator, Power Metering, Thermostat and AC Controls, Power Modules, Battery Monitor, Thermal and Power Systems, Digital Thermostat, Electric Vehicle Charger, Smart Meters, C-BUS Energy Management and Control, Temperature Control Board, Smart Module for Solar Application, Solar Panel Assembly, Industrial Lighting (LED)

VIA OPTRONICS

VIA OPTRONICS is a one-stop-shop provider of solutions ranging from excellent optical bonded displays to fully customized Interactive Display Systems (IDS). With headquarters in Nuremberg, Germany, our technologies enable high-performing touch functionality, delivering excellent sunlight viewability and robustness against the most challenging requirements, while minimizing power consumption. Our enabling technologies include our proprietary silicon-based bonding material, or VIA bond plus, our patented optical bonding processes, or MaxVU™, and our metal mesh touch sensor technology.

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 electric vehicle 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.

STI LIMITED

Surface Technology International (STI) is a world class electronics solutions provider with headquarters in the UK and has been in operation for more than two decades since 1989. STI has a history of supply excellence to major OEMs in the aerospace and defense sectors ranging from cockpit avionics assemblies to in-flight entertainment systems.

STI's aerospace and defense segment has continued to provide very complex RF and communications solutions and its customer relationships continue to flourish with existing and new opportunities growing in 2020.

STI has also played a major part in the UK's fight against COVID, with government assistance through 2020, to develop and manufacture critical ventilator products as well as a critical testing product developed specifically for high-throughput environments offering diagnostic testing based on isothermal amplification methods.

To capitalize on the latest trends towards 5G and IoT in the automotive industry, STI continued expansion into the development and manufacturing of new automotive telematics systems. Telematics devices connect to the On-Board Diagnostics (OBD) 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.

Other Capabilities and Services

Design and Development (D&D) Group

Our Product Design and Development or D&D team has extensive competencies in electronic design, mechanical design, software and product development, and building platforms in the areas of automotive cameras, motor drives, internet of things, and power modules. The team has developed platforms that can be customized to the requirements of our customers as well.

The D&D team also provides full design services from concept to product validation and can be involved in full design or in co-design level depending on the customer's needs.

The power module industry is driven by the requirements of the automotive market and the entry of SiC and GaN wideband gap devices. Our research and development team focuses on developing package platforms that will address the customer demands on cost reduction, size reduction, reliability improvement and easy integration. The technology roadmap considers such in identifying the packaging platforms and materials to develop in the next five years.

In 2020, the design and development of the hybrid version of a pin-fin baseplate with plastic case for a full Silicon Carbide power module for electric vehicles is already on mass production. This power module platform demonstrates the thrust of IMI in developing technologies like sintering and ultrasonic welding for high reliability manufacturing processes. Continuous improvement on these technologies is being adapted on a new platform using transfer molded pin-fin baseplate heatsink this time. Copper wire bonding is being evaluated to increase the current capability of a standard power module platform for the new generation of IGBT power module that will have a current rating as high as 900A.

Test and Systems Development

New major tester projects were awarded to IMI Test and Systems Development Global Team and executed in different IMI factories in 2020. These new projects include customized testers for new power module technologies, automotive camera and electronics systems as well as internet of things (IOT) products.

In IMI Philippines, two new tester platforms for power modules were developed. A new tester platform for a silicon carbide technology- based power module was built and has completed customer qualification requirements early this year. The other tester platform is for insulated gate bipolar transistor power (IGBT) modules with higher power ratings (1.2 kilovolt and 600 amperes). This power module tester was designed to achieve a very low system stray inductance to effectively measure high power transients and equipped with an option to test at 150 C. Another major tester platform supported was a flexible final test (a.k.a. end of line test) platform for automotive cameras. This platform will include a new test capability - intrinsic camera calibration- among the various standard automotive camera tests which are configurable for different camera types and models. The PH TSD team also supported the test set-up of the CPAP ventilator project which IMI offered to support the medical needs of the pandemic.

China and Bulgaria TSD teams also had new big projects in automotive electronics and lighting systems in 2020. In IMI Jiaxing, replications of testers for PCBAs used for car cabin ambiance lighting (using LEDs) and external automotive lighting PCBAs were built to meet the increasing demand for these products in China as well as in Europe. There were also several new models of automotive electronics systems (power tail gate and window lifter) from major OEMs which required new tester projects and supported by these teams.

Analytical Testing and Calibration Laboratory

Analytical Testing and Calibration (ATC) develops cost-effective and timely failure analysis, reliability testing, and calibration services while adhering to strict quality standards. Our laboratory instruments and equipment are designed to provide highly reliable analysis results, mindful that critical decisions are made based on results of laboratory analyses.

We constantly strive to improve our services with the regular improvement and enhancement of our facilities as well as through certifications, registrations and accreditations of industry boards as well as national and international regulatory bodies.

Analytical testing and calibration services include: Identification of failure mode, failure mechanism, and probable causes; Accelerated and analytical stress testing, and modeling in predicting product life profile and reliability; and Calibration and verification of inspection and measuring instruments.

Our reliability engineering team designs reliability stress test plans based on international standards, builds customized reliability test set-up, performs accelerated stress test to predict product life profile and define applicable warranty.

Going beyond identifying the defect, our failure analysis experts analyze failure, identify failure mode and failure mechanism and recommend preventive measures on probable cause of failure.

Along with analytic testing, the ATC Laboratory Calibration provides high-quality calibration services that conform to International Standards for varied capabilities in mechanical, electrical, and thermometry products.

Advanced Manufacturing Engineering

Our engineers are deeply involved in the development of new and advanced manufacturing process technologies in the field of mobility, connectivity and smart energy.

IMI focuses on the design, development, and industrialization of new and advanced processes and material technologies mindful of the continuously increasing complexities required to manufacture modern products today.

We offer cutting-edge technologies in flip chip, interconnect, and substrate. Our team designs custom processes to suit specific product requirements, from reliability and form factor to functionality, decreasing time-to-market and volume production.

New Product Introduction

New Product Introduction is a process through which a new product is launched or debuted into the market to be consumed or used by the public and business, and is designed to ensure that it will perform successfully.

We provide rapid prototyping and make every effort to get it right the first time to avoid unnecessary mistakes and costs. We also have other processes and tests relevant to NPI available, like the reliability stress test done by our ATC Laboratory. By offering process development and tool design locally for the New Product Introduction, you save on valuable lead-time.

IMI always work with our partners from design concept to mass production and that our global outsourcing team procures from international suppliers to ensure that our customers get the highest quality at reasonable cost.

Camera Vision Technology

IMI is currently manufacturing 7 different camera applications from at least 19 different imaging products to support the autonomous driving technology trend. IMI's camera reference designs that were developed three years ago will now be used by projects that will go to mass production in 2021 and 2022. These reference designs were customized for it to be used for different ADAS/AD viewing and sensing applications such as driver monitoring camera, surround camera and mirror replacement camera.

In order to prepare for the future manufacturing requirements of various Camera and LIDAR technologies, IMI has invested on a common and scalable assembly and testing equipment that would benefit IMI's customers in terms of shorter development lead time and cost efficient. IMI camera projects for driver monitoring and surround view camera applications that will go to mass production in 2021 are one of early users of these equipment. IMI's manufacturing capability to mount bare die sensors (COB) for automotive camera is still one of the core competencies of IMI in camera manufacturing. This technology together with IMI's experience in aligning lens to imager sensor allows IMI to engage with customers for the manufacture of LIDAR (Light Detection and Ranging) that will also be used for autonomous vehicles.

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.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Please refer to Note 29 ("Segment Information") of the Notes to Consolidated Financial Statements of the 2020 Audited Consolidated Financial Statements which is incorporated herein as Exhibit 1.

Revenue Contribution by Industry Segment (in US$)

	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

Revenue Contribution by Customer Nationality (in US$)

	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

Foreign Subsidiaries' Contribution

	2020		**2019**		**2018**		**2017**	
	Revenue	**Net Income***	**Revenue**	**Net Income***	**Revenue**	**Net Income***	**Revenue**	**Net Income***
Foreign Subsidiaries:								
China/SG	23%	N/A	21%	N/A	25%	36%	25%	9%
Europe/Mexico	34%	N/A	39%	N/A	31%	14%	33%	76%
Germany/UK (VIA/STI)	24%	N/A	20%	N/A	23%	21%	18%	15%
TOTAL	**81%**	**Net Loss**	**80%**	**Net Loss**	**79%**	**71%**	**76%**	**101%**

* *Attributable to equity holders of the Parent Company*

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 IMI group's total revenue in 2020, 2019, and 2018, respectively.

<u>Sales and Distribution</u>

The Company's global presence allows it to provide solutions to OEMs thru its Tier 1 customers catering to regional and international markets. Given the Company's presence worldwide, it is able to provide its customers access to a number of services and resources through its manufacturing facilities, engineering and design centers, and sales networks in Asia (China, Singapore, Taiwan, Japan, and the Philippines), North America (U.S. and Mexico), and Europe (Bulgaria, Czech Republic, France, and Germany).

With unpredictable demand and varying customer needs, our 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.

IMI'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.

The continuous effort of the group to expand IMI's customer base resulted to new program wins totaling $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% on the total pie. In line with IMI's initiative of diversifying within key focus segments, programs in the Industrial segment have reached 39% of total wins, significantly greater than 2019's level of 22%.

Mergers and Acquisition

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.

As part of our strategic initiatives, IMI acquired an 80% stake in STI Enterprise Ltd., a private limited company based in the United Kingdom which provides electronics design and manufacturing solutions in both printed circuit board assembly and full box-build manufacturing for high-reliability industries. The Company currently has two factories in the United Kingdom in Hook and Poynton as well as one in Cebu, Philippines and operates a design center in London. The acquisition will enable IMI to expand into the aerospace and defense markets while strengthening the industrial segment in manufacturing as well as in technology development and engineering.

Competition

IMI is now a global technology solutions company with 22 manufacturing facilities with presence in more than 10 countries, spanning through the continents of Asia, Americas, and Europe. The company has technology expertise and offerings in the whole breadth of electronics manufacturing services (EMS), power semiconductor assembly tests and services and vehicle assembly.

IMI currently ranks 20th in the list of top 50 EMS providers in the world by the Manufacturing Market Insider, based on 2019 revenues. In the automotive market, it is the 5th largest EMS provider in the world per New Venture Research.

For almost 40 years, the Company has developed its competence and value through cutting-edge engineering, design, innovation, and collaboration with partners. From being largely product-centric, IMI is now moving towards a technology-solutions approach by addressing efficiency, cost, quality, and productivity, while closely working with customers in research and development.

IMI continues to leverage on its geographical footprint in providing services closer to our target markets. This in turn strengthens its ability to mitigate risks over market volatilities and geo-political trends in the global environment. IMI competes worldwide with focus on Europe, North America and Asia.

IMI specializes in highly reliable and quality electronic solutions for long product life cycle segments such as automotive, industrial electronics and more recently, the aerospace market.

In the automotive segment, IMI designs and manufacture next-generation automotive camera systems, displays, ADAS controllers, sensors, steering modules, and telematics. IMI also aims to accommodate more Internet-of-Things (IoT) opportunities in the pipeline that will enhance its current capabilities. It is involved in this sphere specifically in the areas of security, asset tracking, next generation displays, wireless monitoring, smart meters, and communication systems in aerospace and defense. IMI also continues to thrive in the production of various electronic systems that manage and control power in automotive and industrial markets.

The Company's performance is affected by its ability to compete and by the competition it faces from other global EMS companies. While it is unlikely for EMS companies to pursue identical business activities, the industry remains competitive. Competitive factors that influence the market for the Company's products and services include product quality, pricing and timely delivery.

The Company is further dependent on its customers' ability to compete and succeed in their respective markets for the products that the Company manufactures.

There are two methods of competition: a) price competitiveness; and b) robustness of total solution (service, price, quality, special capabilities or technology). IMI competes with EMS companies original design manufacturer (ODM) manufacturers all over the world. Some of its fierce EMS provider competitors include Flex, Plexus and Kimball.

Flextronics is a Singapore-headquartered company with annual revenues of US$24.2 billion in 2020; its cost structure is very competitive, and it is vertically integrated as well. Flextronics poses competition to IMI in the consumer and industrial segment.

Plexus, a U.S.-based EMS, recorded US$3.4billion revenues in 2020. Plexus is a key EMS player in industrial, medical, communication and military sectors, wherein IMI also operates.

Kimball Electronics as a manufacturing facility located in Jasper, Indian with revenues of US$1.2 billion in 2020. Kimball is a competitor of IMI in the automotive, industrial and medical market

Principal Suppliers

IMI's suppliers are situated globally and are managed by the Global Procurement organization. The Company's top 10 suppliers in 2020 comprise about 17% of global purchases. Purchases from suppliers generally comprise of electronic components processed by our facilities. The Company strives to manage the quality of the products supplied to ensure strict adherence to quality standards and only purchase from suppliers whose product meet all applicable health and safety standards.

Throughout the year, IMI endeavored to make its supply chain more resilient without sacrificing competitiveness. The company mapped the full extent of its supply network and identified both direct and indirect sources. IMI addresses the vulnerabilities by rallying its suppliers and stockpiling essential materials. The company also analyzes how it would recover from a disruption.

Transactions with Related Parties

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.

For more information on Related Party Transactions, refer to Item 12. Certain Relationships and Related Transactions and Note 31 ("Related Party Transactions") of the Notes to Consolidated

Financial Statements of the 2020 Audited Consolidated Financial Statements which is incorporated herein as Exhibit 1.

Intellectual Property

The table below summarizes the intellectual properties registered with the Patent and Trademark Offices in the United States, Europe and Asia:

- Auto camera – Minicube filed in December 2013
- In addition to certain patents, know-how and expertise is critical
- IMI is able to leverage its extensive experience in unique applications to other relevant products

Existing / Pending Patents	Descriptions	Location / Filing Date	Expiration Date
Provisional Patent **Submission Number** 9145002 **Application Number** EP20203350.2	The principle of the patent lies in the differentiation of two events thanks to O3 and O2 measurement sensors as well as the air flow sensor which measures the ventilation speed of the vehicle. The patent is based on the fact that the system is installed in the filter of a car and that depending on the season our system destroys the ozone when the pollution is very strong or destroys the viruses in periods of cold or rain depending on the hydrometry of air and temperature. The system adapts automatically.	22 October 2020	Provisional Patent application
Japan – Pending Application # 2014508589	Vacuum Pallet Reflow, a soldering device and method of soldering enabling vacuum reflow while using a standard reflow oven conveyor.	October 25, 2013	Pending
Korea Patent 101984064	Vacuum Pallet Reflow, a soldering device and method of soldering enabling vacuum reflow while using a standard reflow oven conveyor.	May 24, 2019	April 27, 2032
United States Patent 9,839,142	Vacuum Pallet Reflow, a soldering device and method of soldering enabling vacuum reflow while using a standard reflow oven conveyor.	Dec 2017	
Pending **USPTO 13457670**	Used for die attach of power devices that require very minimal voiding between device and substrate to avoid localized heating and potential failure. Describes a new process to perform soldering in a vacuum environment to promote minimal voiding without the use of specialized and expensive equipment, solder preform and gas atmospheres, but with the efficiency of a standard reflow soldering process.	April 2012	In Process
Pending **PCT/US12/51573**	A flip chip video camera mounted on a flexible substrate with glass stiffener	August 2012	In Process
Pending **USPTO 14109918**	Unique construction of camera module that enhances the dissipation of heat generated by the image sensor while being easy to manufacture.	December 2013	In Process
United States Patent **6,571,468** **6,846,701**	A method for forming a fine-pitch flip chip assembly interconnects fine pitch devices after they have been connected to a carrier substrate.	California, USA, 2001	2021
United States Patent **6,776,859**	An improved anisotropic bonding system and method connects two conductive surfaces together using an anisotropic material having elastic conductive particles dispersed in an	California, USA, 2000	2020

	insulating heat-curable carrier.		
United States Patent 6,648,213	A method for manufacturing a chip assembly that includes the steps of applying a controlled amount of flux to plurality of solder balls on a die, applying a non-fluxing underfill material to a substrate, and assembling the die and substrate together to form the chip assembly such that the non-fluxing underfill material is trapped between the die and the substrate.	California, USA and Singapore, 2001	2021
United States Patent 6,414,859	A passive component circuit comprising a bridge rectifier that is coupled in parallel to three capacitors.	Singapore, 2000	2020
United States Patent 7,787,265 B2	A dual switch forward power converter, and a method of operating the same, employs a self-coupled driver to achieve among other advantages higher efficiency, lower part count and component cost.	Singapore, 2007	2027
United States Patent 8,937,432 B2	Light Source Having LED Arrays for Direct Operation in Alternating Current Network and Production Method Thereof.	USA, 2015	2031
Japan - 6 267 665	Bezel-less display system	January 5, 2018	
Taiwan - I 444 942		July 2014	
USA - US7924362		April 2011	
China - ZL 2013 1 0446342.1	Nozzle to apply dry bonding preform	April 2018	
Germany – 102013219628B4		August 2016	
South Korea – 10-1 703 383		January 2017	
Taiwan – I 530 330		April 2016	
Japan - JP 5513136	Enhanced liquid crystal display system and methods	April 2014	
Taiwan - I 437 068		May 2014	
USA – 9 348 167		May 2016	
Germany – 600 42 590.8-08	SBLR (Super Bright Low Reflectance	July 2009	
Canada – 2 359 228		August 2005	
Taiwan – I 280 443		May 2007	
USA – 7 405 779		July 2008	
USA – 6 933 991		August 2005	
USA – 7 649 577		January 2010	
Taiwan – I 601 801	Partial curing of the bond layer through temperature control	October 2017	
China – ZL 2016 8 0016748.8	Bonding for large displays	October 2019	
China – ZL 2016 1 0749648.8	Curved screen and flat panel display module full-lamination method and integrated screen	August 2018	

Government Regulations and Approvals

IMI complies with all existing government regulations applicable to the company and secures all government approvals for its registered activities. Currently, there are no known probable governmental regulations that may significantly affect the business of the Company.

IMI is subject to various national and local environmental laws and regulations in the areas where it operates, including those governing the use, storage, discharge, and disposal of hazardous substances in the ordinary course of its manufacturing processes. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at IMI's manufacturing plants indicate that it is responsible for the release of hazardous substances, IMI may be exposed to liability. Further, additional environmental matters may arise in the future at sites where no problem is currently known or at sites that IMI may acquire in the future.

IMI closely coordinates with various government agencies and customers to comply with existing regulations and continuously looks for ways to improve its environmental and safety standards.

Below is the detailed enumeration of its permits and licenses together with its pertinent details:

License/Permit Name	**Regulatory Body**
SEC Certificate of Registration	Securities and Exchange Commission
PEZA Certificate of Registration - Export Enterprise	Philippine Economic Zone Authority
PEZA Certificate of Registration - Facilities Enterprise	Philippine Economic Zone Authority
BIR Form 2303 - Certificate of Registration	Bureau of Internal Revenue
Permit to Use Computerized Accounting System	Bureau of Internal Revenue
Permit to Use Loose-leaf Invoices	Bureau of Internal Revenue
Authority to Print Invoices	Bureau of Internal Revenue 1. Sales Invoice; Official Receipt (back up invoices during system downtime 2. Billing Invoice; Collection Receipt (back up invoices during system downtime) 3. Official Receipt; Service Invoice; Acknowledgement Receipt 4. Debit Memo; Credit Memo
Barangay Business Clearance	Barangay Biñan
Business Permit	City of Biñan
Environmental Clearance (for Business Permit)	City of Biñan
Engineering Clearance (for Business Permit)	City of Biñan
Zoning Clearance (for Business Permit)	City of Biñan
Sanitary Permit (For Business Permit)	City of Biñan
Environmental Compliance Certificate	Department of Environment and Natural Resources
Laguna Lake Development Authority Discharge Permit	Laguna Lake Development Authority
Permit to Operate - Emission Source Installation	Department of Environment and Natural Resources
CG	
SSCG	
Philippine Drug Enforcement Agency Permit	Philippine Drug Enforcement Agency
License to Operate and X-Ray Facility	Department of Health - Food and Drug Administration
License to Handle Controlled Precursors & Essential Chemicals	Philippine Drug Enforcement Agency
License-to-Possess Explosives (Nitric Acid)	Philippine National Police
CG	
SSCG	
Radioactive Material License	Philippine Nuclear Research Institute
Fire Safety Inspection Certificate	Bureau of Fire Protection

License/Permit Name	**Location**	**Integrated Micro-Electronics, Inc.**		
		License/Permit No.	Issue Date	Expiry Date
SEC Certificate of Registration		94419	08/08/1980	
PEZA Certificate of Registration - Export and IT Enterprise	Laguna	94-59 (Amended)	06/11/2019	
PEZA Certificate of Registration - Facilities Enterprise	Laguna	11-19-F	11/29/2011	
BIR Form 2303 - Certificate of Registration				
Laguna		OCN 8RC0001459939E	02/28/2018	

Permit to Use Computerized Accounting System	Laguna	1214-116-00171CAS	01/01/2015	
Permit to Use Loose-leaf Invoices	Laguna	LTAD-LL-09-769-14	09/05/2014	
Authority to Print Invoices				
Laguna		OCN 8AU0000356125	08/28/2019	08/27/2024
		OCN 8AU0000356126	08/28/2019	08/27/2024
Business Permit	Laguna	2021-02490	01/18/2021	12/31/2021
Barangay Business Clearance		N/A		
Environmental Clearance (for Business Permit)		N/A		
Engineering Clearance (for Business Permit)		N/A		
Zoning Clearance (for Business Permit)		N/A		
Sanitary Permit (For Business Permit)		N/A		

License/Permit Name	IMI ROHQ		
	License No.	Issue Date	Expiry Date
SEC Certificate of Registration	FS200905182	4/16/2009	
BIR Form 2303 - Certificate of Registration	OCN 1RC000634390	6/25/2013	
Authority to Print Invoices	OCN 1AU0001692572	9/22/2017	9/21/2022
	OCN 1AU0001802502	5/21/2018	5/20/2023
Barangay Business Clearance	2020-01	1/10/2020	12/31/2020
Business Permit	2020-00975	1/10/2020	12/31/2020
Environmental Clearance (for Business Permit)	N/A		
Engineering Clearance (for Business Permit)	N/A		
Zoning Clearance (for Business Permit)	N/A		
Sanitary Permit (For Business Permit)	N/A		

IMI paid nominal fees required for the submission of applications for the above-mentioned environmental laws.

Research and Development Activities

New capabilities for Power Module packages using transfer mold technology have been set up and will be ready for production in 2020 for automotive applications. This now gives IMI ability to develop and manufacture medium-power applications for high reliability and safety critical automotive applications. The design and development of the hybrid version of a pin-fin baseplate and heatsink for a full Silicon Carbide power module for electric vehicles is nearing completion. It will be ready for production by 2021. Also in full swing are the design and development of a medium power module using transfer molding process for aerospace application, and a complex power module with integrated control driver IC. This will pave the way for a new intelligent power package platform for automotive application.

D&D Laguna is also developing an automotive grade camera lens heater and illumination module that supplements IMI's automotive camera platform. This showcases its capabilities in CAN communication, LED light control, mechanical design for efficient thermal transfer, ingress protection and design in accordance to functional safety.

IMI spent the following for research and development activities in the last three years:

		% to Revenues
2020	$6,488,681	0.57
2019	$6,876,487	0.55
2018	$6,287,175	0.47

Human Resources

The Company has a total workforce of 15,834 employees as of December 31, 2020, shown in the following table:

	2020	**2019**
Managers	518	497
Supervisors	2,169	2,148
Rank-and-File	3,011	3,079
Technicians/Operators	10,136	11,491
TOTAL	**15,834**	**17,215**

IMI's projected headcount for 2021 is 16,997.

The relationship between management and employees has always been of solidarity and collaboration from the beginning of its operations up to the present. The Company believes that open communication and direct engagement between management and employees are the most effective ways to resolve workplace issues.

IMI has existing supplemental benefits for its employees such as transportation and meal subsidy, group hospitalization insurance coverage and non-contributory retirement plan.

The Company has or will have no supplemental benefits or incentive arrangements with its employees other than those mentioned above.

Risk Factors

The Company's business, financial condition and results of operation could be materially and adversely affected by risks relating to the Company and the Philippines.

IMI's operating results may significantly fluctuate from period to period

There is a risk that the Company's operating results may fluctuate significantly due to various factors including but not limited to natural calamities such as global pandemic, volcanic eruption, weather and climate related incidents, geopolitical issues, macro-economic factors, changes in demand for its products and services, customers' sales outlook, purchasing patterns, and inventory adjustments, changes in the types of services provided to customers, variations in the, volume of products, adjustments in the processes and manner of delivery of services, as well as alterations to product specifications on account of complexity of product maturity, the extent to which the Company can provide vertically integrated services for a product. The result is also affected by the Company's effectiveness in managing its manufacturing processes, controlling costs, and integrating any potential future acquisitions, the Company's ability to make optimal use of its available manufacturing capacity, changes in the cost and availability of labor, raw materials, and components, which affect its margins and its ability to meet delivery schedules, and the ability to manage the timing of its component purchases so that components are available when needed for production while avoiding the risks of accumulating inventory in excess of immediate production needs. Fluctuations in operating results may also be experienced by the Company on account of the advent of new technology and customer qualification of technology employed in the production, and the occurrence of any changes in local conditions or occurrence of events that may affect production volumes and costs of production, such as, but not limited to lockdowns, travel restrictions, labor conditions, political instability, changes in law and regulation, economic disruptions or changes in economic policies affecting flow of capital, entry of competition, substantial rate hikes of utilities required for production. The Company may also experience possible business disruptions as a result of natural events such as global pandemic, fire and explosion due to presence and use of flammable materials in the operations, or force majeure.

The factors identified above, and other risks discussed in this section affect the Company's operating results from time to time.

Some of these factors are beyond the Company's control. The Company may not be able to effectively sustain its growth due to restraining factors concerning corporate competencies, competition, global economies, and market and customer requirements. To meet the needs of its customers, the Company has expanded its operations in recent years and, in conjunction with the execution of its strategic plans, the Company expects to continue expanding in terms of geographical reach, customers served, products, and services. To manage its growth, the Company must continue to enhance its managerial, technical, operational, and other resources, as well as realign strategies to adjust to the new normal brought about by the Covid-19 Global Pandemic.

The Company's ongoing operations and future growth may also require funding either through internal or external sources. There can also be no assurance that any future expansion plans will not adversely affect the Company's existing operations since execution of said plans may involve challenges. For instance, the Company may be required to be confronted with such issues as shortages of production equipment and raw materials or components, capacity constraints, difficulties in ramping up production at new facilities or upgrading or expanding existing facilities, and training an increasing number of personnel to manage and operate those facilities. Compounding these issues are other restraining factors such as more aggressive efforts of competition in expanding business, volatility in global economies and market and customer requirements. All these challenges could make it difficult for the Company to implement any expansion plans successfully and in a timely manner.

In response to a very dynamic operating environment and intense industry competition, the Company focuses on high-growth/high-margin specialized product niches, diversifies its markets and products, engages in higher value add services, improves its cost structure, and pursues strategies to grow existing accounts.

IMI is highly dependent on an industry that is characterized by rapid technological changes

The demand for the Company's solutions is derived from the demand of end customers particularly for end-use applications in the automotive, industrial, communications, consumer, and the increased demands of medical electronics industries. These industries have historically been characterized by rapid technological changes, evolving industry standards, and changing customer needs. Original Equipment Manufacturers (OEMS) continue to make adjustments to the design, and the choice of components, for their PCBAs, therefore requiring the Company to maintain regular communication with OEM customers and share forecast information with suppliers. The sudden change of demand may also create inventory buildup and may affect the supply chain flexibilities of IMI and abilities to adapt to the market change.

New services or technologies may also render the Company's existing services or technologies less competitive. If the Company does not promptly make measures to respond to technological developments and industry standard changes, the eventual integration of new technology or industry standards or the eventual upgrading of its facilities and production capabilities, taking into account renewed focus on sustainable and renewable technologies, may require substantial time, effort, and capital investment.

The Company is focusing on longer life cycle industries such as automotive, industrial and telecommunication infrastructure to reduce the volatility of model and design changes. The Company also keeps itself abreast of trends and technology development in the electronics industry and is continuously conducting studies to enhance its technologies, capabilities and value proposition to its customers. It defines and executes technology road maps that are aligned with market and customer requirements. In 2020, the company explored new opportunities in the medical and connectivity markets brought about by the COVID-19 pandemic.

With rapid technological changes comes increasingly sophisticated methods to infiltrate information and communication systems. The rapid deployment of digital and mobile environments, opening of network infrastructure to work from home and telecommuting pose an increase in the risk of unauthorized access and disruption in operations. IMI's maybe vulnerable to increased cybersecurity, information security, and data privacy breach.

Information and cybersecurity risks, DDoS, ransomware, data breach, sabotage of production systems, penalties resulting from data privacy violations, reputation loss are important risk factors that the company needs to be able to manage and ensure sufficient and appropriate controls are in place. In this regard, we ensure strong and adequate information security controls are implemented to safeguard confidentiality, integrity, and prevent loss of our critical information.

Automation, analytics and machine-learning algorithms have taken its step to a number of factories for quicker, more efficient production, with human operators monitoring and maintaining the systems. Understanding the role of our employees as resilient participants in this digital age, our cybersecurity awareness program is continuously running. We engaged a third-party online security training provider to support this initiative.

Secure Email Gateway (SEG), Security Incident & Event Management (SIEM) and Security Operations (SOC) are in place to enhance security controls and mitigate existing risks at the same time.

The company also complies with the Data Privacy Act (DPA) to protect all forms of information that are personal, private, or privileged. IMI also as a global company maintains strict compliance with General Data Protection Regulations (GDPR).

The industry where IMI operates in does not serve, generally, firm or long-term volume purchase commitments

Save for specific engagements peculiar to certain products and services required, the Company's customers do not generally contract for firm and long-term volume purchase. Customers may place lower-than-expected orders, cancel existing or future orders or change production quantities. There are no guaranteed or fixed volume orders that are committed on a monthly or periodic basis.

In addition, the Company makes significant investment decisions, including determining the levels of business that it will seek and accept capacity expansion, personnel needs, and other resource requirements. These key decisions are ultimately based on estimates of customer long-term requirements. The rapid changes in demand for its products reduce its ability to estimate accurately long-term future customer requirements. Thus, there is the risk that resource investments are not optimized at a certain period.

In order to manage the effects of these uncertainties, customers are required to place firm orders within the manufacturing lead time to ensure delivery. The Company does not solely rely on the forecast provided by the clients. By focusing on the longer cycle industry segments, the volatility that comes with rapid model changes is reduced and the Company is able to have a more accurate production planning and inventory management process.

Buy-back agreements are also negotiated by the Company in the event there are excess inventory when customer products reach their end-of-life. To the extent possible, the Company's contract includes volume break pricing, and materials buy-back conditions to taper the impact of sudden cancellations, reductions, and delays in customer requirements.

IMI may encounter difficulties in connection with its global expansion

The Company's globalization strategy has transformed it from a Philippines-centric company into a global network with manufacturing and engineering facilities as well as sales offices in Asia, Europe, and North America. This global expansion may expose the Company to potential difficulties that include diversion of management's attention from the normal operations of the Company's business, potential loss of key employees and customers of the acquired companies, physical, legal, cultural, and social impediments in managing and integrating operations in geographically dispersed locations, lack of experience operating in the geographic market of the acquired business, reduction in cash balance and increases in expenses and working capital requirements, which may reduce return on invested capital, potential increases in debt, which may increase operating costs as a result of higher interest payments, and complexities in integrating acquired businesses into existing operations, which may prevent it from achieving, or may reduce the anticipated synergy.

The Company's acquisitions of new companies or creation of new units, whether onshore or offshore, may also have an immediate financial impact to the Company due to the dilution of the percentage of ownership of current stockholders if the acquisition requires any payment in the form of equity of the Company, the periodic impairment of goodwill and other intangible assets, and liabilities, litigations, and/or unanticipated contingent liabilities assumed from the acquired companies.

If the Company is not able to successfully manage these potential difficulties, any such acquisitions may not result in material revenue enhancement or other anticipated benefits or even adversely affect its financial and/or operating condition.

To limit its exposure, the Company performs a thorough assessment of the upside and downside of any merger or acquisition. Supported by a team that focuses on business development, finance, legal, and engineering units, the vision, long-term strategy, compatibility with the culture, customer relationship, technology, and financial stability of the company to be acquired is carefully examined through due diligence to ensure exposures are mitigated through proper warranties. In addition, the Company looks at acquisitions that are immediately accretive to the P&L of the Company. The decision is then reviewed and endorsed by the Finance Committee and approved by the Board. The Company carefully plans any merger or acquisition for a substantial period prior to closing date. Prior to closing of transactions, the Company forms an integration team and formulates detailed execution plans to integrate the key functions of the acquired entity into the Company.

IMI may not be able to mitigate the effects of the declining prices of goods over the life cycles of its products or as a result of changes in its mix of new and mature products, mix of turnkey and consignment business arrangements, and lower prices offered by the competition

The price of the Company's products tends to decline over the later years of the product life cycle, reflecting decreased costs of input components, improved efficiency, decreased demand, and increased competition as more manufacturers are able to produce similar or alternative products. The gross margin for manufacturing services is highest when a product is first developed but as products mature, average selling prices of a product drop due to various market forces resulting in gross margin erosion. The Company may be constrained to reduce the price of its service for more mature products in order to remain competitive against other manufacturing services providers. This is most apparent in the automotive segment, where the reduction has historically been observed to occur between the first two to three years. The Company's gross margin may further decline to be competitive with the lower prices offered by the competition or to absorb excess capacity, liquidate excess inventories, or restructure or attempt to gain market share.
The Company is moving towards a higher proportion of contracting under a turnkey production (with the Company providing labor, materials and overhead support), as compared to those under a consignment model, indicating a possible deterioration in its margins. The Company will also need to deploy larger amounts of working capital for turnkey engagements.

To mitigate the effects of price declines in the Company's existing products and to sustain margins, the Company continues to improve its production efficiency by increasing yields, increasing throughputs through LEAN and six sigma manufacturing process. In addition, the Company continues to leverage on its purchase base and supplier programs to avail of discounts and reduced costs in component prices. It also utilizes its global procurement network and supply chain capabilities to reduce logistics costs for components including inventory levels. The Company also intensifies its effort to contract with customers with higher-margin products most of which involve higher engineering value add and more complex box build or system integration requirements.

IMI operates in a highly competitive industry

Some of the Company's competitors in the industry may have greater design, engineering, manufacturing, financial capabilities, or superior resources than the Company. Customers evaluate EMS and ODMs based on, among other things, global manufacturing capabilities, speed, quality, engineering services, flexibility, and costs. In outsourcing, OEMs seek to reduce cost. In addition, major OEMs typically outsource the same type of products to at least two or three outsourcing partners in order to diversify their supply risks. The competitive nature of the industry may result in substantial price competition. The Company faces increasing challenges from competitors who are able to put in place a competitive cost structure by consolidating with or acquiring other competitors, relocating to lower cost areas, strengthening supply chain partnerships, or enhancing solutions through vertical integration, among others. The Company's customers may opt to transact with the Company's competitors instead of the Company or if the Company fails to develop and provide the technology and skills required by its customers at a rate comparable to its competitors. There can be no assurance that the Company will be able to competitively develop the higher value add solutions necessary to retain business or attract new customers. There can also be no assurance that it will be able to establish a compelling advantage over its competitors.

The industry could become even more competitive if OEMs fail to significantly increase their overall levels of outsourcing. Increased competition could result in significant price competition, reduced revenues, lower profit margins, or loss of market share, any of which would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company regularly assesses the appropriate pricing model (so as to ensure that it is strategic/value based or demand based, among others) to be applied on its quotation to existing or prospective customers. The Company is also strengthening its risk management capabilities to be able to turn some of the risks (e.g., credit risks) into opportunities to gain or maintain new or existing customers, respectively. The Company also continues to develop high value-add services that fit the dynamic markets it serves. It continues to enhance capabilities in design and development, advanced manufacturing engineering, test and systems development, value engineering, and supply chain management to ensure an efficient product realization experience for its customers.

In addition, the Company's size, stability and geographical reach allow it to attract global OEMs customers that look for stable partners that can service them in multiple locations. This is evident in the increasing number of global contracts that the Company is able to develop and have multiple sites serving single customers.

Focusing on high value automotive (such as those for ADAS and safety-related, power modules and electronic control units, among others), industrial, aerospace/defense and medical segments where strict performance and stringent certification processes are required, the Company is able to establish a high barrier of entry, business sustainability and better pricing. Generally, the Company has observed that it is usually difficult for customers in these industries to shift production as they would have to go through a long lead time in the certification process. The direction the Company has taken resulted in the rise of the Company's ranking in the global and automotive EMS spaces.

IMI may be subject to reputation and financial risks due to product quality and liability issues

The contracts the Company enters into with its customers, especially customers from the automotive and medical industry, typically include warranties that its products will be free from defects and will perform in accordance with agreed specifications. To the extent that products delivered by the Company to its customers do not, or are not deemed to, satisfy such warranties, the Company could be responsible for repairing or replacing any defective products, or, in certain circumstances, for the cost of effecting a recall of all products which might contain a similar defect in an occurrence of an epidemic failure, as well as for consequential damages. Defects in the products manufactured by the Company adversely affect its customer relations, standing and reputation in the marketplace, result in monetary losses, and have a material adverse effect on its business, financial condition, and results of operations. There can be no assurance that the Company will be able to recover any losses incurred as a result of product liability in the future from any third party.

In order to prevent or avoid a potential breach of warranties which may expose the Company to liability, the Company's quality assurance focused on defect prevention, globalizing the culture of early detection and reaction to internal issues. The Company also refined its Advanced Product Quality Planning (APQP) procedure to ensure customer specific requirements on process and product quality are met early on the design and development phase before the product gets launched into production.

The Company performs a detailed review and documentation of the manufacturing process that is verified, audited and signed-off by the customers. In addition, customers are encouraged, and in some cases, required to perform official audits of the Company's manufacturing and quality assurance processes, to ensure compliance with specifications. The Company works closely with customers to define customer specifications and quality requirements and follow closely these requirements to mitigate future product liability claims. The Company also insures itself on product liability and recall on a global basis.

IMI's production capacity may not correspond precisely to its production demand

The Company's customers may require it to have a certain percentage of excess capacity that would allow the Company to meet unexpected increases in purchase orders. On occasion, however, customers may require rapid increases in production beyond the Company's production capacity, and the Company may not have sufficient capacity at any given time to meet sharp increases in these requirements. On the other hand, there is also a risk of the underutilization of the production line, which may slightly lower the Company's profit margins. In response, the Company makes the necessary adjustments in order to have a match between demand and supply. In the case of a lack in supply, the Company equips itself with flexible systems that allow it to temporarily expand its production lines in order to lower the overhead costs, and then make corresponding increases in its capacity when there is a need for it as well.

To soften the impact of this, the Company closely coordinates with customers to provide the parties with regular capacity reports and action plan/s for common reference and future capacity utilizations. The Company also closely collaborates with its customers to understand the required technology roadmaps, anticipate changes in technological requirements, and discuss possible future solutions.

IMI may be involved in intellectual property disputes

The Company's business depends in part on its ability to provide customers with technologically sophisticated products. The Company's failure to protect its intellectual property or the intellectual property of its customers exposes it to legal liability, loss of business to competition and could hurt customer relationships and affect its ability to obtain future business. It could incur costs in either defending or settling any intellectual property disputes. Customers typically require that the Company indemnify them against claims of intellectual property infringement. If any claims are brought against the Company's customers for such infringement, whether these have merit or not, it could be required to expend significant resources in defending such claims. In the event the Company is subjected to any infringement claims, it may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. The Company may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms or at all, which could disrupt manufacturing processes, damage its reputation, and affect its profitability.

Since the Company is not positioned as an ODM, the likelihood of the Company infringing upon product-related intellectual property of third parties is significantly reduced. Product designs are prescribed by and ultimately owned by the customer.

The Company observes strict adherence to approved processes and specifications and adopts appropriate controls to ensure that the Company's intellectual property and that of its customers are protected and respected. It continuously monitors compliance with confidentiality undertakings of the Company and management. As of the date of this Prospectus, there has been no claim or disputes involving the Company or between the Company and its customers involving any intellectual property.

Demand for services in the EMS industry depends on the performance and business of the industry's customers as well as the demand from end consumers of electronic products

The performance and profitability of the Company's customers' industries are partly driven by the demand for electronic products and equipment by end-consumers. If the end-user demand is low for the industry's customers' products, companies in the Company's industry may see significant changes in orders from customers and may experience greater pricing pressures. Therefore, risks that could harm the customers of its industry could, as a result, adversely affect the Company as well. These risks include the customer's inability to manage their operations efficiently and effectively, the reduced consumer spending in key customers' markets, the seasonality demand for their products, and failure of the customer's products to gain widespread commercial acceptance.

The impact of these risks was very evident in the aftermath of the global financial crisis which resulted in global reduction of demand for electronics products by end-customers. The Company mitigates the impact of industry downturns on demand by rationalizing excess labor and capacity to geographical areas that are most optimal, and by initiating cost containment programs. With indications of global financial recovery already in place, the Company has been able to re-hire some of its employees. There are also electronics requirements resulting from global regulations, such as those for improving vehicle safety and promoting energy-efficient technologies that would increase the demand for electronic products and equipment.

The Company continuously addresses its concentration risks. There is no single customer that the Company is dependent on or accounts for more than 15% of the Company's revenues. The Company also serves global customers which are not concentrated on a specific geographic market.

IMI's industry is dependent on the continuous growth of outsourcing by OEMs

The Company belongs to an industry that is dependent on the strong and continuous growth of outsourcing in the communications, consumer automotive, industrial, and medical electronics industries where customers choose to outsource production of certain components and parts, as well as functions in the production process. A customer's decision to outsource is affected by its ability and capacity for internal manufacturing and the competitive advantages of outsourcing.

The Company's industry depends on the continuing trend of increased outsourcing by its customers. Future growth in its revenue depends on new outsourcing opportunities in which it assumes additional manufacturing and supply chain management responsibilities from its customers. To the extent that these opportunities do not materialize, either because the customers decide to perform these functions internally or because they use other providers of these services, the Company's future growth could be limited.

The Company believes that its global footprint with manufacturing operations in Asia, Europe, and North America, its global supply chain systems and capabilities, and its design services will continue to provide strategic advantages for customers to outsource parts of their product development and manufacturing processes to the Company.

IMI's industry may experience shortages in, or rises in the prices of components, which may adversely affect business

There is a risk that the Company will be unable to acquire necessary components for its business as a result of strong demand in the industry for those components or if suppliers experience any problems with production or delivery (lockdowns and logistics issues). The Company is also exposed to challenges surrounding lead-times within the electronic component market.

The Company is often required by its customers to source certain key components from customer-nominated and accredited suppliers only, and it may not be able to obtain alternative sources of supply should such suppliers be unable to meet the supply of key components in the future. Shortages of components could limit its production capabilities or cause delays in production, which could prevent it from making scheduled shipments to customers.

If the Company is unable to make scheduled shipments, it may experience a reduction in its sales, an increase in costs, and adverse effects on its business. Component shortages may also increase costs of goods sold because it may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components.

To the extent possible, the Company works closely with customers to ensure that there are back up suppliers or manufacturers for customer-supplied components or components supplied by customer-nominated suppliers to mitigate uncertainties in the supply chain. The changes in market also allows opportunities for the Company to consolidate strategic suppliers and improve supply chain cost, efficiencies and flexibilities, especially in passive and discrete components, and consolidate the global spend for global supplier management and negotiation instead of regional negotiation. In addition, the Company has established supplier certification and development programs designed to assess and improve suppliers' capability in ensuring uninterrupted supply of components to the Company.

Any shortage of raw materials or components could impair IMI's ability to ship orders of its products in a cost-efficient manner or could cause IMI to miss its delivery requirements of its retailers or distributors, which could harm IMI's business

The ability of the Company's manufacturers to supply its products is dependent, in part, upon the availability of raw materials and certain components. The Company's manufacturers may experience shortages in the availability of raw materials or components, which could result in delayed delivery of products to the Company or in increased costs to it. Any shortage of raw materials or components or inability to control costs associated with manufacturing could increase the costs for the Company's products or impair its ability to ship orders in a timely cost-efficient manner. As a result, it could experience cancellation of orders, refusal to accept deliveries, or a reduction in the Company's prices and margins, any of which could harm the Company's financial performance and results of operations. Other than for customer-nominated suppliers or specialty components for the manufacture of specific products, the Company is not dependent on a single supplier for its raw materials.

IMI may be exposed to risk of inventory obsolescence and working capital tied up in inventories

As an EMS provider, the Company may be exposed to a risk of inventory obsolescence because of rapidly changing technology and customer requirements. Delays in ramp up of new projects may result to inventory buildup therefore giving the Company exposure to potential inventory obsolescence which may require it to make adjustments to write down inventory to the lower of cost or net realizable value, and its operating results could be adversely affected. The Company is cognizant of these risks and accordingly exercises due diligence in materials planning.

The Company works with key suppliers to establish supplier-managed inventory arrangements that will mutually reduce the risk. The Company also puts tight control in the inventory with regular negotiation with customers on demand change and suppliers on the pushout and cancellation of deliveries. In addition, the Company often negotiates buy back arrangements with customers where, in the event the customers' purchase orders are delayed, canceled, or enter in the end-of-life phase, the customers assume the risk and compensate the Company for the excess inventory.

IMI may, from time to time, be involved in legal and other proceedings arising out of its operations.

The Company's expanding global activities while continuing to present a myriad of growth opportunities, may tend to increase exposure to potential disputes with its employees and various parties involved in its manufacturing operations, including contractual disputes with customers or suppliers, labor disputes with workers or be exposed to damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings that may affect the ability of the Company to realize its short and long-term target revenues and margins, and may result in substantial costs, delays in the Company's development schedule, and the diversion of resources and management's attention.

The Company may also have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavorable decisions that result in penalties and/or delay the development of its projects. In such cases, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

IMI is highly dependent on the continued service of its directors, members of senior management and other key officers

The Company's directors, members of its senior management, and other key officers have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. Key executives and members of management of the Company include CEO, President and COO, CFO, Chief Procurement Officer, Leaders of Strategic Business Development and Mergers and Acquisitions, Global Sales and Marketing, Global HR, Global Design and Development, Global Advanced Manufacturing Engineering, and Global Quality, and Plant General Managers (GMs). In the event that the Company loses the services of any such person and is unable to fill any vacant key executive or management positions with qualified candidates, or if the qualified individual takes time to learn the details of the Company, the Company's business and results of operations may be adversely affected.

Any deterioration in IMI's employee relations could materially and adversely affect the Company's operations

The Company's success depends partially on the ability of the Company, its contractors, and its third-party marketing agents to maintain productive workforces. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's, its contractors' or its third party marketing agents' employee relations could have a material and adverse effect on the Company's financial condition and results of operations.

The Company conducts Employee Engagement Survey to better understand the diverse needs and aspiration of its workforce, and ultimately contribute to their professional and personal goals. It also aims to instill corporate values and institutionalize an employee-centric and high impact working culture.

There have been no historical events related to strikes or protests from its employees or unions, despite having higher labor unrest risk due to growing population, given the well-established employee relations programs of the Company.

IMI's success depends on attracting, engaging, and retaining key talents, including skilled research and development engineers

In order to sustain its ability to complete contracted services and deliver on commitments and promote growth, the Company will have to continuously attract, develop, engage and retain skilled workforce highly capable to achieve business goals. The Company recognizes that its competitiveness is dependent on its key talent pipeline, including leadership, talent and skill pool, and succession plan.

The Company continuously identifies top-caliber candidates and keeps the pipeline full to be ready to assume new roles and fuel growth. The Company has a strong ability to hire in terms of the quality of recruits as well as in scale. Specifically, there is a strong recruitment in the Philippines and in China, having been able to tie up with universities. In the case of an immediate need to provide manpower, there are contractual agreements at hand to meet the demand. They have the ability to rapidly organize and train skilled workers for new products and services and retain qualified personnel.

The Company also leverages on its global reach to identify, recruit and develop the right employees who can be deployed to the various operating units or divisions of the Company. It also implements on a regular basis pertinent employee training and development programs, including a cadetship program that enables it to tap and employ capable graduates from different leading universities. The

Company has implemented proactive measures to retain employees through sound retention programs, encouraging work-life balance among its employees, and providing structured career development paths to promote career growth within the organization and loyalty to the Company.

IMI may be exposed to additional risks as a consequence of VIA's listing on the New York Stock Exchange.

By becoming a US public company, VIA is now subject to additional and more stringent regulatory compliance requirements. Its failure to comply could have a significant and adverse effect on its business and reputation, which will in turn affect IMI, being its majority stockholder.

RISKS RELATING TO COUNTRIES WHERE THE COMPANY OPERATES (INCLUDING THE PHILIPPINES)

IMI conducts business in various jurisdictions, exposing it to business, political, operational, financial, regulatory and economic risks due to its operations in these jurisdictions

There is no assurance that there will be no occurrence of an economic slowdown in the countries where the Company operates, including the Philippines. Factors that may adversely affect an economy include but are not limited to:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market,
- scarcity of credit or other financing, resulting in lower demand for products and services
- the sovereign credit ratings of the country,
- exchange rate fluctuations,
- a prolonged period of inflation or increase in interest rates,
- changes in the relevant government's taxation policies,
- climate change, natural (or man-made) disasters, including pandemic, typhoons, earthquakes, fires, floods and similar events,
- political instability, terrorism or military conflict, and
- other regulatory, political or economic developments in or affecting the Company

Notwithstanding the foregoing, the global operations, marketing, and distribution of the Company's products inherently integrate the impact of any economic downturn affecting a single country where the Company operates and enables the Company to shift the focus of its operations to other jurisdictions.

The Company's manufacturing and sales operations are located in a number of countries throughout Asia, Europe, and North America. As a result, it is affected by business, political, operational, financial, and economic risks inherent in international business, many of which are beyond the Company's control, including difficulties in obtaining domestic and foreign export, import, and other governmental approvals, permits, and licenses, and compliance with foreign laws, which could halt, interrupt, or delay the Company's operations if it is unable to obtain such approvals, permits, and licenses, and could have a material adverse effect on the Company's results of operations.

Changes in law including unexpected changes in regulatory requirements affect the Company's business plans, such as those relating to labor, environmental compliance and product safety. Delays or difficulties, burdens, and costs of compliance with a variety of foreign laws, including often conflicting and highly prescriptive regulations also directly affect the Company's business plans and operations, cross-border arrangements and the inter-company systems.

Increases in duties and taxation and a potential reversal of current tax or other currently favorable policies encouraging foreign investment or foreign trade by host countries leading to the imposition of government controls, changes in tariffs, or trade restrictions on component or assembled products may result in adverse tax consequences, including tax consequences which may arise in connection with inter-company pricing for transactions between separate legal entities within a group operating in different tax jurisdictions, also result in increases in cost of duties and taxation.

Actions which may be taken by foreign governments pursuant to any trade restrictions, such as “most favored nation” status and trade preferences, as well as potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions may adversely affect the Company’s business and financial condition.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Philippine pesos into foreign currencies to satisfy foreign currency- denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

A substantial portion of the Company’s manufacturing operations is located in China, which has regulated financial and foreign exchange regime. The Company continuously evaluates the options available to the organization to ensure maximum usage of excess liquidity. Among others, excess liquidity may be repatriated out of China through dividend payments, payment of management service or royalty fees, use of leading and lagging payment, and transfer pricing.

Also, because of China’s role in many important supply chains, its exports contain a large amount of value added applied in other Asian economies. At least as importantly, China has become a principal final destination for Asian exports. As China, is hit by US trade tariffs, the spill-over into other APAC economies takes place via international supply chains and changes in China’s domestic demand.

Climate Change and Environmental laws applicable to IMI’s projects could have a material adverse effect on its business, financial condition or results of operations

The Company cannot predict what environmental, climate change legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company’s business could have a material adverse effect on its business, financial condition and results of operations.

There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of any environmental law or regulation occurs or if environmental hazards on land where the Company’s projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties.

Any political instability in the Philippines and the countries where IMI operates may adversely affect the business operations, plans, and prospects of the Company

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business.

The impact of the Brexit upon the technology and innovation sector largely depends upon what model the UK adopts for its relationship with the EU. If the UK remains in the European Economic Area, then the changes may be minimal. If the UK joins the European Free Trade Association and negotiates sector specific access to the single market, then the landscape depends on the exact nature of that relationship. If the UK distances itself further from the EU, then the changes may be more extensive.

Macro-economic conditions of different countries where IMI operates may adversely affect the Company's business and prospectus

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, and Moody's to investment-grade, no assurance can be given that Standard & Poor's, or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Parent Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available

In addition, some countries in which the Company operates, such as China, Czech Republic and Mexico, have experienced periods of slow or negative growth, high inflation, significant currency devaluations, or limited liability of foreign exchange. In countries such as UK, China and Mexico, governmental authorities exercise significant influence over many aspects of the economy which may significantly affect the Company.

Furthermore, the risk of imposing big border tax to US manufacturers that move jobs outside the country will have impact to where the company operates, particularly Mexico. In January 2017, US President Donald Trump has met with executives of the Big Three U.S. automakers and told the executives of General Motors, Ford and Fiat Chrysler that he was going to make it easier for them to invest in the country. He will reduce the taxes and unnecessary regulations to those manufacturing in the United States. Trump began singling out companies that were planning investments in Mexico that involved moving American jobs. Trump promised a big border tax on cars shipped from Mexico into the United States.

On an as-needed basis, the Company seeks the help of consultants and subject matter experts for changes in laws and regulations that may have a significant impact in the Company's business operations. It also maintains good relationship with local government, customs, and tax authorities through business transparency and compliance and/or payment of all government-related assessments in a timely manner. The Company has been able to overcome major crises brought about by economic and political factors affecting the countries where it operates. The strong corporate governance structure of the Company and its prudent management team are the foundations for its continued success. The Company also constantly monitors its macroeconomic risk exposure, identifies unwanted risk concentration, and modifies its business policies and activities to navigate such risks.

There is no single customer that the Company is dependent on or accounts for more than 15% of the Company's revenues. The Company also serves global customers which are not concentrated on a specific geographic market.

Severe macroeconomic contractions may conceivably lead the Company to tweak or modify its investment decisions to meet the downturn. As a holding company, the Company affirms the principles of fiscal prudence and efficiency in the operations to its subsidiaries operating in various countries.

IMI faces risks of international expansion and operation in multiple jurisdictions

The Company expects to have an international customer base which may require worldwide service and support. The Company may expand its operations internationally and enter additional markets, which will require significant management attention. Any such expansion may cause a strain in existing management resources.

The distances between the Company, the customers, and the suppliers globally, create a number of logistical and communications challenges, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations, and coordinating the activities and decisions of the Company's management team, the members of which are spread out internationally.

While the Company tries to keep its local expertise, it established global functions to ensure that there is adequate coordination of activities. In addition, the availability and use of cell phones, e-mails, and internet-based communication tools by the Company resulted in more efficient and timely coordination of activities and decision making by management from different sites and countries.

The Company aggressively pursues hiring of experienced international managers and staff globally. This enables the Company to ensure that it has sufficient manpower complement possessed with the required skills and experience to work with customers, vendors, and other partners in and out of the relevant country where it operates.

Natural or other catastrophes, including severe weather conditions and epidemics, pandemics, that may materially disrupt IMI's and its supplier's operations, affect its ability to complete projects and result in losses not covered by its insurance

Apart from the current Covid-19 pandemic, which has affected all countries in 2020 (to date), the Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and in November 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction and casualties of an as yet undetermined amount, in Tacloban, certain parts of Samar, and certain parts of Cebu City, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's manufacturing facilities. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Natural disasters, such as the 2008 earthquake in China, where a significant portion of the Company's manufacturing operations is located, could severely disrupt the Company's manufacturing operations and increase the Company's supply chain costs. These events, over which we have little or no control, could cause a decrease in demand for the Company's services, make it difficult or impossible for the Company to manufacture and deliver products and for the Company's suppliers to deliver components allowing it to manufacture those products, require large expenditures to repair or replace the Company's facilities, or create delays and inefficiencies in the Company's supply chain.

In addition, epidemic or pandemic such as the Covid-19 Pandemic in 2020, Middle East Respiratory Syndrome (MERS) of 2012, H1N1 Influenza virus of 2009, Severe Acute Respiratory Syndrome (SARS) of 2003 may have severe effects on global supply chain affecting company's employees, and business.

Any escalation in these events or similar future events may disrupt the Company's operations and the operations of the Company's customers and suppliers and may affect the availability of materials needed for the Company's manufacturing services. Such events may also disrupt the transportation of materials to the Company's manufacturing facilities and finished products to the Company's customers.

There can be no assurance that the Company is fully capable to deal with these situations and that the insurance coverage it maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Political instability or threats that may disrupt IMI's operations could result in losses not covered by the Company's insurance

No assurance can be given that the political environment in the Philippines will remain stable and any political instability in the future could reduce consumer demand, or result in inconsistent or sudden changes in regulations and policies that affect the Company's business operations, which could have an adverse effect on the results of operations and the financial condition of the Company.

Increased political instability threats or occurrence of terrorist attacks, enhanced national security measures, and conflicts, as well as territorial and other disputes, which strain international relations, may reduce consumer confidence and economic weakness.

Any impact on the following cases in countries in which the Company has operations could materially and adversely affect the Company's business plans and prospects, financial condition and results of operations.

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Moreover, In January 2017, President Donald Trump's nominee at that time for Secretary of State Rex Tillerson said China must be denied access to artificial islands it has built in the disputed waters. Trump had previously accused China of building a military fortress in the South China Sea. China claims more than 80 percent of the South China Sea, where it has built up its military presence as well as constructing the islands. Vietnam, the Philippines, Brunei, Malaysia and Taiwan claim parts of the same maritime area, a thriving fishing zone through which more than $5 trillion of trade passes each year. In July 2016, an international tribunal in The Hague ruled against China in a case brought by the Philippines, saying it had no historic rights to the resources within a dashed line drawn on a 1940s map that had formed the basis of its claims. While the court said the ruling was binding, China said the 29 tribunal had no jurisdiction. China is also in dispute with Japan and India over claims to a separate set of islands.

Newly elected President Joe Biden has manifested that the US will not and should not be expected to ease up on military operations in the West Philippine Sea. This as South Asian nations and claimants involved in West Philippine awaits President Biden administration's broader, and comprehensive China strategy, including how to settle and manage economic tension between US & China.

The "British exit of the European Union (EU)," or known as Brexit on June 23, 2016 is considered the most significant economic demerger between major economies since the Second World War. British vote to leave the European Union is likely to impose major instability on top of economic fragility and artificial financial markets. The Brexit referendum roiled global markets, including currencies, causing the British pound to fall to its lowest level in decades. In November 2016, the British High Court ruled that the government needs the Parliament's approval to trigger Article 50 of the Lisbon Treaty and begin the two-year process of withdrawing the UK from the EU. On February 1, 2017, Prime Minister Theresa May won votes from Members of Parliament in the House of Commons for the bill to invoke Article 50 and start the Brexit process in March 2017. In March 19, 2018, the EU and UK agree on a transition phase, and by 25th of November 2018, Draft withdrawal deal was agreed. After an intense political battle new Prime Minister Boris Jonson was elected in parliament July 2019. In September 2019 the European Union (Withdrawal) Act 2019 also known as “Benn Act” which required the British Prime Minister to the Brexit withdrawal date-then scheduled 31 October 2019. Subsequently, 28th of the same month, EU heads of state and government approved the new and final extension date of 31 January 2020. UK and EU entered into transition state after January 31, 2020, and trade deal negotiations continued to within days of the end of transition period of December 31, 2020.

Investors may face difficulties enforcing judgments against IMI

It may be difficult for investors to enforce judgments against the Company owing to its global operations, diverse residencies of its different officers, and assets located in different jurisdictions. It may particularly be difficult for investors to effect service of process upon any officer who is not a resident of the country where judgments from courts or arbitral tribunals are obtained outside or within the Philippines if these are predicated upon the laws of jurisdictions other than the country where such judgments are obtained.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction, (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines, (iii) the party against whom enforcement is sought did not receive notice, or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

ITEM 2. PROPERTIES

IMI has production facilities in the Philippines (Laguna and Cebu), China (Shenzhen, Jiaxing, Chengdu, and Suzhou), Bulgaria, Czech Republic, Serbia, Germany, Mexico and the UK. It also has a prototyping and NPI facility located in Tustin, California. Engineering and design centers, on the other hand, are located in the Philippines, Singapore, China, United States, Bulgaria, Czech Republic, and Germany. IMI also has a global network of sales and logistics offices in Asia, North America and Europe.

The Company’s global facilities and capabilities of each location as of December 31, 2020 are shown below:

Location	Floor Area (square meters)	Capabilities
Manufacturing Sites		
Philippines-Laguna (2 sites)	96,182	▪ 31 SMT lines, 2 FC lines ▪ 5 COB/COF lines ▪ Box build to Complex Equipment manufacturing ▪ LVHM, HVLM ▪ Solder Wave, Potting, Al & AG W/B ▪ Protective Coating ▪ ICT, FCT, AOI, RF Testing

		▪ Design & Development ▪ Test & System Development ▪ Cleanroom to class 100 ▪ Low Pressure Molding (Overmold) ▪ Precision Metals/Machining
Philippines-PSi Laguna	9,858	▪ Power Component Discrete Packaging, e.g., 2L,3L,4L TO-247, 3L TO252, 2L,3L TO-220 ▪ Silicon Carbide and Gallium Nitride Packaging ▪ Ag Sintering Process ▪ Diversified Packaging - from Low to High Power and Small to Large Outline ▪ R&D line/ Captive Lines for Power QFN and Modules ▪ Customized Power Packaging Requirements ▪ Low/ Med Power Discrete Packaging and Processes including Au Wire Bonding ▪ Al Ribbon, Cu Clip interconnect ▪ 3D Packaging, MCM, High Reliability OFN Packages: 3 x 3 mm,3.3x3.3 mm, 4x5 mm, 5x6mm, 6x5mm 8x8 mm at 1 mm to 1.5 mm package height
China-Pingshan	29,340	▪ 7 SMT lines ▪ Box Build ▪ PTH, POP, Auto Pin Insertion, Solder Wave, SMT, Backend line, Final Assembly ▪ ICT, FCT, 3D AOI, RF Testing, 3D X-ray ▪ Potting, Conformal coating and Burn-in ▪ LVHM, HVLM ▪ Sourcing, Procurement and Material Purchasing ▪ Logistics ▪ Regional support
China-Kuichong	23,524	▪ 17 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, Solder Wave ▪ ICT, FCT, AOI, SPI, RF Testing ▪ Test & System Development ▪ LVHM, HVLM ▪ X-RAY 3D testing, RoHS screening instrument, BGA rework ▪ Burn-in test for high-end power supply, Thermal cycle test, Vibration test. ▪ Conformal Coating, Potting, PCB router, Underfill ▪ Bar-code tracking system
China-Jiaxing	18,452	▪ 12 SMT lines ▪ Vapor Phase Vacuum Reflow, SMD Odd shape Component Auto Mount ▪ Box Build (w/ Automated Customized Assembly Line) ▪ PTH, Auto Pin Insertion, Solder Wave, Selective Solder Wave ▪ Full Auto Selective Conformal Coating Line and CC AOI

		▪ Ultrasonic welding and lamination ▪ Plastic injection (180T/300T press) ▪ SPI, 2D & 3D AOI, ICT, FCT, 3D X-ray, Run-in ▪ Test & System Development ▪ HVLM
China-Chengdu	7,500	▪ 3 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, BGA, X-Ray ▪ Solder Wave ▪ Automated Conformal Coating ▪ ICT, FCT, AOI ▪ HVLM / LVHM ▪ Test Development ▪
USA-Tustin, CA*	1,184	▪ Global AME (Advance Manufacturing Engineering) ▪ Engineering & Process Development ▪ Prototype Manufacturing Center ▪ NPI (New Product Introduction) ▪ Precision Assembly ▪ 2 SMT Prototyping Lines ▪ SMT, DCA (COB, Flip Chip), THT ▪ Box Build ▪ Low Volume Production
Botevgrad, Bulgaria (1 sites) Sofia, Bulgaria (1 site) Niš, Serbia (1 site)	 115,416 50,213	▪ Bulgaria - 25 SMT lines ▪ Serbia – 5 SMT lines ▪ Box build ▪ PCB Assembly and Testing ▪ Serbia – 5 SMT Lines ▪ Design & Development ▪ PCB Assembly and Testing ▪ Box build (Manual/Semi/Automatic) ▪ Metrology & Laboratory ▪ 3D X-ray (CT) ▪ Full automation without touching the PCBA during the whole manufacturing process (In-Line Laser; SMT; Automatic Pin Insertion; In-Line ICT; Routing; Auto manipulator of PCBA to trays; Automatic box build – PCBA/Top/Bottom cover; In-Line FCT Testing; Auto labeling; camera controls) ▪ Solder Wave, Selective Soldering, Manual Soldering ▪ Potting, Coating, Glue Dispensing ▪ 3D AOI, 3D SPI, ICT; FCT; RF Testing ▪ Full traceability including Interlocking
El Salto, Guadalajara, Mexico (2 sites)	25,800	▪ 9 SMT lines ▪ 43 Plastic Injection Machines (50-1,600T) including Overmolding ▪ Box build (w/ Automated Customized Assembly Line) ▪ PTH, Solder Wave, Selective Solder Wave ▪ Full Auto Selective Conformal Coating

		Line and CC AOI, Automated potting ▪ SPI, 2D & 3D AOI, ICT, FCT, 3D X-Ray ▪ Embedded Toolshop ▪ Test & System Development
Třemošná, Plzeňská, Czech Republic	7,740	▪ 6 SMT lines ▪ 2 Pin Insertion ▪ 3 Wave soldering ▪ 2 Selective soldering ▪ 3 Selective coating ▪ ICT, FCT, AOI (SMT, CC) ▪ Mechanical Assembly ▪ 4 Automated line ▪ Further customized assembly line
Nuremberg, Germany (VIA) **VIA optronics GmbH**	4,268	▪ VIA bond plus qualification ▪ Bonding material development ▪ Manual line, mainly lower quantity projects ▪ Prototype 84Inch ▪ 2 clear rooms (ISO class 6 & ISO class 7) ▪ ESD control ▪ Engineering, prototyping and production process improvement ▪ Test & system development (electrical) ▪ Optical test labor (mainly for display evaluation)
Suzhou, China (VIA) **VIA optronics Suzhou**	9,750	▪ Semi autoline and full autoline ▪ Large size bonding in MaxVu II ▪ Touch capabilities, ACF process ▪ Curved bonding & bonding to plastic cover
Shiga, Japan (VIA) (2 sites) **VTS-Touchsensor Co., Ltd**	10,000	▪ Metal Mesh Sensor on roll ▪ Customized design ▪ 100µm/50µm Film thickness ▪ Up to 55“ VTS internal ▪ Up to 85“ through external partners
UK-Hook (STI)	5,946	▪ 3 high-speed ASM Siplace SMT Lines (2.4m components/day) ▪ High Reliability PCB Assembly & Box Build ▪ Full Test facilities ▪ Dedicated prototype facility with 2 flexible Mydata lines ▪ Special processes & full repair and rework facility ▪ Clean Room, NPI, RF Screened Room
UK-Poynton (STI)	5,481	▪ Manufacturer of highly secure satellite communications equipment (under long term Airbus DS contract) ▪ Manufacturer of specialist amplifiers ▪ Specialist spares and repairs ▪ Full rack wiring and integration ▪ Specialist test facility – RF Testing, Anechoic Chamber, EMC Chamber & Moog 6 Degree of Freedom Motion Bed ▪ Complex Wiring & Heavy Metalwork ▪ Advanced Box Build

		▪ AS9100-D
Cebu, Philippines (STI)	2,601	▪ 3 high-speed placement systems (6m components/day capacity) ▪ High volume PCB Assembly and Box Build ▪ Equipment and operational standards fully compatible with Hook manufacturing site ▪ IP protection and full product traceability guaranteed
Total Manufacturing Space	**423,255**	
Sales and Marketing Support		
Hong Kong*	300	Procurement, marketing and supply chain support
Japan*	110	Sales Support
Total Support Space	**410**	
Total	**425,002**	

Lease Commitments

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.

Capital Expenditures

In 2020, IMI spent $18.7 million on capital expenditures, significantly lower than last year's $38.8 million, still part of the Company's cost reduction initiatives and cash flow management.

ITEM 3. LEGAL PROCEEDINGS AND CONTINGENCIES

There are no material pending legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years up to the present date to which the Company or any of its subsidiaries or its directors or executive officers is a party or of which any of its material properties are subject in any court or administrative government agency.

The Company filed a civil case on April 11, 2011 against Standard Insurance ("Standard") seeking to collect Standard's share in the loss incurred by the Company consisting in damage to production equipment and machineries as a result of the May 24, 2009 fire at the Company's Cebu facility which the Company claims to be covered by Standard's "Industrial All Risks Material Damage with Machinery Breakdown and Business Interruption" policy. The share of Standard in the loss is 22% or US $1,117,056.84 after its co-insurers all paid the amount of loss respectively claimed from them. The Company had to resort to court action after Standard denied its claim on the ground that the claim is an excepted peril. Standard filed a motion to dismiss on various grounds, such as lack of cause of action and of prescription. The Regional Trial Court denied the motion to dismiss but Standard filed a Motion for Reconsideration with the Court of Appeals (CA). On April 26, 2013, the CA dismissed the case on the ground that the claim has prescribed. On April 19, 2013, the Company filed a Motion for Reconsideration. On December 10, 2013, the Company received a decision promulgated on December 2, 2013 denying the said Motion for Reconsideration.

The Company filed a Petition for Review on Certiorari dated January 23, 2014 with the Supreme Court (SC). On 17 February 2021, IMI received the SC's Decision dated 27 August 2020 affirming the Decision of the CA. IMI filed its Motion for Reconsideration within the reglementary period.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table shows the high and low prices (in PhP) of IMI's shares in the Philippine Stock Exchange in 2020 and 2019.

Philippine Stock Exchange
Prices in PhP/share

	High		Low		Close	
	2020	2019	2020	2019	2020	2019
First Quarter	8.14	13.70	3.31	10.70	4.53	12.50
Second Quarter	5.65	13.60	4.45	10.00	6.08	10.06
Third Quarter	6.50	10.30	4.60	7.99	5.68	8.00
Fourth Quarter	9.50	8.62	5.45	7.68	9.10	7.89

The market capitalization of the Company's common shares as of December 31, 2020, based on the closing price of P9.10/share, was approximately P20.18 billion.

The price information of IMI's common shares as of the close of the latest practicable trading date, March 19, 2021, is P 10.10per share.

Holders

There are approximately 288 registered common stockholders as of February 28, 2021. The following are the top 20 registered holders of common shares of the Company.

	Stockholder Name	No. of Common Shares	Percentage of Common Shares
1.	AC Industrial Technology Holdings, Inc.	1,153,725,046	52.0330%
2.	PCD Nominee Corporation (Non-Filipino)	522,486,924	23.5641%
3.	Resins Incorporated	291,785,034	13.1595%
4.	PCD Nominee Corporation (Filipino)	191,712,088	8.6462%
5.	2014 ESOWN Subscription	22,356,871	1.0082%
6.	2007 ESOWN Subscription	9,418,215	0.4247%
7.	SIIX Corp.	7,815,267	0.3524%
8.	2015 ESOWN Subscription	4,786,374	0.2158%
9.	2009 ESOWN Subscription	4,464,690	0.2013%
10.	Ayala Corporation	1,379,892	0.0622%
11.	Helmut Baumgart	1,265,448	0.0570%
12.	Meneleo J. Carlos Jr.	805,288	0.0363%
13.	Allen B. Paniagua	357,726	0.0161%
14.	Transtechnology Pte. Ltd	304,836	0.0137%
15.	Alfredo Gramata Jr	258,842	0.0116%
16.	Emmanuel V. Barcelon	240,000	0.0108%
17.	Philippe Marquet	225,519	0.0101%
18.	Conrad J. Eisenman	160,163	0.0072%
19.	Joselito Senadoza Bantatua	150,000	0.0067%
20.	Sylke Ludewig	137,601	0.0062%

On June 25, 2015, the Board of Directors of the Company approved the redemption of all of the Company's outstanding 1,300,000,000 Redeemable Preferred Shares which were issued in 2008. The redemption price of P1.00 per share and all accumulated unpaid cash dividends were paid on August 24, 2015 to the stockholders as of record date July 24, 2015.
Dividends

Stock Dividend-Common Shares

PAYMENT DATE	PERCENT	RECORD DATE
Sept. 24, 2010	15%	Aug. 31, 2010

Cash Dividends-Common Shares

PAYMENT DATE	RATE	RECORD DATE
May 4, 2017	USD 0.004529/₱0.22739	April 20, 2017
March 21, 2018	USD0.00458/₱0.235	March 7, 2018
May 7, 2019	USD0.00201/-₱0.10542	April 25, 2019

There was no cash dividend declaration in 2020.

Cash Dividends-Preferred Shares (Redeemed in 2015)

PAYMENT DATE	RATE	RECORD DATE
February 21, 2014	2.90% p.a.	February 7, 2014
May 21, 2014	2.90% p.a.	May 7, 2014
August 22, 2014	2.90% p.a.	August 7, 2014
November 21, 2014	2.90% p.a.	November 7, 2014
February 20, 2015	2.90% p.a.	February 6, 2015
May 22, 2015	2.90% p.a.	May 8, 2015
August 24, 2015	2.90% p.a.	August 7, 2015

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.

The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

Recent Sale of Securities

There were 9,743,144 shares subscribed by the Company's executives as a result of their subscription to the stock ownership (ESOWN) plan in 2015. No share was subscribed under the ESOWN Plan since 2016. On July 20, 2004, the SEC approved the issuance of 150,000,000 ESOWN shares as exempt transactions pursuant to Section 10.2 of the Securities Regulation Code.

ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATION

Results of Operations

Revenues, gross profit, net income, and the related computed EBITDA and basic earnings per share, for the years ended 2020, 2019 and 2018 are shown on the following table:

	For the years ended December 31		
	2020	**2019**	**2018 (As Restated)**
	(in US$ thousands, except Basic EPS)		
Revenues from contracts with customers	1,135,841	1,250,366	1,349,400
Cost of goods sold and service	(1,039,504)	(1,148,138)	(1,214,979)
Gross profit	96,337	102,228	134,421
Net income attributable to equity holders of the Parent Company	(3,455)	(7,781)	47,187
EBITDA[1]	58,884	41,381	72,176
Basic Earnings per Share (EPS)	(0.002)	(0.004)	0.022

[1] EBITDA = EBITDA represents net operating income after adding depreciation and amortization (including amortization of right-of-use assets in accordance with PFRS 16, *Leases)*, interest income and foreign exchange gains/losses. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

<u>2020 vs 2019</u>

Revenues from Sales and Services

The Company posted consolidated full year 2020 revenues of US$1.14 billion, 9 percent lower than 2019.

IMI's 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% year-on-year reduction in top line sales in the first half. Revenues in the second half of the year recouped, 36% 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 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.

Subsidiaries VIA Optronics and STI Ltd posted combined revenues of US$269 million, an increase of 9 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 Profit and Gross Profit Margin

The full year gross profit of $96.3 million was down 6% year-on-year due to the effect of revenue decline from the lockdowns but margins improved to 8.5% from last year's 8.2% 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.

Operating Income

Operating income is at $3.9 million from a negative ($4M) in 2019 mainly driven by reduced general and administrative expenses driven by cost reduction initiatives (reduced people costs, travel, professional fees, etc.) and reversals of inventory provisions.

Net Loss

The Company posted a net loss of $3.5 million, lower than last year's net loss of $7.8 million or an improvement of +$4.3M mainly from improved operating income by +$7.9 million, economic, technological and industrial subsidies plus special Covid incentives (+$6.3M), beneficial FX position (+$3.5M), increase in mark to market gains on put options (+$2.6M), lower interest expense (+$1.8M), higher share of minority on losses (+$2.9M), offset by asset impairments (-$7.3M), reversal of contingent in 2019 (-$3.7M), higher taxes (-$2.9M) and insurance provisions (-$1M).

EBITDA

EBITDA of $58.9 million, 42% higher than last year.

Financial Condition

The Company 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 over 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.

Key Performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

	As of end Dec 31, 2020	Dec 31, 2019
Performance indicators		
Liquidity:		
Current ratio[a]	1.54x	1.49x
Solvency:		
Debt-to-equity ratio[b]	0.41x	0.55x

	For the years ended 31 Dec 2020	2019
Operating efficiency:		
Revenue growth[c]	(9%)	(7%)
Profitability:		
Gross profit margin[d]	8.5%	8.2%
Net income margin[e]	(0.3%)	(0.6%)
Return on equity[f]	(0.8%)	(2.0%)
Return on common equity[g]	(0.8%)	(2.0%)
Return on assets[h]	(0.3%)	(0.7%)
[2]EBITDA margin	5.2%	3.3%

[a] Current assets/current liabilities
[b] Bank debts/Total Equity
[c] (Current year less previous year revenue)/Previous year revenue
[d] Gross profit/Revenues

[2] EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization (including amortization of right-of-use assets in accordance with PFRS 16, Leases), interest income and foreign exchange gains/losses. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

[e] *Net income attributable to equity holders of the Parent Company/Revenues*
[f] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[g] *Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent*
[h] *Net income attributable to equity holders of the Parent Company/Total Assets*

In the above:

The risk of recurrence of further pandemic related shutdowns after the reporting period may cause uncertainties that may impact the Company's liquidity. The Company is continuously monitoring its liquidity and solvency position.

There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

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.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.

There were no significant elements of income or loss that did not arise from continuing operations.

There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)

Income Statement Items
(Years ended 31 December 2020 versus 31 December 2019)

9% decrease in Revenues ($1.25B to $1.14B)
The decrease was driven mainly by drop in Europe and China's factory shutdown in the first half of the year.

9% decrease in Cost of goods sold ($1,148.1M to $1,040.3M)
Direct costs decreased relevant to the decline in revenues.

13% decrease in Operating expenses ($106.2M to $92.5M)
Mainly due to decrease in people costs as a result of freeze hiring, optimization and work reduction programs (+4M), and reduced general and administrative expenses driven by cost reduction initiatives (travel (+3.1M), professional fees (+2.2M), etc.) and reversals of inventory provisions (+4.9M).

26% increase in Non-operating income/(expenses) ($-$7.2M to -$5.3M)
Economic, technological and industrial subsidies plus special Covid incentives (+$6.3M), beneficial FX position (+$3.5M), increase in mark to market gains on put options (+$2.6M), lower interest expense (+$1.8M), offset by asset impairments (-$7.3M), reversal of contingent in 2019 (-$3.7M), and insurance provisions (-$1M).

46% increase in Noncontrolling interest (-$5.42M to -$2,92M)

Higher share of minority in the net losses of VIA (from 76% to 50.32% beginning Oct 2020) and STI (20%).

Balance Sheet items
(31 December 2020 versus 31 December 2019)

60% increase in Cash and cash equivalents ($152.7M to $244.4M)
Cash provided by operating activities +$78.3M mainly driven by improved operating income and decrease in inventory levels and receivables; cash used in investing -$13.1M mainly from capital expenditure to support line expansion and new programs; cash provided by financing $29.9M mainly due to net proceeds from subsidiary's public offering (+$106.8M), offset by net repayments of loans (-$31M), redemption of subsidiary's preferred shares (-$30M) and payment of lease liabilities (-$11.2M) and dividends paid to preference shares (-$6.5M).

5% decrease in Loans and receivables ($290.6M to $275.6M)
Decrease in receivables mainly from collections of outstanding trade receivables and shorter AR days.

7% decrease in Inventories ($152.6M to $142.3M)
Decrease in inventories mainly from improved inventory turnover as a result of proactive inventory management through level loading.

7% decrease in Contract Assets ($58.9M to $54.5M)
Recovery of backlogs reduced work-in process and finished goods inventories.

9% decrease in Other current assets ($19.1M to $17.4M)
Decrease in prepayments and tax credits. A portion of the prepayment pertaining to IPO transaction costs was reversed to equity upon IPO of VIA.

8% decrease in Property, plant and equipment ($194.3M to $178M)
Decrease from yearly depreciation (-$38M) and impairment losses (-2.6M), offset by additional capex for the year (+$18.1M) and impact of forex appreciation on translation.

5% increase in Goodwill ($140.8M to $147.2M)
Increase mainly due to forex rate valuation at year end.

40% decrease in Intangible assets ($28.6M to $17.1M)
Decrease was mainly due to impairment losses recognized during the year (-$4.7M) and yearly amortization (-$7.9M).

6% decrease in Financial assets through OCI ($1.2M to $1.1M)
Decrease in fair value of quoted club shares.

9% decrease in Other noncurrent assets ($21.9M to $19.9M)
Decrease in deferred charges representing tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

5% decrease in Accounts payable and accrued expenses ($267.1M to $253.8M)
Mainly from decrease in trade and nontrade payables and government-related payables.

68% decrease in Contract liabilities ($4.7M to $1.5M)
Decrease in advance payments received to render manufacturing services.

64% increase in Loans and trust receipts payable ($126.1M to $206.5M)
Refinancing of long-term to short term loans.

132% increase in Income tax payable ($1.4M to $3.4M)
Increase due to higher taxable income.

92% decrease in Other financial liabilities ($22.4M to $1.7M)
Mainly reduction in the value of STI and termination of VIA's put options.

92% decrease in Current portion of long-term debt ($28.0M to $2.1M)
Repayment of $28.0 million and subsequently refinanced to short-term loans.

72% decrease in Noncurrent portion of long-term debt ($114.4M to $32.2M)
Repayment of $80 million and subsequently refinanced to short-term loans.

15% decrease in Deferred tax liabilities ($1.9M to $1.6M)
Decrease DTL from ROU assets, contract assets and fair value adjustments.

7% decrease in Lease liabilities ($29.7M to $27.6M)
Decrease due to payments of leases.

45% increase in Other noncurrent liabilities ($3.6M to $5.3M)
Increase in long-term provisions.

33% increase in Additional Paid-in Capital ($146.2M to $193.9M)
Termination of VIA put reverted to equity ($15M) and dilution of ownership without loss of control recognized in equity ($32M).

152% increase in Cumulative translation adjustments (-$17.7M to $9.1M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to appreciation of EUR against USD from 1.11 to 1.22, GBP against USD from 1.30 to 1.35 and RMB against USD from 6.99 to 6.54.

7% decrease in Remeasurement losses on defined benefit plans (-$10.5M to -$9.8M)
Actuarial changes in financial assumptions particularly lower discount rate and salary increase.

32% increase in Equity attributable to NCI ($101.2M to $133.2M)
Increase in ownership of minority arising from the VIA IPO ($62.5M), offset by redemption of preferred shares of a subsidiary to non-controlling interest.(-$30M).

2019 vs 2018

Revenues from Sales and Services

The Company achieved US$1.3 billion of consolidated revenues in 2019, a seven percent decline versus 2018. The marked slowdown in global markets continues to hinder revenue growth across majority of IMI's operating units.

IMI's wholly owned businesses made US$1 billion of revenues, a 3 percent reduction from 2018. Operating units in Asia dropped a total of 11 percent to US$547.7 million as China's domestic market, particularly in the automotive, telecommunications and industrial space have underperformed in 2019. On the other hand, operations in Europe and North America, which are largely automotive based, achieved a combined 14 percent growth year-on-year to US$485.2 million amidst widespread industry slowdown and Euro depreciation.

Subsidiaries VIA Optronics and STI Ltd posted combined revenues of US$248 million, a decline of 21 percent from the previous year. The drop in VIA was mainly driven by a general slowdown in computing and consumer segments as well as a delay in the release of the new generation Intel Chip. In STI, the Brexit uncertainty continues to plague manufacturing industries prompting delays in program awards.

Gross Profit and Gross Profit Margin

The full year gross profit of $102.2 million with an 8.2% margin declined versus 2018 margin of 10%. Apart from decline in revenues driven by market slowdown, increasing material prices and labor, and significant investments in capacity and technical capabilities for growth areas also increased company expenditures impacting its gross profit margins.

Operating Loss

Operating loss is at $4 million, a significant decline from last year's $37.5 million driven mainly by decline in gross profit margins and higher GAE by 9.6% pertaining to higher people costs and inventory and other provisions.

Net Income

The Company posted a net loss of $7.78 million vs last year's net income of $47.2 million. In addition to the $41.5 million decline in operating income, interest expenses increased by $1.2M and forex losses increased by $0.4 million.

The reported net income last year includes non-operating items such as net gain on the sale of a China entity (+$19.1 million) and reversal of contingent consideration related to the STI acquisition (+$21.3 million), gain on bargain purchase (+$2.4M), partially offset by impairment of China goodwill (-$6.9 million), mark-to-market losses on put options (-$5.4 million) and other one-off transaction costs. This year's non-operating income includes reversal of contingent consideration (+$3.7 million) and mark-to-market gains on put options (+$3.4 million).

The decline is tempered by lower taxes (+$6.1M) and higher share of non-controlling interest on the subsidiary net losses (+$7M).

EBITDA

EBITDA of $41.4 million, 43% lower than last year.

Financial Condition

In 2019, IMI spent $38.8 million on capital expenditures, mainly purchase of additional machineries intended for emerging technologies and new projects and improvements on existing facilities.

IMI's balance sheet remains robust with a current ratio of 1.49:1 and debt-to-equity ratio of 0.55:1

Key Performance Indicators of the Company

The table below sets forth the comparative performance indicators of the Company:

	As of end	
	Dec 31, 2019	**Dec 31, 2018**
Performance indicators		
Liquidity:		
Current ratio[a]	1.49x	1.31x
Solvency:		
Debt-to-equity ratio[b]	0.55x	0.79x

	For the years ended 31 Dec	
	2019	**2018**
Operating efficiency:		
Revenue growth[c]	(7%)	24%
Profitability:		
Gross profit margin[d]	8.2%	10.0%
Net income margin[e]	(0.6%)	3.5%
Return on equity[f]	(2.0%)	13.9%
Return on common equity[g]	(2.0%)	13.9%
Return on assets[h]	(0.7%)	4.4%
[3]EBITDA margin	3.3%	5.3%

[a] *Current assets/current liabilities*
[b] *Bank debts/Total Equity*
[c] *(Current year less previous year revenue)/Previous year revenue*
[d] *Gross profit/Revenues*
[e] *Net income attributable to equity holders of the Parent Company/Revenues*
[f] *Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent*
[g] *Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent*
[h] *Net income attributable to equity holders of the Parent Company/Total Assets*

In the above:

There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.

There were no significant elements of income or loss that did not arise from continuing operations.

There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)

Income Statement Items
(Years ended 31 December 2019 versus 31 December 2018 - As restated)

7% decrease in Revenues ($1.35B to $1.25B)

[3] *EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization (including amortization of right-of-use assets in accordance with PFRS 16, Leases), interest income and foreign exchange gains/losses . EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.*

The decrease was driven mainly by drop in China's domestic market, VIA's general slowdown in computing and consumer segments as well as a delay in the release of the new generation Intel Chip and delays in programs for STI caused by Brexit uncertainty.

5% decrease in Cost of goods sold ($1,215.0M to $1,148.1M)
Driven by the 7% decrease in revenues offset by high DM% due to material price increase, increasing labor costs and increase in overhead expenditures particularly full year effect of depreciation related to prior year's significant investments in capacity and technical capabilities in future growth areas.

10% increase in Operating expenses ($96.9M to $106.2M)
Mainly due to increase in people costs and inventory and other provisions.

137% decrease in Non-operating income/(expenses) ($19.3M to -$7.2M)
The reported net income last year includes non-operating items such as net gain on the sale of a China entity (+$19.1 million) and reversal of contingent consideration related to the STI acquisition (+$21.3 million), gain on bargain purchase (+$2.4M), partially offset by impairment of China goodwill (-$6.9 million), mark-to-market losses on put options (-$5.4 million) and other one-off transaction costs. This year's non-operating income includes reversal of contingent consideration (+$3.7 million) and mark-to-market gains on put options (+$3.4 million).

439% decrease in Noncontrolling interest ($1.60M to -$5.42M)
Share of minority in the net loss of VIA (23.99%), VTS (35%), and STI (20%).

Balance Sheet items
(31 December 2019 versus 31 December 2018 – As restated)

41% increase in Cash and cash equivalents ($108.5M to $152.7M)
Cash provided by operating activities +$71.1M mainly driven by decrease in inventory levels and receivables; cash used in investing -$58.2M mainly from capital expenditure to support line expansion and new programs (-$38.8M) and refund to a third party related to prior year sale transaction (-$11.5M); cash provided by financing $31.4M mainly due to proceeds from issuance of preferred shares (+$100.0M), offset by net repayments of loans (-$55M), payment of lease liabilities (-$7.6M) and dividends (-$4.4M).

5% decrease in Loans and receivables ($304.7M to $290.6M)
Decrease mainly due to lower revenues and collections from customers.

21% decrease in Inventories ($192.7M to $152.6M)
Decrease in inventories mainly from recoveries of backlogs.

7% decrease in Contract Assets ($63.5M to $58.9M)
Decrease in work-in-process and finished goods inventories which were recognized as revenue earned from manufacturing services as receipt of consideration is conditional on successful completion of the services, plus corresponding margins.

8% decrease in Other current assets ($20.8M to $19.1M)
Decrease in advances to suppliers and tax credits, offset by increase in prepayments.

100% increase in Right-of-use assets (nil to $32.0M)
Recognition of ROU asset upon adoption of PFRS 16.

11% increase in Financial assets through OCI ($1.1M to $1.2M)
Increase in fair value of quoted club shares

40% increase in Other noncurrent assets ($15.7M to $21.9M)
Recognition of deferred charges representing tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.
159% increase in Contract liabilities ($1.8M to $4.7M)

Increase in advance payments received to render manufacturing services.

8% decrease in Accounts payable and accrued expenses ($291.2M to $267.5M)
Mainly from payment of outstanding trade payable -$20.6M, refund of deposit to buyer of Shenzhen (-$11.5M) and lower accruals and taxes payables (-$6M).

8% decrease in Loans and trust receipts payable ($136.3M to $126.1M)
Repayment of $20.5 million offset by availment of $11.1M.

25% decrease in Other financial liabilities ($29.8M to $22.4M)
Reversal of STI contingent liability ($3.7M) and reduction in the value of put options ($3.4M).

56% decrease in Current portion of long-term debt ($63.4M to $28.0M)
Reclass to current portion of long-term debt of Philippines, Czech and VIA ($11.2M) offset by decrease due to payment of $46.5M.

8% decrease in Noncurrent portion of long-term debt ($124.5M to $114.4M)
Reclass to current portion of ($11.2M) offset by additional availment of $1M.

71% decrease in Deferred tax liabilities ($6.4M to $1.9M)
Reduced by deferred tax asset recognized on unrealized forex gains, contract asset and loss carryover.

117% increase in Pension liability ($4.2M to $9.2M)
Remeasurement adjustments due to lower discount rate assumptions.

100% increase in Lease liabilities ($0.1M to $29.7M)
Recognition of liabilities on operating leases upon adoption of PFRS 16

31% decrease in Other noncurrent liabilities ($5.3M to $3.6M)
Decrease in long-term provisions.

13% decrease in Subscriptions receivable ($3.4M to $3.0M)
Collections and forfeitures on subscriptions

34% increase in negative Cumulative translation adjustments (-$13.2M to -$17.7M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to depreciation of EUR against USD from 1.15 to 1.11 and RMB against USD from 6.86 to 6.99.

68% increase in Remeasurement losses on defined benefit plans (-$6.2M to -$10.5M)
Actuarial changes in financial assumptions particularly lower discount rate.

884% increase in Equity attributable to NCI ($7.6M to $101.2M)
Increase pertains to the preferred shares issued by IMI Singapore to ACI Singapore ($100M)

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Please see attached Exhibit 1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There are no disagreements with SGV & Co. on accounting and financial disclosures.

Information on Independent Public Accountant

a. The principal accountant and external auditor of the Company is the accounting firm of SyCip Gorres Velayo & Company (SGV & Co.). The same accounting firm is being recommended for re-election at the scheduled annual stockholders' meeting.

b. Representatives of SGV & Co. for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

   Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor of the Company. Ms. Cyril Jasmin B. Valencia is the audit partner for the years 2020 and 2019, while Mr. Carlo Paolo V. Manalang served as such for the audit years 2018 and 2017.

c. The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There are no disagreements with SGV & Co. on accounting and financial disclosures.

External Audit Fees and Services

The Company paid or accrued the following fees to its external auditors in the past two years:

	Audit & Audit-related Fees	Tax Fees	Other Fees
2020	₱ 4.17M	-	₱ 0.07M
2019	₱ 16.00M	-	₱ 0.07M

Audit and audit-related fees include the audit of annual financial statements and review of interim 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 amounting to ₱11.9M for the review of interim financial statements.

The fees above 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

The Company engaged the services of SGV & Co. to perform financial and accounting advisory, financial reporting valuation reviews, assessment of compliance with the Data Privacy Act in 2018, and the validation of votes during its 2019 and 2018 annual stockholders' meetings.

The Company's Audit and Risk Committee (with Edgar O. Chua, as Chairman and Rafael C. Romualdez and Hiroshi Nishimura, as members) recommended the election of SGV & Co. as its external auditor and the fixing of the audit fees to the Board. Likewise, the other services rendered by SGV & Co. were approved by the Board of Directors upon the recommendation of the Audit and Risk Committee. The foregoing recommendations are now being endorsed for approval by the stockholders.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The write-ups below include positions held by the directors and executive officers currently and during the past five years and their personal circumstances as of December 31, 2020.

Board of Directors

Jaime Augusto Zobel de Ayala	Chairman of the Board of Directors
Arthur R. Tan	Director, President, and Chief Executive Officer
Fernando Zobel de Ayala	Director
Jose Ignacio A. Carlos	Director
Delfin L. Lazaro	Director
Jose Teodoro K. Limcaoco	Director
Rafael C. Romualdez	Director
Edgar O. Chua	Independent Director
Hiroshi Nishimura	Independent Director
Sherisa P. Nuesa	Independent Director
Diosdado P. Banatao	Independent Director

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.

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.

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 LiveIt 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.

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 Masters of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

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.

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 2013-1015. 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.

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 Masters in Business Administration from George Washington University in 1991.

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 was 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.

Hiroshi Nishimura, Japanese, 68 has been an independent director of IMI since June 17, 2020. He 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.

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 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 was 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, Filipino, 74, has served as an Independent Directors of the Company since April 15, 2020. He was 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.

Nominees to the Board of Directors for election at the stockholders’ meeting

Except for Mr. Jose Teodoro K. Limcaoco, all the incumbent directors of the Company are being nominated to the Board of Directors with the addition of Mr. Alberto M. de Larrazabal.

Alberto M. de Larrazabal, Filipino, 65, is Globe’s Chief Commercial Officer (CCO). As CCO, Mr. de Larrazabal oversees the integration and execution of Globe’s strategies across all commercial units, including marketing, sales and channels, and product development for all segments of business. He joined Globe in June 2006 as Head of the Treasury Division. He became the company's Chief Finance Officer in April 2010. He had over two decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations. Prior to joining Globe, he held such positions as Vice President and CFO of Marsman Drysdale Corp., Vice President and Head of the Consumer Sector of JP Morgan, Hong Kong, and Senior Vice President and CFO of San Miguel Corporation. He holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University.

Management Committee Members and Key Executive Officers

*	Jaime Augusto Zobel de Ayala	Chairman of the Board
*/**	Arthur R. Tan	President and Chief Executive Officer
**	Eric De Candido	Chief Operations Officer
**	Jerome S. Tan	Senior Managing Director, Global Chief Financial Officer, and Treasurer
	Mary Ann S. Natividad	Chief Commercial Officer
	Laurice S. Dela Cruz	Global Head, Financial Planning and Analysis, and Compliance Officer
	Rosalyn O. Tesoro	Chief Information Officer and Data Protection Officer
	Solomon M. Hermosura	Corporate Secretary
	Joanne M. Lim	Assistant Corporate Secretary

* Members of the Board of Directors
** Management Committee members

Eric De Candido, French, 45, has been IMI's Chief Operations Officer since January 1, 2020. He was IMI's Regional Head for Europe Operations covering Bulgaria, Czech Republic and Serbia since January 2018. He has more than 11 years of experience as a General Manager handling Bulgarian operations of Fremach International (formerly EPIQ NV) and IMI since 2008. His professional experience includes working for 11 years in different Valeo production plants in Poland, France, Iran and Morocco. Currently, he is managing the biggest and most advanced electronics production plant in Bulgaria – ensuring for its 7 and a half years of sustainable growth in revenues and profitability. He has graduated with Production Engineering in ESIEE / Electronics & Electrotechnic High School in Amiens, France.

Jerome S. Tan, Singaporean, 59, is a Senior Managing Director and the Global Chief Financial Officer of IMI since January 2011. He is responsible for providing leadership, direction and management of all Finance functions including Treasury, Financial Planning & Analysis and Controllership. He brings more than 30 years of broad experience and various achievements in finance, strategic planning, business development and acquisition/integration. He has assumed regional leadership roles in multi-national Banking and Finance companies, and Food and Beverage industry located in different countries in the Asia Pacific Region. Prior to joining IMI, he was with General Electric holding various regional and operating roles in Finance and Business Development including CFO for CNBC / NBC Universal Asia Pacific, CFO of GE Money Singapore and GE Money Bank in the Philippines. Before taking on operating CFO positions, he was the Regional FP&A Leader for GE Money Asia; and a Business Development Director for GE Capital responsible for mergers and acquisition. Prior to joining GE, he was also a key member of the management team of San Miguel Brewing International Ltd., managing Treasury and Financial Planning, and Corporate Planning and Business Development. He started his career in banking as an Associate in Robert Fleming, Inc. based in New York and was also an Assistant Director in First Pacific Bank Asia, Ltd. in Hong Kong. He graduated with B.A. in Economics under the Honors Program from De La Salle University in 1982 and obtained an MBA in General Management from the Darden Business School at University of Virginia in 1987.

Mary Ann S. Natividad, Filipino, 53, has been the Chief Commercial Officer of IMI since January 1, 2020. She was the Global Head of Sales and Marketing of IMI since 2016. Prior to this assignment, she managed Key Accounts and Management, and Strategic Planning. She is also the former Business Unit Head for Singapore Turnkey Operations. Her track record spans over 20 years in the electronics industry, covering its various aspects. She is a licensed Electronics and Communications Engineer. She has an Electronics and Communications Engineering degree from the Mapua Institute of Technology.

Laurice S. Dela Cruz, Filipino, 36, has been the Global Head for Financial Planning and Analysis since 2011 and was appointed as the Compliance Officer in April 2020. She has over 15 years of professional experience in the field of audit, accounting and controllership. Prior to joining IMI, she held the position of Business Unit Controller for the Agro-Industrial Division at Universal Robina Corporation for over two years. She was also a Senior Associate Auditor at Sycip Gorres Velayo (SGV) & Co. for four years. She graduated with a degree of BS in Accountancy from the University of Santo Tomas in 2004 and is a Certified Public Accountant.

Rosalyn O. Tesoro, Filipino, 49, has been the Chief Information Officer since 2013 and Data Protection Officer of IMI since August 12, 2020. Prior to joining IMI, she held various roles in semiconductor manufacturing and IT companies. She joined IMI in 2005, initially as IT Infrastructure manager, before being designated as IT head in 2010. She has been an IT practitioner for almost 30 years. She holds a BS Computer Engineering degree from Mapua Institute of Technology.

Solomon M. Hermosura, Filipino, 58, has served as Corporate Secretary of IMI since November 2013. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee. He is also the Group Head of Corporate

Governance, and the Chief Legal Officer, Chief Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), AREIT, Inc. and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

Joanne M. Lim, Filipino, 38, has served as Assistant Corporate Secretary of IMI since June 23, 2016. She is also the Assistant Corporate Secretary of Ayala Corporation, Ayala Foundation, AC Industrial Technology Holdings, Inc., LiveIt Investments Limited and other companies within the Ayala Group to which she also provides other legal services. She is a Senior Counsel at Ayala Group Legal. Prior to joining Ayala Group Legal in 2015, she was a Project Legal Advisor for CFT Transaction Advisors. She served as Director of the Legal Affairs Office of the Department of Finance from 2011 to 2013 and was an Associate at SyCip, Salazar, Hernandez & Gatmaitan Law Offices from 2007 to 2010. She obtained her Bachelor of Laws degree in 2007 and her Bachelor of Arts degree in Broadcast Communication (*magna cum laude*) in 2003, both from the University of the Philippines, Diliman. She has a Master of Laws degree in Global Business Law from New York University and a Master of Laws degree in Corporate and Financial Services Law from National University of Singapore. She was admitted to the Philippine Bar in 2008 and to the New York State Bar in 2015.

Significant Employees

The Company attributes its continued success to the collective efforts of its employees, all of whom contribute significantly to the business in various ways.

Family Relationships

Jaime Augusto Zobel de Ayala, Chairman of the Board, and Fernando Zobel de Ayala, a director of the Company, are brothers. Jose Ignacio A. Carlos and Rafael C. Romualdez, both incumbent directors, are first cousins.

Except for the foregoing, there are no known family relationships between the current members of the Board and the key officers.

ITEM 10. EXECUTIVE COMPENSATION

Name and Principal Position	Year	Salary	Other Income
Arthur R. Tan President and Chief Executive Officer			
Eric De Candido Chief Operations Officer			
Laurice S. Dela Cruz Global Head, Financial Planning and Analysis and Compliance Officer			
Mary Ann S. Natividad Chief Commercial Officer			
Jerome S. Tan Senior Managing Director, Global Chief Financial Officer and Treasurer			
CEO & Other Named Executive Officers	Actual 2019 *(Restated)***	₱ 145.22M	₱ 25.19M
	Actual 2020***	65.05M	24.03M
	Projected 2021	68.30M	25.23M

All officers as a group unnamed*	Actual 2019 *(Restated)***	₱ 763.97M	₱ 142.09M
	Actual 2020***	565.04M	82.32M
	Projected 2021	593.29M	86.44M

**All employees with a rank of manager and higher, including all above-named officers.*
***Restated amount due to inclusion of a recently acquired subsidiary.*
****Reduction of Allocation to IMI*

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as stated above.

Compensation of Directors

Section 9 of Article IV of the By-laws provides:

Section 9 - Each director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. 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. (As amended on February 23, 2011.)

x x x

The Chairman of the Board shall receive such remuneration as may be fixed by the Board of Directors each year, in addition to the per diem and compensation that each Director may be entitled to receive. (As amended on February 23, 2011.)

(i) Standard arrangement

During the 2008 annual stockholders' meeting, the stockholders approved a resolution fixing the remuneration of non-executive directors as follows:

Board Meeting Fee per meeting attended	₱ 100,000.00
Committee Meeting Fee per meeting attended	₱ 20,000.00

The executives who are members of the Board of the Company do not receive any amount as per diem. Their compensation as executives of the Company is included in the compensation table indicated above.

In 2020, the non-executive directors and independent directors of the Company received remuneration, as follows:

Name	Amount
Jaime Augusto Zobel de Ayala	PhP600,000.00
Fernando Zobel de Ayala	600,000.00
Jose Teodoro K. Limcaoco	800,000.00
Delfin L. Lazaro	700,000.00
Jose Ignacio A. Carlos	640,000.00
Rafael C. Romualdez	840,000.00
Edgar O. Chua	800,000.00
Diosdado P. Banatao	400,000.00
Sherisa P. Nuesa	760,000.00
Hiroshi Nishimura	560,000.00

(i) Other arrangement

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Employment contracts and termination of employment and change-in-control arrangements

The above-named executive officers are covered by letters of appointment stating their respective job functions, among others.

Warrants and options outstanding, repricing

The company has not offered any stock options, warrants or rights to its employees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1) Security ownership of certain record and beneficial owners (of more than 5%) as of January 31, 2021.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Outstanding Shares
Common	AC Industrial Technology Holdings, Inc.[4] 32nd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.	AC Industrial Technology Holdings, Inc.[5]	Filipino	1,153,725,046	52.0330%
Common	PCD Nominee Corporation (Non- Filipino)[6] 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	PCD participants acting for themselves or for their customers [7]	Various Non-Filipino	322,486,924	14.5442%
Common	Resins, Inc.[8] E. Rodriguez Jr. Avenue, Bagong Ilog, Pasig City.	Resins, Inc.[9]	Filipino	291,785,034	13.1595%
Common	PCD Nominee Corporation (Filipino)[3] 29th Floor, BDO Equitable	PCD participants acting for themselves or for their customers[4]	Filipino	201,425,230	9.0842%

[4] AC Industrial Technology Holdings, Inc. (AC Industrials) is a stockholder of the Company.
[5] The Board of Directors of AC Industrials has the power to decide how AC Industrials' shares in IMI are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.
[6] PCD Nominee Corporation (PCD) is not related to the Company.
[7] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his/her account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote either in person or by proxy. Out of the 512,906,320 common shares registered in the name of PCD, 234,858,328 common shares or 10.5921%of the outstanding common shares are for the account of The Hongkong and Shanghai Banking Corporation (HSBC). As communicated to the Company, neither HSBC nor any of its customers beneficially owns more than 5% of the Company's common shares.
[8] Resins is not related to the Company.
[9] The Board of Directors of Resins has the power to decide how Resins' shares in IMI are to be voted. Mr. Jose Ignacio A. Carlos is usually appointed to exercise the voting power.

	Tower, 8751 Paseo de Roxas, Makati City 1226				
Common	PCD Nominee Corporation (Non- Filipino)[3] 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	Fremach International[10]	Belgian	200,000,000	9.0200%

2) Security ownership of directors and management as of January 31, 2021.

Title of Class	*Name of Beneficial Owner*	Amount and Nature of Beneficial Ownership		*Citizenship*	Percentage of Ownership
Directors					
Common	Jaime Augusto Zobel de Ayala	100	(direct)	Filipino	0.0000%
Common	Fernando Zobel de Ayala	100	(direct)	Filipino	0.0000%
Common	Delfin L. Lazaro	100	(direct)	Filipino	0.0000%
Common	Jose Teodoro K. Limcaoco	100	(direct)	Filipino	0.0000%
Common	Arthur R. Tan	21,223,552	(direct & indirect)	Filipino	0.9572%
Common	Rafael C. Romualdez	1	(direct)	Filipino	0.0000%
Common	Jose Ignacio A. Carlos	1	(direct)	Filipino	0.0000%
Common	Edgar O. Chua	100	(direct)	Filipino	0.0000%
Common	Hiroshi Nishimura	712,578	(direct & indirect)	Japanese	0.0321%
Common	Sherisa P. Nuesa	853,385	(direct & indirect)	Filipino	0.0385%
Common	Diosdado P. Banatao	115	(direct)	Filipino	0.0000%
CEO and Most Highly Compensated Officers					
Common	Arthur R. Tan	21,223,552	(direct & indirect)	Filipino	0.9572%
Common	Eric De Candido	0		French	0.0000%
Common	Laurice S. Dela Cruz	157,221	(indirect)	Filipino	0.0071%
Common	Mary Ann S. Natividad	882,139	(direct & indirect)	Filipino	0.0398%
Common	Jerome S. Tan	2,884,733	(indirect)	Singaporean	0.1301%
Other Executive Officers					
Common	Rosalyn O. Tesoro	19,505	(indirect)	Filipino	0.0009%
Common	Solomon M. Hermosura	620,015	(indirect)	Filipino	0.0203%
Common	Joanne M. Lim	0		Filipino	0.0000%
All Directors and Officers as a group		**27,353,745**			**1.2336%**

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

No change of control in the Company has occurred since the beginning of its last fiscal year.

As of December 2020, 30.74% of IMI's common shares were owned by the public.

Foreign owned shares as of February 28, 2021: 534,133,096 shares or 24.0894% of the total outstanding shares

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and its subsidiaries (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

[10] The Board of Directors of Fremach International has the power to decide how Fremach International's shares in IMI are to be voted. The Chairman of the meeting is usually appointed to exercise the voting power.

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 Bank of the Philippine Islands (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

PART IV – CORPORATE GOVERNANCE

Please refer to the Definitive Information Statement and Integrated Annual Corporate Governance Report posted in the Company's Official Website https://www.global-imi.com/. The detailed discussion of the Annual Corporate Governance Section deleted as per SEC Memorandum Circular No. 5, series of 2013, issued last March 20, 2013.

PART V – SUSTAINABILITY REPORT

In compliance with SEC memorandum circular number 4, issued on February 15, 2019, with subject Sustainability Reporting Guidelines for Publicly-Listed Companies, kindly refer to attached Sustainability Report of IMI. This is also published in our website, www.global-imi.com.

PART VI - EXHIBITS AND SCHEDULES

Exhibit 1: 2020 Audited Consolidated Financial Statements, Integrated Micro-Electronics, Inc. and Subsidiaries

Statement of Management's Responsibility for the Financial Statements
Report of Independent Auditors
Consolidated Balance Sheets as of December 31, 2020 and 2019
Consolidated Statements of Income for the Years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Comprehensive Income for the Years ended December 31, 2020, 2019 and 2018
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2020, 2019 and 2018
Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018
Notes to Consolidated Financial Statements

Exhibit 2: Supplementary Schedules

Report of Independent Public Accountant on Supplementary Schedules

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
D. Intangible Assets – Other Assets
E. Long-Term Debt
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
G. Guarantees of Securities of Other Issuers
H. Capital Stock

Reconciliation of Retained Earnings Available for Dividend Declaration

Schedule of Financial Ratios

Map Showing the Relationships between and Among the Companies in the Group, its Ultimate Parent Company and Co-Subsidiaries

2020 Audited Annual Financial Statements of Significant Foreign Subsidiaries

Exhibit 3: IMI International (Singapore) Pte Ltd

Exhibit 4: Speedy-Tech Electronics Ltd and its subsidiaries

Exhibit 5: Cooperatief IMI Europe U.A. and Subsidiaries

Reports on SEC Form 17-C

The Company regularly files various reports on SEC Form 17-C relative to various company disclosures.:

Date	Particulars
Jan. 3, 2020	Change in Directors and/or Officers (Retirement of Mr. Linardo Z. Lopez)
Jan. 15, 2020	List of Top 100 Stockholders as of December 31, 2019
Jan. 15, 2020	Public Ownership Report as of December 31, 2019
Jan. 20, 2020	Attendance of our Directors in 2019 Board Meetings
Jan. 30, 2020	Press Release: Delayed Resumption of Work in the People's Republic of China due to n-CoV Virus Outbreak
Feb. 10, 2020	Notice of Analysts' Briefing
Feb. 13, 2020	Notice and Agenda of the Annual Stockholders' Meeting
Feb. 17, 2020	Press Release: IMI Celebrates 10 Years as Publicly Listed Company
Feb. 19, 2020	Press Release: IMI 2019 Results Strained by the Continued Weak Market Environment
Feb. 26, 2020	Statement of Changes in Beneficial Ownership of Securities (Mr. Jaime Sanchez)
Mar. 4, 2020	Report by Owner of More Than Five Percent (SEC Form 18-A of Toccata Capital Fund)
Mar. 11, 2020	Update on Covid-19 Impact to IMI China Operations
Mar. 16, 2020	IMI Undertakes Preventive Measures to Manage the Impact of the Covid-19 Pandemic
Mar. 19, 2020	Update on Enhanced Community Quarantine
Mar. 24, 2020	Information Statement Notice and Agenda of the Annual Stockholders' Meeting
Apr. 13, 2020	List of Top 100 Stockholders as of March 31, 2020 2019 Annual Report
Apr. 16, 2020	Results of Annual or Special Stockholders' Meeting Results of Organizational Meeting of Board of Directors Initial Statement of Beneficial Ownership of Securities (Laurice S. Dela Cruz) Public Ownership Report as of March 31, 2020
Apr. 17, 2020	Initial Statement of Beneficial Ownership of Securities (Diosdado P. Banatao)
Apr. 20, 2020	Notice of Analysts'/Investors' Briefing
Apr. 30, 2020	Mexico COVID-19 Restrictions Extended Until May 30, 2020 Press Release: 2020 Q1 Financial Results Affected by Coronavirus Pandemic
May 12, 2020	Quarterly Report (March 31, 2020)
May 13, 2020	2020 General Information Sheet
Jun. 17, 2020	Change in Board Committee Memberships Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
Jun. 18, 2020	Initial Statement of Beneficial Ownership of Securities (Hiroshi Nishimura)
Jun. 24, 2020	2019 Annual Report in the Website
Jun. 26, 2020	Amended 2020 General Information Sheet Certificate of Independent Director
Jul. 2, 2020	2019 Annual Report (SEC Form 17-A)
Jul. 13, 2020	List of Top 100 Stockholders as of June 30, 2020
Jul. 15, 2020	Public Ownership Report as of June 30, 2020
Jul. 21, 2020	Notice of Analysts'/Investors' Briefing
Jul. 30, 2020	Press Release: 1st Half Hampered by Plant Shutdowns due to Pandemic
Aug. 5, 2020	2019 Integrated Annual Corporate Governance Report
Aug. 12, 2020	Quarterly Report (June 30, 2020) Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)

	Initial Statement of Beneficial Ownership of Securities (Rosalyn O. Tesoro)
Aug. 20, 2020	Amended General Information Sheet
Sep. 7, 2020	A optronics' Proposed Initial Public Offering in the US
Sep. 9, 2020	News Clarification ("IMI's German subsidiary applies for NYSE IPO" posted in philstar.com on September 8, 2020)
Sep. 15, 2020	News Clarification: "IMI unit sets $20M fund-raising" posted in Malaya Business Insight (Online Edition) on September 14, 2020
Sep. 28, 2020	VIA optronics Announces Pricing of Initial Public Offering
Oct. 7, 2020	Statement of Changes in Beneficial Ownership of Securities (Solomon M. Hermosura)
Oct. 8, 2020	Amendments to By-Laws
	Results of the Regular Meeting of our Board of Directors
Oct. 15, 2020	Public Ownership Report as of September 30, 2020
Oct. 21, 2020	Notice of Analysts'/Investors' Briefing
Oct. 29, 2020	Press Release: IMI Posts US$9.6 million of Net Income in Q3 2020
Nov. 13, 2020	Quarterly Report (September 30, 2020)
Dec. 10, 2020	Setting of the 2021 Stockholders' Meeting

The Company reports Statement of Changes in Beneficial Ownership of Securities of Directors and Reportable officer within three business days to Philippine Stock Exchange (PSE) and to Securities and Exchange Commission (SEC) within the prescribed due date.

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

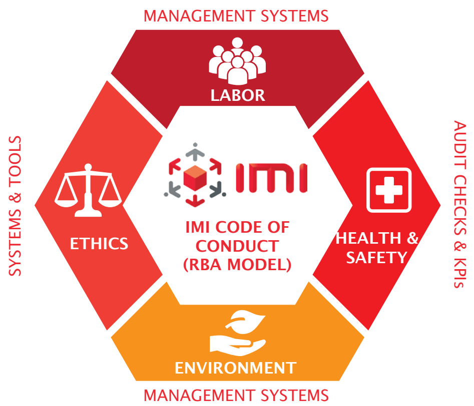
Maintain a safe and healthy work environment

- 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



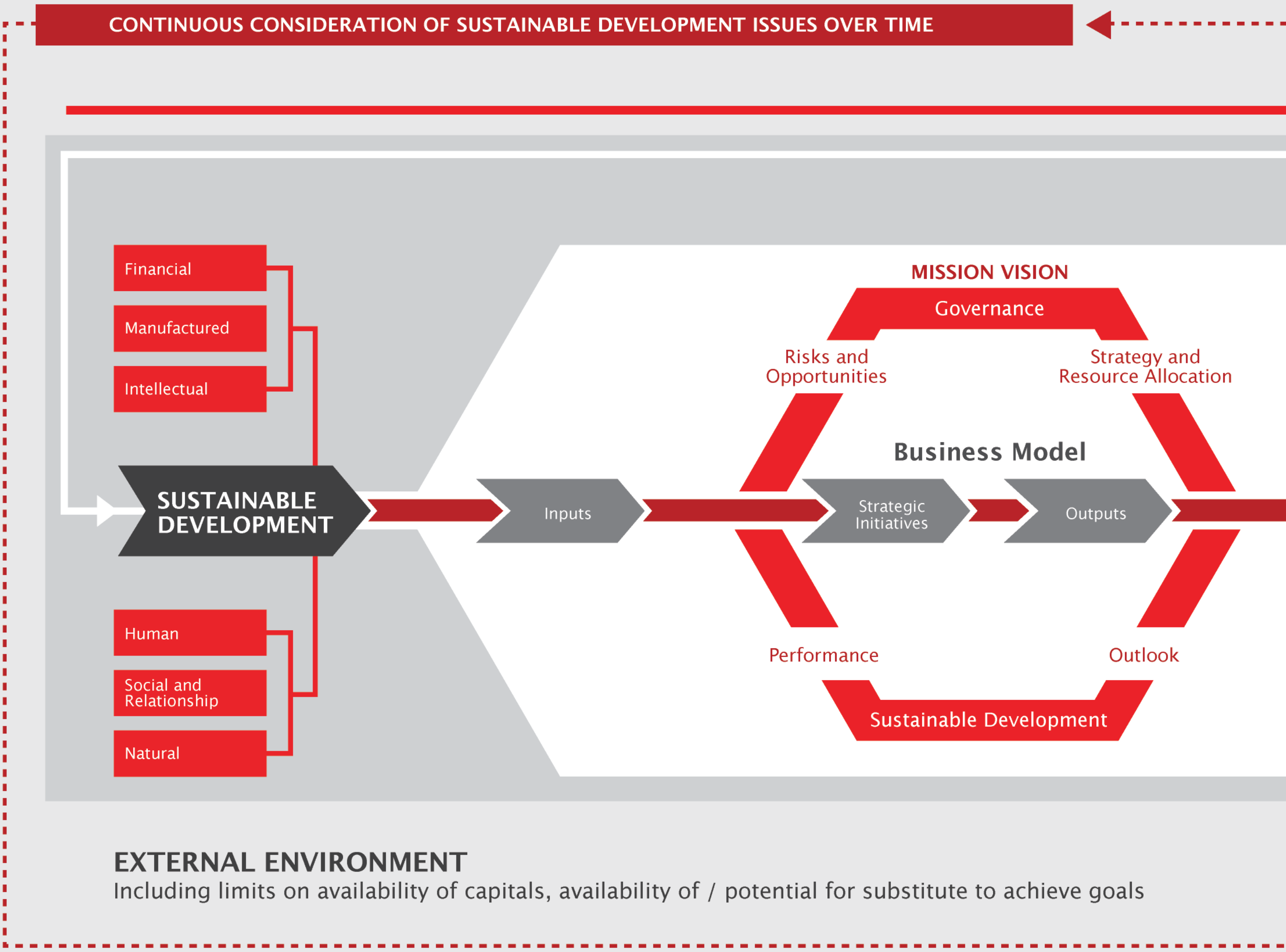
ENVIRONMENT

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

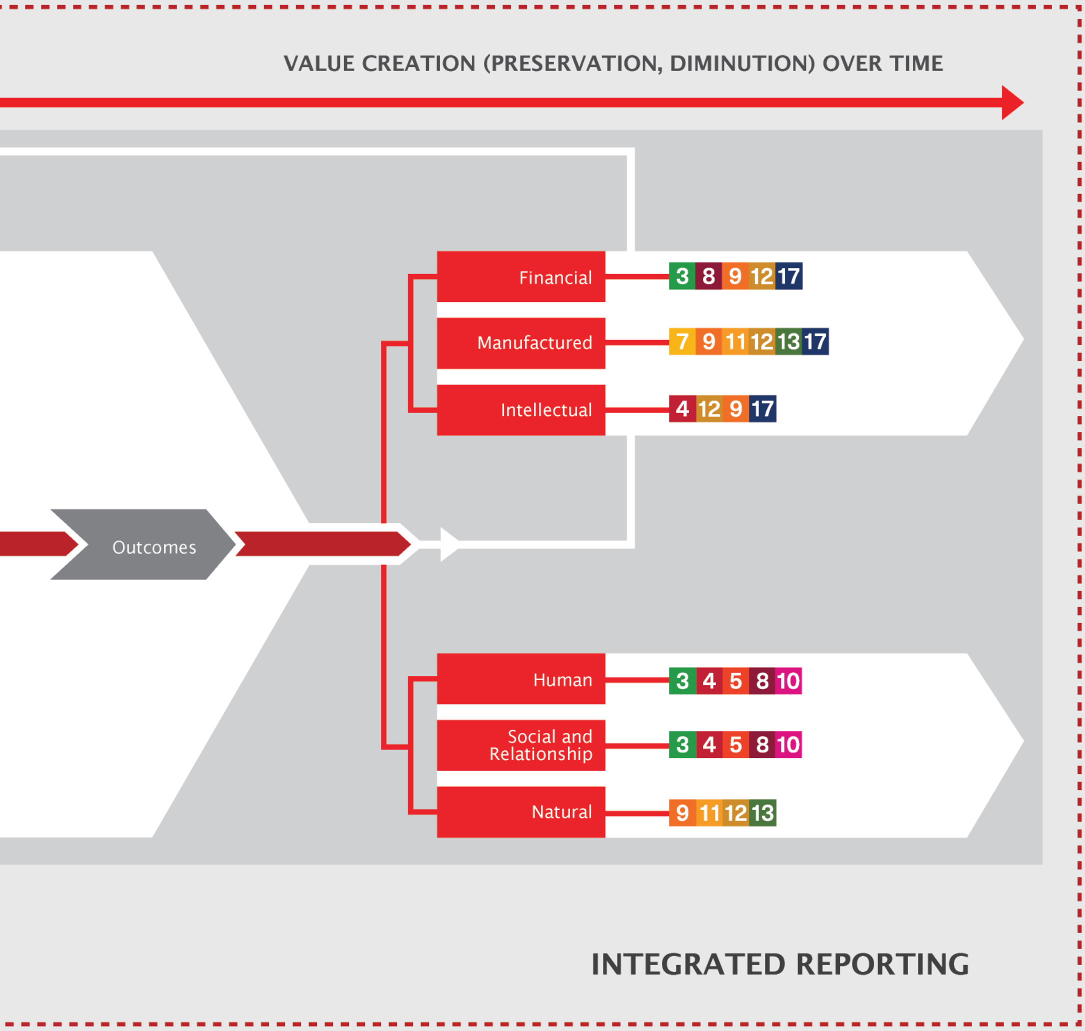
ALIGNING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG) WITH THE VALUE CREATION PROCESS



IMI SDG COMMITMENTS

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.

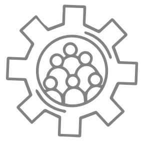


USING SIX CAPITALS TO CREATE VALUE

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

OUTPUTS	OUTCOMES	MANAGING RISK

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%

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

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

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

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

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

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

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.

Training session with suppliers

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.

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.

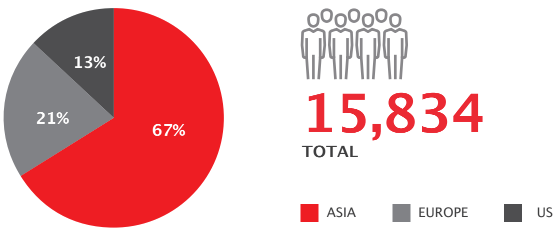
Our most important asset remains to be all 15,000+ strong employees spanning a multi-culturally diverse and global community that will continue to provide the strength, resilience, innovation, and creativity that will enable us to provide value to our customers and stakeholders. It was therefore incumbent 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.

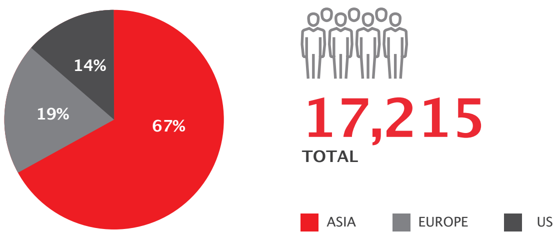
UN SDG COMMITMENTS

IMI GROUP HUMAN CAPITAL

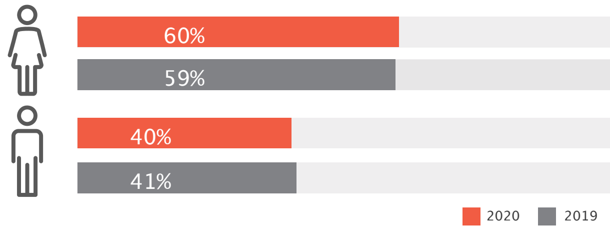
2020



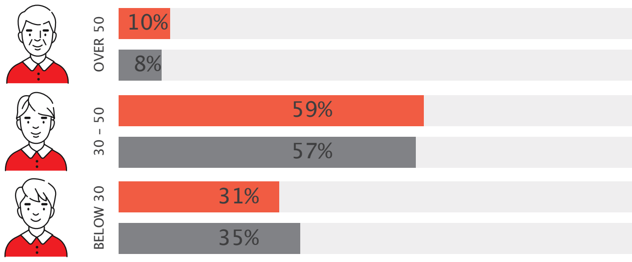
2019



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

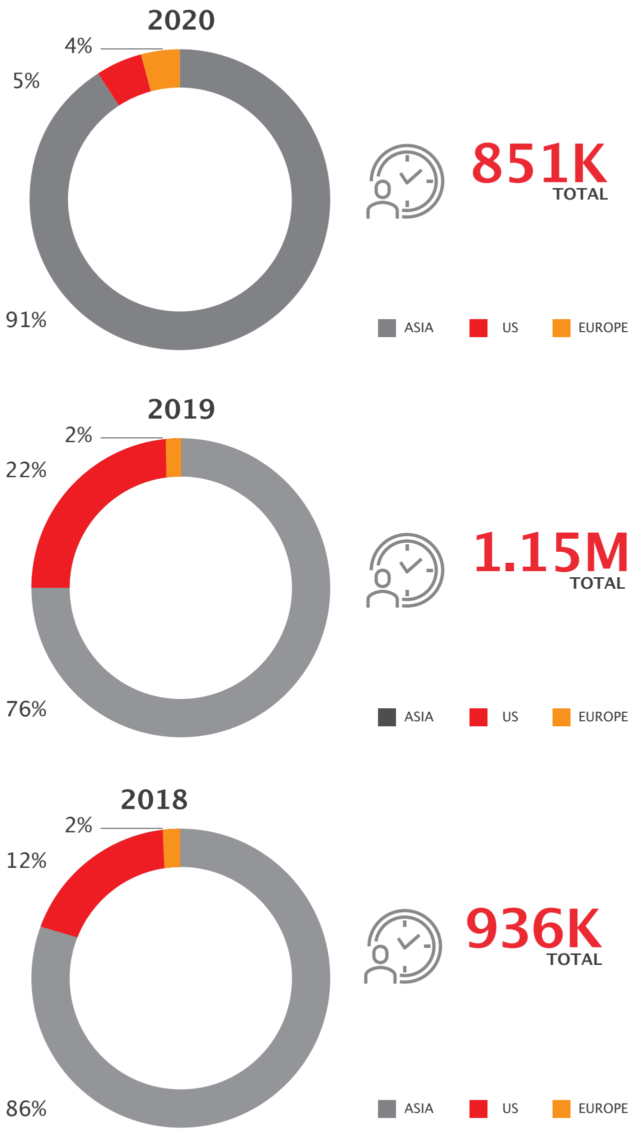
We safeguard the health, safety, and well-being of all members of our global IMI team, at the same time creating a fun working environment

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.

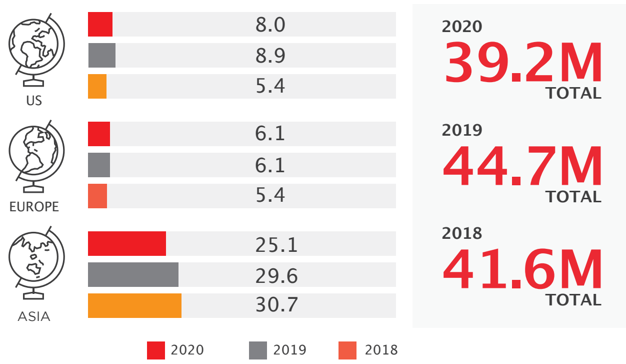
Training session at IMI China

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

"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.

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.

BENEFITS OF TCFD

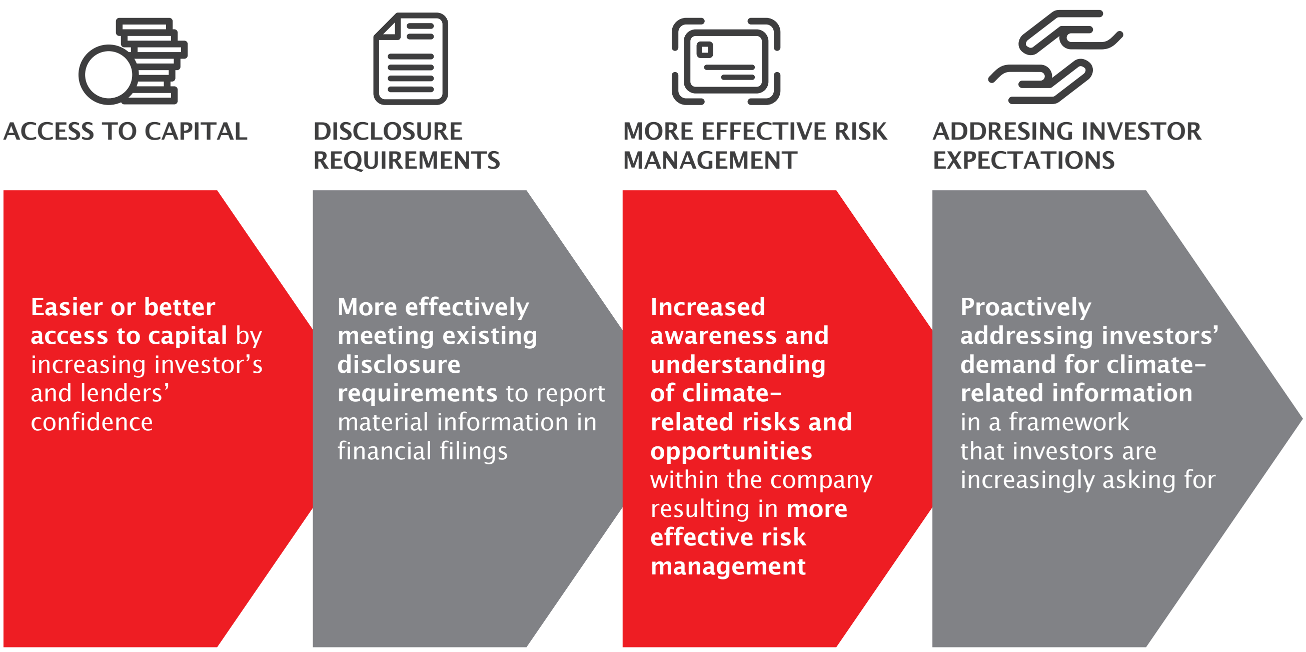
TCFD adoption supports IMI's vision of being Future-Ready as a global technology solutions company that takes into account its responsibility as one of Ayala Corporation and AC Industrial's sustainability champions, in the manufacturing industry, in the Philippines, and across the globe. IMI reinforces 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



SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on MAR 17, 2021.

By:

Jaime Augusto Zobel de Ayala
Chairman of the Board

Arthur R. Tan
President and Chief Executive Officer

Jerome S. Tan
Chief Finance Officer

Solomon M. Hermosura
Corporate Secretary

Laurice S. Dela Cruz
Global Head, Financial Planning and Analysis, and Compliance Officer

SUBSCRIBED AND SWORN to before me this MAR 17 day of ______ 2021, affiants exhibiting to me their respective passports as follows:

	Passport No.	Date of Issue	Place of Issue
Jaime Augusto Zobel de Ayala	P9640299A	Nov. 21, 2018	Manila City
Arthur R. Tan	P7928971A	Jul. 13, 2018	Manila City
Solomon M. Hermosura	P3081434B	Oct. 14, 2019	Manila City
Laurice S. Dela Cruz	EC8481675	August 5, 2016	Batangas City

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. M-150 until December 31, 2021
Roll of Attorneys No. 58335
IBP No 099040 - 12/16/2019 – Makati City
PTR No 8116905MG – 01/02/2020 - Makati City
MCLE Compliance No. VI-0009490 – 06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Doc. No. 136
Page No. 29
Book No. XXV
Series of 2021.

MARIA PAULA G. ROMERO-BAUTISTA
NOTARY PUBLIC
ROLL NO. 58335
MAKATI CITY, PHILS.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

CERTIFICATE OF AUTHENTICATION

I, **RENEE GAYLE M. CHUA,** Vice Consul of the Embassy of the Republic of the Philippines to Singapore, duly commissioned and qualified, do hereby certify that **MELISSA GOH** before whom the annexed instruments have been examined by me, to wit:

NOTARIAL CERTIFICATE SIGNED BY YEO SOON KEONG

was at the time he/she signed the annexed instrument, was the authentication officer of the **SINGAPORE ACADEMY OF LAW** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility over the contents of the annexed document.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines at Singapore, this ***31 March 2021***.

RENEE GAYLE M. CHUA
Vice Consul

Service No	: 2494
Book No.	: 1
Series of	: 2021
OR No.	: 2411134
Fee Paid	: $42.50

PHILIPPINE EMBASSY SINGAPORE

The validity of this certification shall follow the validity of the attached/underlying document.

NC0L2G0B2I

NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Yeo Soon Keong, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

AND ATTEST that produced to me and annexed hereto is the **SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-A** signed by **JEROME S. TAN** as Chief Finance Officer for and on behalf of **INTEGRATED MICRO-ELECTRONICS, INC.** in my presence.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 26th day of March 2021.

NOTARY PUBLIC
SINGAPORE

NOTARY PUBLIC
Yeo Soon Keong
N2020/0382
1 Apr 2020 - 31 Mar 2021
SINGAPORE

By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

SAL SINGAPORE ACADEMY OF LAW

To verify the issuance of this *Authentication Certificate*, go to *Legalisation.sal.sg*

or scan QR code:

Verification code: *79897894*

This *Authentication Certificate* only certifies the authenticity of the signature and the capacity of the person who signed the Notarial Certificate.

This *Authentication Certificate* is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This Certificate does not authenticate or confirm the content of the Document attached to the annexed Notarial Certificate.

Authentication	
1. Country:	Singapore
2. This public document has been signed by:	Yeo Soon Keong
3. Acting in the capacity of:	Notary Public
4. Bears the seal/stamp:	Notary Public
Certified	
5. Authentication Cert No.:	AC0L2H05CJ
6. At:	Singapore Academy of Law
7. The:	30th March 2021
8. By:	Melissa Goh, Deputy Director, SAL
9. SAL Certification Seal:	10. Signature: Melissa

SINGAPORE ACADEMY OF LAW
HONOR EST IN HONORANTE

Certified True Signature

S300321EVJ

Legalisation No.

Siti Zainon Binte Rahmat

SE
NUAL REPORT
S
1. For the
2. SEC
3. B
4.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2020**

2. SEC Identification Number: **94419**

3. BIR Tax Identification No. **000-409-747-000**

4. Exact name of issuer as specified in its charter: **INTEGRATED MICRO-ELECTRONICS, INC.**

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

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of principal office: **North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Bo. Binan, Binan, Laguna** Postal Code: **4024**

8. Registrant's telephone number: **(632) 7756-6840**

9. Former name, former address, and former fiscal year: **Not applicable**

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

Title of Each Class	Number of Shares Issued and Outstanding
Common *	2,217,293,215

* Net of 15,892,224 treasury shares

11. Are any or all of these securities listed on a Stock Exchange? Yes [x] No [ ]

    2,233,185,439 common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares.

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days: Yes [x] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company is about ₱6.2 billion (based on closing stock price of IMI common shares as of December 31, 2020)

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Singapore on 26 MARCH, 2021.

By:

Jerome S. Tan
Chief Finance Officer

NOTARY PUBLIC
Yeo Soon Keong
N2020/0362
1 Apr 2020 – 31 Mar 2021
SINGAPORE

SUBSCRIBED AND SWORN to before me this 26 day of MARCH 2021, affiants exhibiting to me their respective passports as follows:

	Passport No.	Date of Issue	Place of Issue
Jerome S. Tan	K1766021H	January 2, 2020	Singapore

Doc. No. _____
Page No. _____
Book No. _____
Series of 2021.

EXHIBIT 1

2020 Audited Consolidated Financial Statements, Integrated Micro-Electronics, Inc. and Subsidiaries

Integrated Micro-Electronics, Inc.
North Science Avenue,
Special Export Processing Zone
Laguna Technopark
Binan Laguna 4024
Philippines

Tel +63 2 7756 6840; +63 2 7756 6940
Tel +63 49 544 0312
www.global-imi.com

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

SUBSCRIBED AND SWORN to before me this MAR 02 2021 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jaime Augusto Zobel de Ayala	P9640299A	November 21, 2018 - DFA Manila
Arthur R. Tan	P7928971A	July 13, 2018 – DFA NCR East
Jerome S. Tan	K1766021H	January 2, 2020 - Singapore

Doc. No. 58 ;
Page No. 13 ;
Book No. XXXIV ;
Series of 2021.

Notarial DST pursuant to Section. 188 of the Tax Code affixed in Notary Public's copy

ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-155 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 8533973ME – 01/04/2021 - Makati City
MCLE Compliance No. VII – 0000267 – 07/30/201
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

CERTIFICATE OF AUTHENTICATION

I, **LAARNI ZORAYDA S. GANDAROSA,** Consul of the Embassy of the Republic of the Philippines to Singapore, duly commissioned and qualified, do hereby certify that **MELISSA GOH** before whom the annexed instruments have been examined by me, to wit:

NOTARIAL CERTIFICATE SIGNED BY YEE SOON KEONG

was at the time he/she signed the annexed instrument, was the authentication officer of the **SINGAPORE ACADEMY OF LAW** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility over the contents of the annexed document.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines at Singapore, this ***12 March 2021***.

LAARNI ZORAYDA S. GANDAROSA
Consul

Service No	: 1950
Book No.	: 1
Series of	: 2021
OR No.	: 2407509
Fee Paid	: $42.50

The validity of this certification shall follow the validity of the attached/underlying document.

PHILIPPINE EMBASSY
SINGAPORE

NC0L1P0FLA

NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Yeo Soon Keong, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

AND ATTEST that produced to me and annexed hereto is the **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS** for the years ended December 31, 2020, 2019 and 2018 signed by **JEROME S. TAN** as Global Chief Financial Officer for and on behalf of **INTEGRATED MICRO-ELECTRONICS, INC.** in my presence.

REPUBLIC OF SINGAPORE
NOTARY PUBLIC

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 2nd day of March 2021.

NOTARY PUBLIC
SINGAPORE

NOTARY PUBLIC
Yeo Soon Keong
N2020/0382
1 Apr 2020 – 31 Mar 2021
SINGAPORE

By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

Certified True Signature
Legalisation No.
Richard Em Kheok Meng

Integrated Micro-Electronics, Inc.
North Science Avenue,
Laguna Technopark-Special Economic
Zone (LT-SEZ),
Bo. Biñan, Biñan Laguna, 4024
Philippines

Tel +63 2 7756 6840; +63 2 7756 6940
Tel +63 49 544 0312
www.global-imi.com

**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

SUBSCRIBED AND SWORN to before me this 2ND MARCH 2021 at SINGAPORE, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jerome S. Tan	K1766021H	January 2, 2020 - Singapore

Doc. No. ;
Page No. ;
Book No. ;
Series of 2021.

NOTARY PUBLIC
Yeo Soon Keong
N2020/0362
1 Apr 2020 – 31 Mar 2021
SINGAPORE

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

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
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.

	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.

	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.

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)
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.

Current versus Noncurrent Classification

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.

Inventories
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.

Deferred Charges
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.

Property, Plant and Equipment
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.

<u>Intangible Assets</u>
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.

<u>Leases (Prior to Adoption of PFRS 16 beginning January 1, 2019)</u>
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.

<u>Other Income</u>
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 (Note10)	**–**	**–**	**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	**($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-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**	–

(Forward)

	2020	2019
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	Consoli-dation 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.

IMI CZ
IMI CZ have various operating lease agreements in respect of its company cars with lease terms of four to five years.

IMI 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.

<u>Guarantees and Commitments</u>
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							
		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	**$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 EUR0.81706 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 EUR0.8982 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.

	Increase/Decrease	**Effect on Net Income before Tax**	
Currency	in USD Rate	**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.

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Integrated Micro-Electronics, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 2, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

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

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April 13, 2021 10:52:16 AM	TCR_1	EAFS000409747TCRTY122020-01.pdf	2.370849	6	✔
April 13, 2021 10:52:16 AM	AFS	EAFS000409747AFSTY122020.pdf	3.205331	73	✔

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	AFS-0-8K8KH7DJ0MSVRVZS4PV2YYQ440CJLALBB5		
April 13, 2021 10:52:15 AM	AFS-0-8K8KH7DJ0MSVRVZS4PV2YYQ440CJLALBB5	Other Attachments: 1. Supplemental Form for taxpayers with multiple activities per tax regime (per activity) 2. Summary Alphalist of Withholding Agents of Income Payments subjected to Withholding Tax at Source (SAWT) 3. eSubmission Validation Report of SAWT 4. Registration Certificates with BIR, SEC, and PEZA 5. PEZA Certificate of 5% GIT - for 2020 and 2021 6. PEZA Certificate of Incentive - for 2020 and 2021 7. PEZA Certificate of VAT Zero rating - for 2020 and 2021 8. SEC approval to use functional currency on financial statements (USD) 9. Certificate of Donation (if any) 10. 2020 Quarterly income tax returns including OR's from LGU 11. 2020 Annual income tax returns including OR's from LGU 12. Audited Consolidated Financial Statement of Integrated Micro-Electronics, Inc. and its subsidiaries (IMI Group)	

Showing 1-1 out of 1 1 10

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have audited the parent company financial statements of Integrated Micro-Electronics, Inc. (the "Parent Company") for the year ended December 31, 2020, on which we have rendered the attached report dated March 2, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has two hundred eighty-eight (288) stockholders owning one hundred (100) or more shares each.

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

EXHIBIT 2

Supplementary Schedules

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Biñan, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements Integrated Micro-Electronics, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 2, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule A. Financial Assets
December 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
NOT APPLICABLE				
Total		0	0	0

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2020
(in U.S. Dollars)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Receivables from Employees:							
Various Officers and Employees*	642,995	565,286	(878,732.78)	-	329,548	-	329,548
Total	**642,995**	**565,286**	**(878,733)**	**-**	**329,548**	**-**	**329,548**

* Consist of receivables from approximately more than 2,000 Officers and Employees.

Integrated Microelectronics, Inc. and Subsidiaries
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2020
(in U.S. Dollars)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Balance at end of period
Accounts receivable -trade						
IMI Cooperatief Subsidiaries	2,029,088	2,707,345	3,443,300		1,293,133	1,293,133
STI	203,977	1,081,317	1,069,678		215,615	215,615
IMI International (Singapore) Pte Ltd.	3,658,059	53,603,573	43,412,011		13,849,621	13,849,621
STEL Group	776,866	25,894,995	24,674,840		1,997,021	1,997,021
PSi Technologies Inc.	217,470	729,403	35,107		911,766	911,766
IMI USA	20	-	20		-	-
IMI Japan	29,957	-			29,957	29,957
Accounts receivable -nontrade	-				-	-
IMI Cooperatief Subsidiaries	5,281,629	35,444,481	33,453,001		7,273,109	7,273,109
STEL Group	451,316	2,579,660	1,969,223		1,061,753	1,061,753
PSi Technologies Inc.	27,896,077	1,986,271	26,672,573		3,209,776	3,209,776
STI	-	31,667	9,856		21,812	21,812
IMI International (Singapore) Pte Ltd.	11,179,817	6,487,516	13,938,635		3,728,697	3,728,697
IMI International ROHQ	1,184,690	51,190	243,047		992,833	992,833
IMI USA	28,224	23,678	-		51,902	51,902
IMI Japan	986,108	12,551	-		998,660	998,660
Due From	-				-	-
IMI Cooperatief Subsidiaries	31,560,480	443,511	30,551,519		1,452,473	1,452,473
IMI International (Singapore) Pte Ltd.	73,322,806	34,004,317	17,739,833		89,587,290	89,587,290
STEL Group	1,007,904	-	1,007,904		-	-
IMI USA	250,000	284	-		250,284	250,284
STI	682	1,300	0		1,982	1,982
Total	**160,065,170**	**165,083,060**	**198,220,547**	**-**	**126,927,683**	**126,927,683**

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule D. Intangible Assets
December 31, 2020
(in U.S. Dollars)

Description	Beginning balance (As Restated)	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance	Remarks
Licenses	4,374,356	595,188	1,084,613	-	79,302	3,964,233	Other changes represent foreign currency exchange difference and reclassification to other IA accounts
Customer Relationship	1,446,948	-	828,554	-	143,747	762,141	Other changes represent foreign currency exchange difference and reclassification to other IA accounts
Intellectual Properties	7,907,234	-	2,372,035	-	323,708	5,858,907	Other changes represent foreign currency exchange difference and reclassification to other IA accounts
Product development	14,848,299	-	3,593,966	4,693,985	-	6,560,348	Charged to other accounts is the recognition of impairment loss.
	28,576,836	**595,188**	**7,879,168**	**4,693,985**	**546,758**	**17,145,629**	

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule E. Long-Term Debt
December 31, 2020
(in U.S. Dollars)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Remarks
Clean loan (Parent Company)	29,795,564	-	29,795,564	Please see Note 17 of the Audited Financial Statement
Long-term Debt from Citibank (IMI CZ)	1,223,924	815,925	407,999	
Long-term debt from Shiga Bank (Via)	3,300,437	1,293,469	2,006,968	
Total	**34,319,926**	**2,109,394**	**32,210,531**	

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule F. Indebtedness to Related Parties
December 31, 2020
(in U.S. Dollars)

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
NOT APPLICABLE		

Related party payables eliminated during consolidation:

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Accounts Payable - Trade		
Speedy-Tech Electronics Ltd.	6,708,948	5,511,728
PSi Technologies Inc.	-	4,701
IMI Cooperatief Subsidiaries	275,323	-
Accounts Payable - Nontrade		
Speedy-Tech Electronics Ltd.	4,316	700
IMI USA	39	44,051
IMI Japan	81,615	-
IMI Cooperatief Subsidiaries	275,323	51,601
Due To		
Speedy-Tech Electronics Ltd.	1,376,135	3,663,780
IMI International ROHQ	29,387	1,236
PSi Technologies Inc.	104,140	102,785
IMI Japan	425,529	435,615
IMI USA	840,989	68,859
IMI Cooperatief Subsidiaries	1,389,136	1,301,728
Total	**11,510,881**	**11,186,784**

Note 1. These related party liabilities are payable on demand.

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2020
(in U.S. Dollars)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which this statement if filed	Nature of Guarantee
NOT APPLICABLE				
Total		-	-	-

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule H. Capital Stock
December 31, 2020

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stocks	2,250,000,000	2,224,266,568				
Less: Treasury Shares		(15,892,224)				
Common shares	**2,250,000,000**	**2,208,374,344**	32,951,281		88,716,027	2,086,707,036

INTEGRATED MICRO-ELECTRONICS INC. AND SUBSIDIARIES
FINANCIAL RATIOS
December 31, 2020

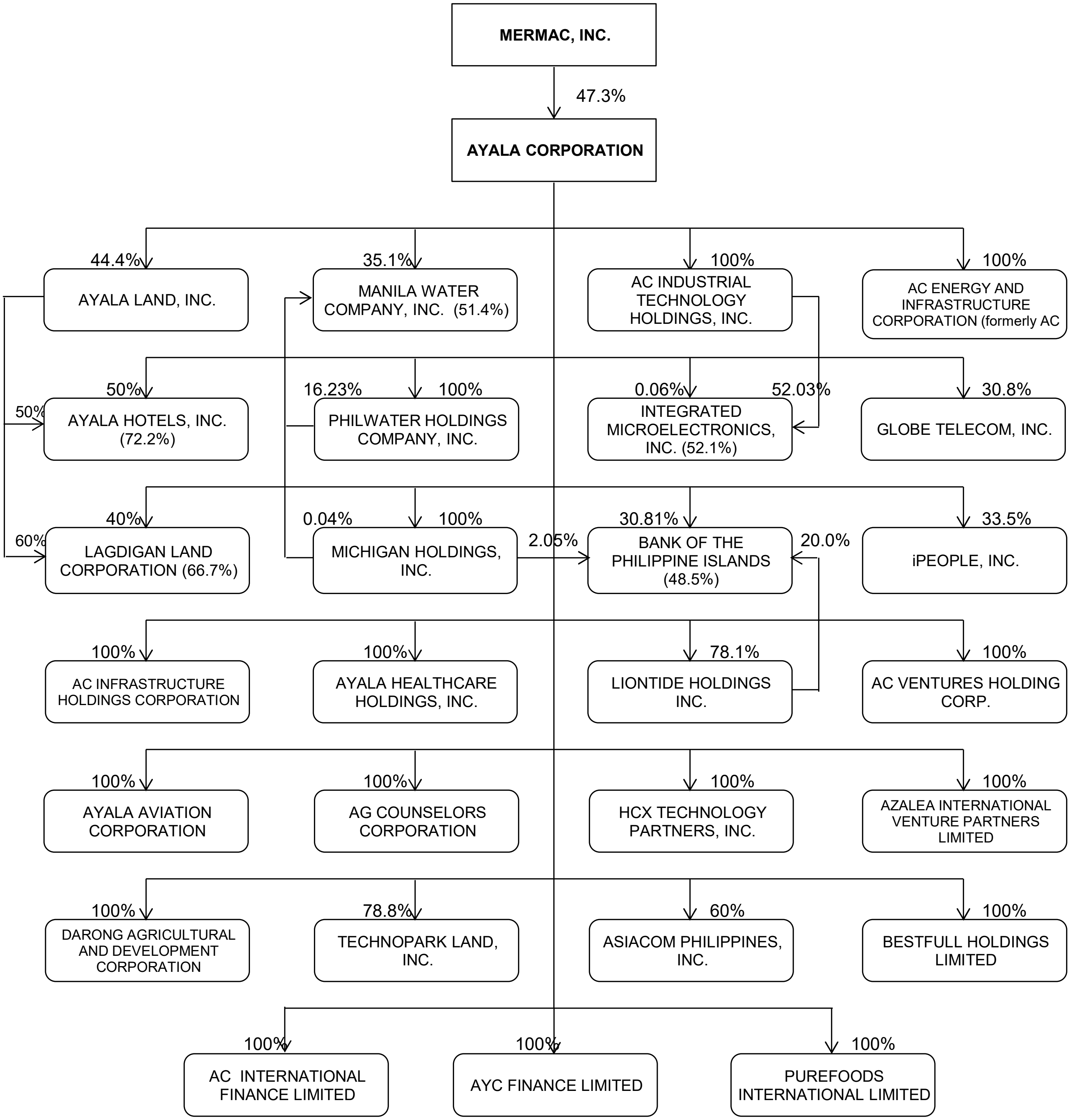
Ratios	Formula	Dec 31, 2020	Dec 31, 2019
(i) Current ratio	Current assets / Current Liabilities	**1.54**	1.49
(ii) Quick / Acid ratio	Current assets less inventories, contract assets and other current assets/Current liabilities	**1.09**	0.98
(iii) Solvency ratio	Total Assets / Total Liabilities	**2.05**	1.79
(iv) Debt ratio	Total Debt / Total Assets	**0.21**	0.24
(v) Debt-to-Equity ratio	Bank debts (loans and trust receipts payable and long-term debt) / Total Equity	**0.41**	0.55
(vi) Assets-to-Equity ratio	Total Assets / Total Equity	**1.95**	2.27
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**0.83**	0.08
(viii) Profitability ratios			
GP margin	Gross Profit / Revenues	**8.5%**	8.2%
Net profit margin	Net Income after Tax / Revenues	**-0.30%**	-0.62%
EBITDA margin	EBITDA / Revenues	**5.2%**	3.3%
Return on assets	Net Income after Tax / Total Asset	**-0.30%**	-0.71%
Return on equity	Net Income after Tax / Average equity attributable to parent	**-0.83%**	-1.98%

	(in US$'000) Dec 31, 2020	Dec 31, 2019
Current Assets	734,174	673,947
Current Liabilities	476,756	453,790
Total Assets	1,133,675	1,096,336
Bank Debts	240,810	268,475
Total Liabilities	552,812	612,557
Total Equity	580,863	483,779
Average equity Attributable to parent	415,122	392,796
Revenues	1,135,841	1,250,366
Gross Profit	96,337	102,228
Net income attributable to equity holders of the parent	(3,455)	(7,780)
Earnings before interest and taxes	8,644	1,076
Interest expense	10,423	13,142
EBITDA	58,884	41,381

INTEGRATED MICRO-ELECTRONICS, INC
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020
(in U.S. Dollars)

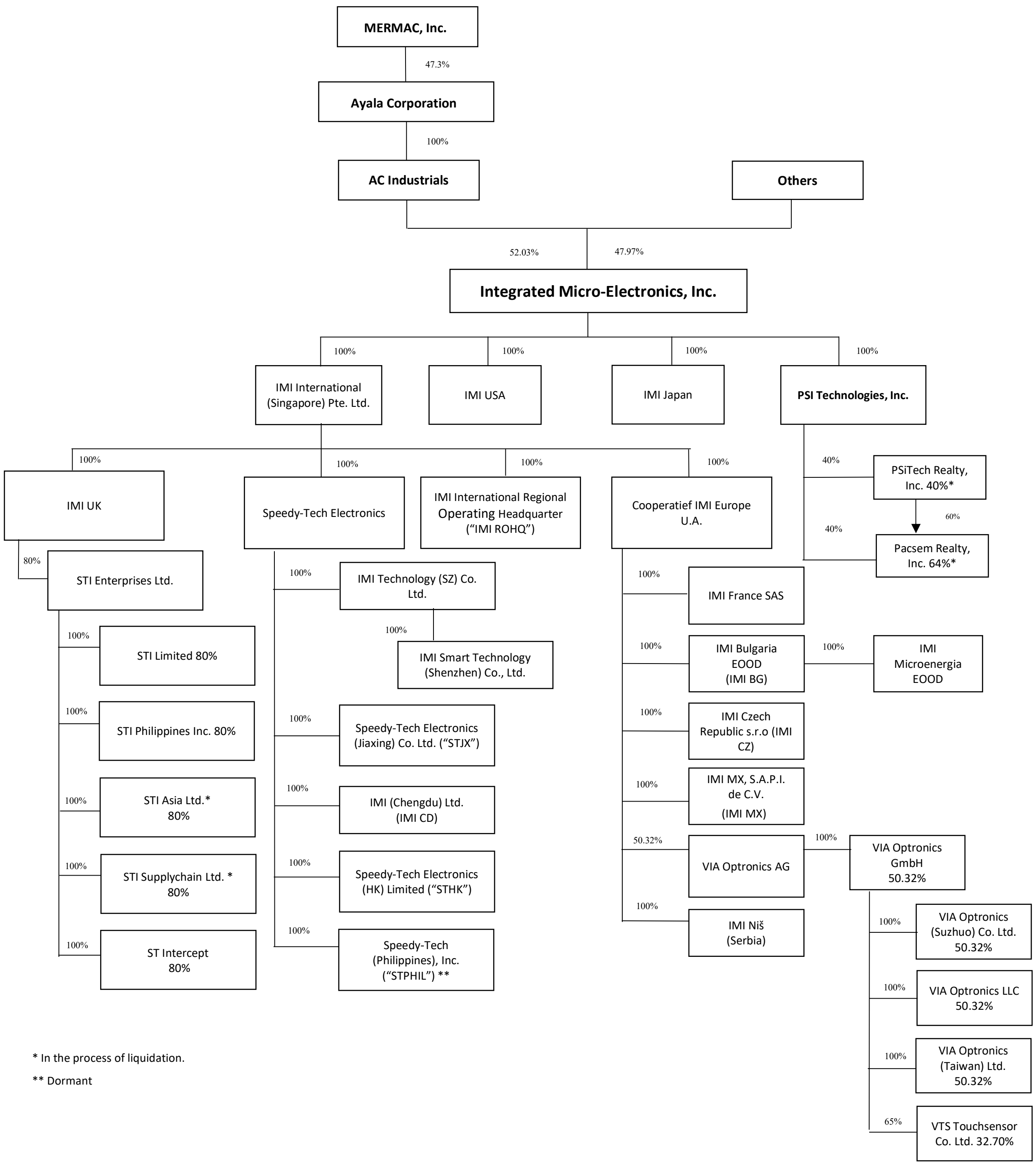
Unappropriated retained earnings, beginning		$24,600,400
Previous years' reconciliation adjustments		
Treasury shares	(1,012,588)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(2,505,098)	
Redemption of preferred shares	(1,627,019)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(6,426,763)	(11,571,468)
Unappropriated retained earnings, as adjusted for dividend distribution, beginning		**13,028,932**
Add: Net loss actually earned/realized during the year	(10,447,482)	
Net income during the year closed to Retained Earnings		
Less: Non-actual/unrealized income, net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Subtotal	(10,447,482)	(10,447,482)
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	-	
Net income actually earned during the year		**2,581,450**
Add (less):		
Dividend declarations during the year	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, END		**$2,581,450**

AYALA CORPORATION AND SUBSIDIARIES
Map of Relationships of the Companies within the Group
As of December 31, 2020



Legend:
% of ownership appearing outside the box - direct % of economic ownership
% of ownership appearing inside the box - effective % of economic ownership

Integrated Micro-Electronics, Inc.
as of December 2020



* In the process of liquidation.

** Dormant

EXHIBIT 3

**2020 Audited Annual Financial Statements,
IMI International (Singapore) Pte Ltd**

Company Registration No. 200502337G

IMI International (Singapore) Pte. Ltd.

Annual Financial Statements
31 December 2020

Building a better
working world

IMI International (Singapore) Pte. Ltd.

Index

The directors are pleased to present their statement to the member together with the audited financial statements of IMI International (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 December 2020.

Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Arthur R. Tan
Chng Poh Guan
Jerome Su Tan

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and its related corporations (other than wholly-owned subsidiaries) as stated below:

	Indirect interest	
	At the beginning of financial year	**At the end of financial year**
Ultimate holding company		
Ayala Corporation		
Ordinary shares of 1 Peso each		
Arthur R. Tan	359,743	419,182

Directors' interests in shares and debentures (cont'd)

	Direct interest	
	At the beginning of financial year	At the end of financial year
Immediate holding company		
Integrated Micro-Electronics, Inc.		
Ordinary shares of 1 Peso each		
Arthur R. Tan	1,955,452	1,955,452
Employee Stock Ownership Plan		
Arthur R. Tan	19,268,100	19,268,100
Jerome Su Tan	2,884,733	2,884,733

Except as disclosed in this statement, no other director who held office at the end of the financial year had an interest in any shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning, or at the end of the financial year.

Employee Stock Ownership Plan ("ESOWN")

The Employee Stock Ownership Plan is a privilege given to eligible employees of immediate holding company, Integrated Micro-Electronics, Inc. whereby it allocates up to 10% of its authorised capital stock for subscription by said personnel under certain terms and conditions stipulated in the plan. The term of payment is eight years for all subscriptions from same grant, reckoned from date of subscription. Full settlement of the subscription is allowed after the holding period as follow: (1) 40% after 1 year from subscription date (2) 30% after 2 years from subscription date and (3) 30% after 3 years from subscription date.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Arthur R. Tan
Director

Jerome Su Tan
Director

Singapore
15 March 2021

Independent auditor's report to the member of IMI International (Singapore) Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IMI International (Singapore) Pte. Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the Directors' statement as set out on pages 1 to 2.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the 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 directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 SSAs 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 financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

Independent auditor's report to the member of IMI International (Singapore) Pte. Ltd.

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

15 March 2021

IMI International (Singapore) Pte. Ltd.

Statement of comprehensive income
For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	4	37,514	14,113
Cost of sales		(36,163)	(14,712)
Gross profit		1,351	(599)
Other operating income	5	24,831	5,398
Administrative expenses		(6,778)	(7,080)
Finance costs	6	(332)	(205)
Profit/(loss) before taxation	7	19,202	(2,486)
Income tax credit	9	–	485
Profit/(loss) for the year, representing total comprehensive income for the year attributable to owner of the Company		19,202	(2,001)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance sheet
As at 31 December 2020

	Note	2020 $'000	2019 $'000
Non-current assets			
Motor vehicles	10	98	145
Investment in subsidiaries	11	197,520	197,520
		197,618	197,665
Current assets			
Trade and other receivables	12	202,838	199,416
Prepayments		–	10
Cash and cash equivalents	13	8,898	12,693
		211,736	212,119
Total assets		409,354	409,784
Current liability			
Trade and other payables	14	108,721	88,553
Net current assets		103,015	123,566
Non-current liability			
Loan from immediate holding company	14	5,407	5,203
Total liabilities		114,128	93,756
Net assets		295,226	316,028
Equity attributable to owner of the Company			
Share capital	15a	104,839	104,839
Redeemable preference shares	15b	149,119	179,119
Reserves	16	41,268	32,070
Total equity		295,226	316,028

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of changes in equity
For the financial year ended 31 December 2020

	Share capital (Note 15a) $'000	Redeemable preference shares (Note 15b) $'000	Capital contribution reserves (Note 16a) $'000	Revenue reserves (Note 16b) $'000	Total $'000
At 1 January 2019	104,839	79,119	5,524	28,547	218,029
Loss for the year, representing total comprehensive income for the year	–	–	–	(2,001)	(2,001)
Issuance of redeemable preference shares (Note 15b)	–	100,000	–	–	100,000
At 31 December 2019	104,839	179,119	5,524	26,546	316,028
At 1 January 2020	104,839	179,119	5,524	26,546	316,028
Profit for the year, representing total comprehensive income for the year	–	–	–	19,202	19,202
Redemption of redeemable preference shares (Note 15b)	–	(30,000)	–	–	(30,000)
<u>Distribution to owners</u>					
Dividends on ordinary shares (Note 22)	–	–	–	(3,500)	(3,500)
Dividends on Class B redeemable cumulative preference shares (Note 22)	–	–	–	(6,504)	(6,504)
At 31 December 2020	104,839	149,119	5,524	35,744	295,226

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

IMI International (Singapore) Pte. Ltd.

Cash flow statement
For the financial year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Operating activities			
Profit/(loss) before tax		19,202	(2,486)
Adjustments for:			
Depreciation of motor vehicles	10	72	101
Finance costs	6	332	205
Interest income		(5,792)	(4,399)
Loss on disposal of motor vehicles		6	–
Unrealised exchange gain, net		(1,109)	(985)
Dividend income	5	(17,682)	–
Changes in working capital:		(4,971)	(7,564)
Increase in trade and other receivables		(10,491)	(3,863)
Decrease/(Increase) in prepayments		10	(7)
Increase in trade and other payables		11,139	3,429
Cash flows used in operations		(4,313)	(8,005)
Finance costs paid		(5)	(2)
Income taxes paid		–	(7)
Net cash flows used in operating activities		(4,294)	(7,649)
Investing activities			
Interest received from bank deposits	5	24	365
Purchase of motor vehicles	10	(31)	(27)
Dividend received from subsidiaries	5	17,682	–
Decrease/(Increase) of loan to subsidiaries		22,599	(87,930)
Loan to a related company		(27,081)	–
Decrease/(Increase) in amount due from subsidiaries, net		18,382	(658)
Net cash flows generated from/(used in) investing activities		31,551	(88,615)
Financing activities			
(Decrease)/Increase in amount due to immediate holding company (non-trade)	14	(18,385)	3,361
Increase/(Decrease) in amount due to related companies (non-trade)	14	298	(622)
Loan from immediate holding company	14	27,039	5,000
(Redemption)/Proceeds from issuance of preference shares	15b	(30,000)	100,000
Dividends on preference shares	22	(6,504)	–
Dividends on ordinary shares	22	(3,500)	–
Net cash flows (used in)/generated from financing activities		(31,052)	107,739
Net (decrease)/increase in cash and cash equivalents		(3,795)	11,475
Cash and cash equivalents at beginning of year		12,693	1,218
Cash and cash equivalents at end of year	13	8,898	12,693

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

IMI International (Singapore) Pte. Ltd. (the "Company") is a private limited company incorporated and domiciled in Singapore with a Philippine Regional Operating Headquarters. IMI International ROHQ ("ROHQ") established in the Republic of the Philippines.

The immediate holding company is Integrated Micro-Electronics Inc. ("IMI") which is incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange ("PSE"). IMI is a subsidiary of AC Industrial Technology Holdings, Inc. ("AC Industrials"), also a wholly-owned subsidiary of Ayala Corporation ("AC"), a corporation incorporated in the Republic of the Philippines and listed in the PSE.

The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is located at Speedy-Tech Industrial Building, 20 Kian Teck Lane, Singapore 627854.

The Company is an investment holding company and serves as an administrative, communications and coordinating center for its affiliates and subsidiaries. The Company is also engaged in the provision of Electronic Manufacturing Services and Power Electronics solutions to Original Equipment Manufacturer ("OEM") customers in the consumer electronics, computer peripherals/IT, industrial equipment, telecommunications and medical devices sectors. Other activities include sourcing and procurement of raw materials, suppliers and provision of customer services.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards in Singapore ("FRSs").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (USD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

Pursuant to Section 201(3BA) of the Singapore Companies Act and Singapore Financial Reporting Standards No. 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries, the Company need not prepare consolidated financial statements as the Company is itself a wholly-owned subsidiary of Integrated Micro-Electronics Inc., which prepared one set of consolidated financial statements incorporating the financial statements of the Company and its subsidiaries. The registered office of Integrated Micro-Electronics Inc. is North Science Avenue, Laguna Technopark, Biñan, Laguna.

2.2 *Changes in accounting polices*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2020. The adoption of these standards did not have any effect on the financial performance or position of the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Company has not adopted the following relevant standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 103: *References to the Conceptual Framework*	1 January 2022
Amendments to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to FRS 109: *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	1 January 2022
Amendments to illustrative examples accompanying FRS 116: *Leases – Lease Incentives*	1 January 2022
Amendments to FRS 1: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the other standards and amendments above will have no material impact on the financial statements in the year of initial application.

2.4 *Foreign currency*

The financial statements are presented in United States Dollars, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 *Subsidiaries*

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it 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.

In the Company's balance sheet, investment in subsidiaries are accounted for at cost less impairment losses.

2.6 *Motor vehicles*

Motor vehicles are initially recorded at cost. Subsequent to recognition, motor vehicles are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset. Motor vehicles are estimated to have useful lives of three to five years.

The carrying values of motor vehicles are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of motor vehicles is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.7 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial instruments (cont'd)*

(b) ***Financial liabilities (cont'd)***

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.9 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.10 *Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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.

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Summary of significant accounting policies (cont'd)

2.11 *Provisions*

Provisions are recognised when the Company 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.12 *Employee benefits*

(a) *Defined contribution plans*

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(b) *Defined benefit plans*

IMI maintains a defined benefit plan covering substantially all of its employees. including the employees of the Company. IMI allocates pension expense to the Company according to IMI's best estimate based on the prevailing basic pay of the employees, including the employees of the Company. The plan is a funded, non-contributory pension plan administered by a Board of Trustees. Pension expense 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. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses, past service cost and the effect of any curtailment or settlement.

A portion of the actuarial gains and losses is recognised as income or expense if the cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are recognised over the expected average remaining working lives of employees participating in the plan.

2. Summary of significant accounting policies (cont'd)

2.12 *Employee benefits (cont'd)*

(b) ***Defined benefit plans (cont'd)***

Past service costs, if any, are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. The net pension asset recognised in respect of the defined benefit pension plan is the lower of: (a) the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs that shall be recognised in later periods; or (b) the total of any cumulative unrecognised net actuarial loss and past service cost and the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. If there is no minimum funding requirement, an entity shall determine the economic benefit available as a reduction in future contributions as the lower of: (a) the surplus in the plan; and (b) the present value of the future service cost to the entity, excluding any part of the future cost that will be borne by employees, for each year over the shorter of the expected life of the plan and the expected life of the entity.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

(c) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(d) ***Equity-settled transactions***

The cost of equity-settled transactions with employees was measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account was taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions was recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Since the scheme was cancelled after the vesting period, share option reserves representing the cumulative share option expense recognised was retained as part of equity.

2. Summary of significant accounting policies (cont'd)

2.13 *Revenue*

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Company is in the business providing electronic manufacturing and other related services to various customers as well as providing administrative, communications and coordination center for its affiliates and subsidiaries. The Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

(a) ***Manufacturing services***

The Company provides manufacturing services in accordance with the customer's specifications. The Company 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 Company procures the materials and provides the assembly services to the customer. In a consignment contract, the Company only provides assembly services to the customer. Revenue is recognised at a point in time when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

(b) ***Rendering of services***

Revenue is recognised when the related services have been rendered.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Dividend income***

Dividend income is recognised when the Company's right to receive payment is established.

2. Summary of significant accounting policies (cont'd)

2.14 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. 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 where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, where 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 are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference 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 recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.14 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

- The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

- Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.15 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares and redeemable preference shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.16 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.17 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss or are deducted in reporting the related expenses.

3. Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. Revenue

	2020 $'000	**2019** $'000
Major revenue stream		
Manufacturing services	37,429	13,651
Service fees (Note 17(a))	85	462
	37,514	14,113
Timing of transfer of goods or services		
At a point in time	37,514	14,113

5. Other operating income

	2020 $'000	2019 $'000
Interest income from:		
- Loans to subsidiaries and a related party	5,768	4,034
- Bank deposits	24	365
Exchange gain, net	1,357	998
Dividend income from subsidiaries	17,682	–
Others	–	1
	24,831	5,398

6. Finance costs

	2020 $'000	2019 $'000
Interest expense on loan from immediate holding company	327	203
Bank charges	5	2
	332	205

7. Profit/(Loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	2020 $'000	2019 $'000
Administrative expenses incurred on behalf of the Company by its subsidiaries	1,851	2,354
Employee benefits expense (Note 8)	4,780	5,416
Depreciation of motor vehicles (Note 10)	72	101
Inventories recognised as an expense in cost of sales	35,783	13,269

8. Employee benefits expense

	2020 $'000	2019 $'000
Wages, salaries and bonuses	4,735	5,285
Central Provident Fund/ pension contributions	45	131
	4,780	5,416

9. Income tax credit

The major components of tax credit for the year ended 31 December 2020 and 2019 are:

	2020 $'000	2019 $'000
Current income tax		
Current year	–	7
Deferred income tax		
Origination of temporary differences	–	(492)
Income tax credit recognised in profit or loss	–	(485)

ROHQ derives income in the Philippines by charging service fees to IMI, the immediate holding company. It is subject to the following tax rules, amongst others:

- Its taxable income is taxed at 10%. Remittances to the Company are subject to the ROHQ profit tax of 15%;
- It is exempted from all kinds of local taxes, fees or charges, except real property tax on land improvements and equipment tax;
- The importation of equipment and materials for training and conferences which are needed and used solely for its functions, and which are not available locally, are tax and duty free, subject to the approval of the Board of Investments; and
- Effective 1 January 2018, the compensation of the employees of the Headquarters is subject to the regular income tax rates in accordance with the TRAIN law.

Relationship between tax credit and accounting profit/(loss)

A reconciliation between the tax credit and the product of accounting proft/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows:

	2020 $'000	2019 $'000
Profit/(loss) before tax	19,202	(2,486)
Tax expense/(credit) at the applicable statutory tax rate of 17% (2019: 17%)	3,264	(423)
Adjustments:		
Tax effect of expenses not deductible for tax purposes	918	168
Income not subject to tax	(4,292)	(238)
Deferred tax assets not recognised	103	4
Effect of differences in tax rates in other country where Company operates	7	4
Tax credit recognised in profit or loss	–	(485)

9. Income tax credit (cont'd)

Unrecognised tax losses

At the balance sheet date, the Company has unused tax losses of approximately $3,617,000 (2019: $3,013,000) that are available for offset against future taxable profits of the Company, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

10. Motor vehicles

	$'000
Cost	
At 1 January 2019	379
Additions	27
Disposals	(29)
At 31 December 2019 and 1 January 2020	377
Additions	31
Disposals	(44)
At 31 December 2020	364
Accumulated depreciation	
At 1 January 2019	160
Charge for the year	101
Disposals	(29)
At 31 December 2019 and 1 January 2020	232
Charge for the year	72
Disposals	(38)
At 31 December 2020	266
Net carrying amount	
At 31 December 2019	145
At 31 December 2020	98

11. Investment in subsidiaries

	2020 $'000	**2019** $'000
Unquoted equity shares, at cost		
At 1 January and 31 December	197,520	197,520

11. Investment in subsidiaries (cont'd)

Details of subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest held by the Company 2020 %	2019 %
Held by the Company				
Speedy-Tech Electronics Ltd ("STEL")*	Singapore	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement	100	100
Cooperatief IMI Europe U.A. ("Cooperatief")**	Netherlands	Provision of material needs of its members, pursuant to agreements concluded with its members in respect of the business that it carries on or procures to be carried on for the benefit of its members	100	100
Integrated Micro-Electronics UK Limited (IMI UK) #	United Kingdom	Investment holding	100	100
Speedy-Tech Electronics (HK) Limited ("STHK") #	Hong Kong	Procurement, marketing and supply chain services	100	100
Speedy-Tech (Philippines) Inc. ("STPHIL") #	Philippines	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement (dormant)	100	100
Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX") #	People's Republic of China	Provision of electronic manufacturing service and manufacturing of Power Electronics, marketing and procurement	100	100
IMI (Chengdu) Ltd. ("IMICD") #	People's Republic of China	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	100	100
IMI Technology (Shenzhen) Co., Ltd. ("IMISZ") #	People's Republic of China	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	100	100
IMI Smart Technology (Shenzen) Co., Ltd ("IMIST") #	People's Republic of China	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	100	100
Speedy-Tech Electronics Inc.*	United States of America	Marketing, liaison and support services (dormant)	100	100

11. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Company 2020 %	2019 %
IMI Bulgaria EOOD ("IMI BG") #	Bulgaria	Production of electronic modules for domestic goods and automobile manufacturing	100	100
IMI Microenergia EOOD #	Bulgaria	Supply of water, refurbishment and infrastructure maintenance activities	100	100
IMI Czech Republic s.r.o ("IMI CZ") #	Czech Republic	Installation and repairs of products and equipment of consumer electronics; purchase of goods for the purpose of resale thereof, and sale of goods; leasing of real property, residential and non-residential premises without provision of other than basic services ensuring proper operation of the real property, residential and non-residential premises	100	100
IMI Mexico, S.A.P.I de C.V. ("IMI MX") #	Mexico	Manufacture and sale of electronic components and plastic injection moulding primarily for the automotive and household industries	100	100
IMI d.o.o. Niš # **	Serbia	Production of electronic modules for domestic goods and automobile manufacturing	100	100
IMI France SAS @	France	Employer of executives in Europe and Mexico subsidiaries	100	100
VIA Optronics GmbH #	Germany	Manufactures enhanced display solutions and provides optical bonding solutions	50	76
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou) #	People's Republic of China	Manufactures enhanced display solutions and provides optical bonding solutions	50	76
VIA Optronics LLC (VIA LLC) #	USA	Manufactures enhanced display solutions and provides optical bonding solutions	50	76
VIA Optronics AG #	Germany	Holding company of VIA Optronics Group	50	76

11. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Company 2020 %	2019 %
VTS-Touchsensor Co., Ltd. ("VTS")	Japan	Provides optical bonding solutions	50	76
VIA Optronics Taiwan Ltd. #	Taiwan	Sales Office	50	76
Surface Technology International Enterprises Ltd (STI) #	United Kingdom	Provides a complete set of electronics design and manufacturing solutions in both PCBA and full box build manufacturing	80	80
STI Limited #	United Kingdom	Provides a complete set of electronics design and manufacturing solutions in both PCBA and full box build manufacturing	80	80
STI Asia Ltd. ^	Philippines	Provides a complete set of electronics design and manufacturing solutions in both PCBA and full box build manufacturing (Dormant)	80	80
STI Supplychain Ltd. ^	United Kingdom	Provides a complete set of electronics design and manufacturing solutions in both PCBA and full box build manufacturing (Dormant)	80	80
STI Philippines Inc. #	Philippines	Provides a complete set of electronics design and manufacturing solutions in both PCBA and full box build manufacturing	80	80
ST Intercept #	Philippines	Manufacturing of electronic components (Dormant)	80	80

* Audited by Ernst & Young LLP, Singapore.
\# Audited by member firms of Ernst & Young Global in the respective countries.
** No audit is required by the law of its country of incorporation.
@ Audited by Cauchy-Chaumont & Associes in France.
^ In the process of liquidation

12. Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables:		
- Third parties	8,785	–
- Immediate holding company	311	555
- Subsidiaries	7,546	4,040
- Related companies	–	329
	16,642	4,924
Other receivables:		
Other receivables	11	7
Deposits	3	3
Due from subsidiaries (non-trade)	18,119	31,035
Loan to subsidiaries	140,676	163,275
Loan to a related company	27,204	–
Sales tax receivables, net	183	172
	186,196	194,492
Less: Sales tax receivables, net	(183)	(172)
Add: Cash and cash equivalents (Note 13)	8,898	12,693
Total financial assets carried at amortised cost	211,553	211,937

Trade receivables (receivables from contracts with customers) are non-interest bearing and are generally on 45 to 75 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade amounts due from immediate holding company and related companies are unsecured, interest-free, with a 30 days of credit term and to be settled in cash.

Amounts due from subsidiaries (trade and non-trade) are unsecured, interest-free, repayable on demand and to be settled in cash.

Loan to subsidiaries under an original issue discount loan agreement with an interest rate of 3.09% to 4.0% (2019: 3.09% to 4.0%) per annum, repayable in 2021 (2019: 2020) and to be settled in cash. Loan to a related company is unsecured, with an interest rate ranging from 2.70% to 3.86% (2019: nil) per annum, repayable in 2021 (2019: nil) and to be settled in cash.

<u>Expected credit loss</u>

The Company has not recognised any allowance for expected credit losses of trade receivables computed following assessments on recoverability as at 31 December 2020 and 2019.

12. Trade and other receivables (cont'd)

Trade and other receivables are denominated in foreign currencies at 31 December are as follows:

	2020 $'000	2019 $'000
Philippine Peso	11	179
British Pound	35,983	34,932
Euro	–	2,227

13. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash and bank balances	8,898	8,669
Fixed deposits	–	4,024
Cash and cash equivalents	8,898	12,693

Short-term deposits in 2019 were made for varying periods of between 1 day to 1 month, depending on the immediate cash requirements of the Company, and earned interest at the rates of 1.50% to 2.45% p.a.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	2020 $'000	2019 $'000
Singapore Dollar	75	175
Philippine Peso	244	22

14. Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables:		
- Immediate holding company	13,809	3,658
- Subsidiaries	1,048	–
	14,857	3,658
Other payables:		
Other payables	75	83
Accrued operating expenses	1,325	1,244
Due to immediate holding company (non-trade)	63,284	81,669
Due to subsidiaries (non-trade)	436	615
Due to related companies (non-trade)	1,582	1,284
Loan from immediate holding company	27,162	–
	93,864	84,895
Non-current		
Loan from immediate holding company	5,407	5,203
Total financial liabilities carried at amortised cost	114,128	93,756

Amounts due to immediate holding company (trade and non-trade) and subsidiaries (trade and non-trade) are unsecured, interest-free, repayable on demand and to be settled in cash.

Amounts due to related companies (non-trade) relate to global expenses incurred on behalf of the company's subsidiaries are unsecured, interest-free, repayable on demand and to be settled in cash.

Current loan from immediate holding company is unsecured, with an interest rate ranging from 2.70% to 3.86% (2019: nil) per annum, repayable in 2021 (2019: nil) and to be settled in cash.

Non-current loan from immediate holding company is unsecured, with an interest rate ranging from 4.02% (2019: 4.02%) per annum, repayable in 2023 (2019: 2023) and to be settled in cash.

Accrued operating expenses include accruals for salaries and benefits such as leave credits and bonuses.

Included in trade and other payables are the following amounts denominated in foreign currencies at 31 December:

	2020 $'000	2019 $'000
Singapore Dollar	230	220
Philippine Peso	927	1,107
Japanese Yen	307	255
Euro	437	357

14. Trade and other payables (cont'd)

A reconciliation arising from the Company's financing activities is as follows:

	1 January 2020 $'000	Cash flows $'000	Non-cash change: Accretion of interest $'000	31 December 2020 $'000
Amount due to immediate holding company (non-trade)	81,669	(18,385)	–	63,284
Amount due to related companies (non-trade)	1,284	298	–	1,582
Loan from immediate holding company (current and non-current)	5,203	27,039	327	32,569

	1 January 2019 $'000	Cash flows $'000	Non-cash change: Accretion of interest $'000	Non-cash change: Translation differences $'000	31 December 2019 $'000
Amount due to immediate holding company (non-trade)	78,308	3,361	–	–	81,669
Amount due to related companies (non-trade)	1,909	(622)	–	(3)	1,284
Loan from immediate holding company (non-current)	–	5,000	203	–	5,203

15a. Share capital

	2020 No. of Shares '000	2020 $'000	2019 No. of Shares '000	2019 $'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	137,338	104,839	137,338	104,839

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

15b. Redeemable preference shares

	2020 No. of Shares '000	2020 $'000	2019 No. of Shares '000	2019 $'000
Issued and fully paid Class A redeemable preference shares				
At 1 January and 31 December	108,227	79,119	108,227	79,119
Issued and fully paid Class B redeemable preference shares				
At 1 January	137,926	100,000	–	–
Redemption of preference shares	(41,313)	(30,000)	–	–
Issuance of preference shares	–	–	137,926	100,000
At 31 December	96,613	70,000	137,926	100,000

In 2020, the Company redeemed 41,313,000 shares equivalent to US$30,000,000 which were issued to AC Industrials (Singapore) Pte. Ltd in 2019 as redeemable cumulative preference shares ("Class B RCPS").

In 2019, there were 137,926,000 redeemable cumulative preference shares ("Class B RCPS") issued to and fully paid by AC Industrials (Singapore) Pte. Ltd., a subsidiary of AC Industrials. The shares were issued at S$1 each and translated to total amounts of US$100,000,000 with preferential rights over all existing classes of shares in the capital of the Company.

There is no conversion option to the shareholders to convert the Class B RCPS or Class A RPS into ordinary shares of the Company and there is no redemption date for the Class B RCPS or Class A RPS. The shareholders are entitled to receive dividends as and when declared by the Company. Dividend rights for Class B RCPS are cumulative but non-cumulative for Class A RPS. The shareholders have no voting rights unless the resolution in question varies the rights attached to the Class B RCPS or Class A RPS or is for the winding-up of the Company.

16. Reserves

(a) ***Capital contribution reserves***

Capital contribution reserves are made up of the difference between the fair value and the subscription price of the share of the immediate holding company's Employee Stock Ownership Plan ("ESOWN") granted to employees of the Company.

(b) ***Revenue reserves***

Revenue reserves of the Company are available for distribution as dividends.

17. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2020 $'000	**2019** $'000
Service fees from immediate holding company	85	462
Purchase from immediate holding company	(35,265)	–
Purchase from subsidiaries	(518)	–
Rental of office premises from subsidiary	(33)	(33)

(b) *Compensation of key management personnel*

	2020 $'000	**2019** $'000
Short-term employee benefits	2,360	2,219
Pension and post-employment medical benefits	30	32
Total compensation entitled to key management personnel	2,390	2,251
Comprise amounts entitled to :		
• Directors of the Company	2,027	1,826
• Other key management personnel	363	425
	2,390	2,251

18. Commitments

Lease commitments

The Company has no lease contracts that have not yet commenced as at 31 December 2020.

19. Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

Foreign currency risk

The Company is exposed to foreign currency risk from revenues generated and cost incurred in foreign currencies, principally in Singapore Dollar ("SGD"), Philippine Peso ("PHP"), Japanese Yen ("JPY"), British Pound ("GBP") and Euro ("EUR"). The Company does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

The Company 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 to hedge any material exposure where appropriate.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in PHP, JPY, GBP and EUR exchange rates (against USD), with all other variables held constant, of the Company's profit/loss before tax.

			2020 $'000 **Profit before tax** **Increase/** **(Decrease)**	**2019** $'000 **Loss before tax** **(Increase)/** **Decrease**
PHP	–	strengthened 1% (2019: 1%)	(7)	9
	–	weakened 1% (2019: 1%)	7	(9)
JPY	–	strengthened 1% (2019: 1%)	(3)	3
	–	weakened 1% (2019: 1%)	3	(3)
GBP	–	strengthened 1% (2019: 1%)	360	(349)
	–	weakened 1% (2019: 1%)	(360)	349
EUR	–	strengthened 1% (2019: 1%)	(4)	(22)
	–	weakened 1% (2019: 1%)	4	22

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

19. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial assets and liabilities at the balance sheet date based on the contractual undiscounted payments.

	2020			2019		
	One year or less	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Trade and other receivables	202,655	–	202,655	199,244	–	199,244
Cash and cash equivalents	8,898	–	8,898	12,693	–	12,693
Total undiscounted financial assets	211,553	–	211,553	211,937	–	211,937
Financial liabilities:						
Trade and other payables (excluding loans)	81,559	–	81,559	88,553	–	88,553
Loans from immediate holding company	27,202	6,005	33,207	–	6,005	6,005
Total undiscounted financial liabilities	108,761	6,005	114,766	88,553	6,005	94,558
Total net undiscounted financial assets/(liabilities)	102,792	(6,005)	96,787	123,384	(6,005)	117,379

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that 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 Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Company does not offer credit terms without the approval of the Head of Credit Control.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

19. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables

The Company has determined the default event on financial asset to be when there are information indicating that the Company is unlikely to receive the outstanding contractual amounts in full. Such information includes discontinuance of orders, financial difficulty or insolvency, probable bankruptcy or other financial reorganisation. The Company's historical information shows low defaulted accounts which were also substantially recovered subsequently, resulting in insignificant write-offs.

The Company provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Company's historical observed default rates analysed in accordance to days past due. Historically, the Company did not incur any bad debt.

The expected credit losses also incorporate forward looking information. The Company uses compounded annual growth rate (CAGR) of the worldwide Electronics Assembly Market for Electronics Products Forecast being published annually by New Venture Research Corp. (NVR) as forward-looking estimate. Based on the assessment, the Company has concluded a forward-looking default rate of zero.

Hence, the lifetime expected credit loss will have no impact on the Company's trade receivables.

Summarised below is the information about the credit risk exposure on the Company's trade receivables:

	< 30 days past due	**> 30 days past due**	**> 60 days past due**	**> 90 days past due**	**Total**
	$'000	$'000	$'000	$'000	$'000
2020					
Carrying amount	2,051	3,104	67	–	5,222

The Company does not have loss allowance movement of trade receivables.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

19. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Other receivables and loan to the holding company

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

20. Fair value of financial instruments

(a) ***Fair value hierarchy***

The Company categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,

- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

The Company does not have financial instruments carried at above levels of fair value hierarchy.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Trade receivables and trade payables

The carrying amounts of these receivables and payables approximate their fair values as they are subject to normal trade credit terms.

Bank balances, short-term receivables, short-term borrowings and other current liabilities

The carrying amounts approximate fair values due to the relatively short period to maturity of these instruments.

20. Fair value of financial instruments (cont'd)

(a) *Fair value hierarchy (cont'd)*

Long-term borrowing

The carrying amount of non-current loan from immediate holding company approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

The Company does not have any financial instruments that are carried at fair value or any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

21. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

	2020 $'000	**2019** $'000
Trade and other payables (Note 14)	114,128	93,756
Less: Cash and cash equivalents (Note 13)	(8,898)	(12,693)
Net debt	105,230	81,063
Equity attributable to equity holder of the Company	295,226	316,028
Total capital	295,226	316,028
Capital and net debt	400,456	397,091
Gearing ratio	26%	20%

22. Dividend

	2020 $'000	2019 $'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
- Interim exempt (one-tier) dividend for 2020: 0.25 cents (2019: nil) per share	3,500	–
Dividend on Class B redeemable preference shares		
- Interim exempt (one-tier) dividend for 2020: 0.25 cents (2019: Nil) per share	3,471	–
- Interim exempt (one-tier) dividend for 2020: 0.14 cents (2019: Nil) per share	2,017	–
- Interim exempt (one-tier) dividend for 2020: 0.1 cents (2019: Nil) per share	1,016	–
	6,504	–
	10,004	–

23. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 15 March 2021.

EXHIBIT 4

2020 Audited Annual Financial Statements, Speedy-Tech Electronics Ltd and its subsidiaries

Company Registration No. 198502018H

Speedy-Tech Electronics Ltd.
and its subsidiaries

Annual Financial Statements
31 December 2020

Building a better working world

Speedy-Tech Electronics Ltd. and its subsidiaries

Index

The directors are pleased to present their statement to the member together with the audited consolidated financial statements of Speedy-Tech Electronics Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of comprehensive income, balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of comprehensive income, balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Arthur R. Tan
Chng Poh Guan
Mary Ann Natividad
Jerome Su Tan

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Indirect interest	
	At the beginning of financial year	**At the end of financial year**
Ultimate holding company		
Ayala Corporation		
<u>Ordinary shares of 1 Peso each</u>		
Arthur R. Tan	359,743	419,182

Directors' interests in shares and debentures (cont'd)

	Direct interest	
	At the beginning of financial year	At the end of financial year
Intermediate holding company		
Integrated Micro-Electronics, Inc.		
Ordinary shares of 1 Peso each		
Arthur R. Tan	1,955,452	1,955,452
Mary Ann Natividad	75,204	75,204
Employee Stock Ownership Plan		
Arthur R. Tan	19,268,100	19,268,100
Jerome Su Tan	2,884,733	2,884,733
Mary Ann Natividad	806,935	806,935

Except as disclosed in this statement, no director who held office at the end of the financial year had an interest in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Employee Stock Ownership Plan ("ESOWN")

The Employee Stock Ownership Plan is a privilege given to eligible employees of intermediate holding company, Integrated Micro-Electronics, Inc. whereby it allocates up to 10% of its authorised capital stock for subscription by said personnel under certain terms and conditions stipulated in the plan. The term of payment is eight years for all subscriptions from same grant, reckoned from date of subscription. Full settlement of the subscription is allowed after the holding period as follow: (1) 40% after 1 year from subscription date (2) 30% after 2 years from subscription date and (3) 30% after 3 years from subscription date.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Arthur R. Tan
Director

Jerome Su Tan
Director

Singapore
15 March 2021

Independent Auditor's Report to the Member of Speedy-Tech Electronics Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Speedy-Tech Electronics Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of comprehensive income and statements of changes in equity of the Group and the Company and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for other information. The other information comprises the Directors' Statement as set up from page 1 to 2.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 SSAs 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 financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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 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 financial statements, including the disclosures, and whether the 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 group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

15 March 2021

Speedy-Tech Electronics Ltd. and its subsidiaries

Statements of comprehensive income
For the financial year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Revenue	4	251,327	277,843	47,752	77,735
Cost of sales		(229,394)	(257,652)	(43,470)	(73,972)
Gross profit		21,933	20,191	4,282	3,763
Other operating income	5	7,241	2,742	5,162	1,912
Administrative expenses		(16,264)	(24,715)	(4,028)	(4,674)
Finance costs	8	(2,996)	(2,397)	(2,225)	(1,555)
Impairment loss on financial assets	14	–	(1,130)	–	(1,130)
Profit/(loss) before tax	7	9,914	(5,309)	3,191	(1,684)
Income tax (expense)/credit	9	(1,083)	2,120	4	42
Profit/(loss) for the year		8,831	(3,189)	3,195	(1,642)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		3,185	(34)	–	–
Other comprehensive income for the year, net of tax		3,185	(34)	–	–
Total comprehensive income for the year attributable to owner of the Company		12,016	(3,223)	3,195	(1,642)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Speedy-Tech Electronics Ltd. and its subsidiaries

Balance sheets
As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current assets					
Property, plant and equipment	10	30,601	34,766	112	208
Rights-of-use assets	18	11,291	9,785	2,784	3,477
Intangible asset	11	286	515	–	–
Prepayments	15	2,067	2,641	–	–
Deferred charges	14	10,144	11,278	–	–
Investment in subsidiaries	12	–	–	41,742	41,742
Deferred tax assets	20	1,038	2,224	24	20
		55,427	61,209	44,662	45,447
Current assets					
Inventories	13	21,886	23,635	1,212	91
Deferred charges	14	451	334	–	–
Trade and other receivables	14	111,565	130,575	109,601	111,428
Prepayments	15	187	190	23	2
Contract assets	4	7,900	10,351	–	–
Cash and cash equivalents	16	66,977	39,998	27,155	18,622
		208,966	205,083	137,991	130,143
Total assets		264,393	266,292	182,653	175,590
Current liabilities					
Trade and other payables	17	100,877	116,568	49,814	45,543
Tax payable		176	–	–	–
Borrowings	19	39,015	27,816	36,164	25,914
Deferred grants	21	155	101	–	–
		140,223	144,485	85,978	71,457
Net current assets		68,743	60,598	52,013	58,686
Non-current liabilities					
Deferred tax liabilities	20	–	165	–	–
Deferred grants	21	480	322	–	–
Borrowings	19	8,394	8,040	2,341	2,994
		8,874	8,527	2,341	2,994
Total liabilities		149,097	153,012	88,319	74,451
Net assets		115,296	113,280	94,334	101,139
Equity attributable to owner of the Company					
Share capital	22	26,872	26,872	26,872	26,872
Reserves	23	88,424	86,408	67,462	74,267
Total equity		115,296	113,280	94,334	101,139
Total equity and liabilities		264,393	266,292	182,653	175,590

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 31 December 2020

Group	Share capital (Note 22) $'000	Revaluation reserve (Note 23a) $'000	Capital reserve (Note 23a) $'000	Restricted reserves (Note 23b) $'000	Share option reserve (Note 23c) $'000	Capital contribution reserves (Note 23d) $'000	Foreign currency translation reserve (Note 23e) $'000	Revenue reserves (Note 23f) $'000	Total $'000
Opening balance as at 1 January 2019	26,872	1,810	247	11,560	743	2,749	(138)	72,660	116,503
Loss for the year	–	–	–	–	–	–	–	(3,189)	(3,189)
Other comprehensive income									
Foreign currency translation	–	–	–	–	–	–	(34)	–	(34)
Total comprehensive income for the year	–	–	–	–	–	–	(34)	(3,189)	(3,223)
Others									
Transfer to restricted reserves	–	–	–	167	–	–	–	(167)	–
Total others	–	–	–	167	–	–	–	(167)	–
Closing balance as at 31 December 2019	26,872	1,810	247	11,727	743	2,749	(172)	69,304	113,280

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 31 December 2020

Group	Share capital (Note 22) $'000	Revaluation reserve (Note 23a) $'000	Capital reserve (Note 23a) $'000	Restricted reserves (Note 23b) $'000	Share option reserve (Note 23c) $'000	Capital contribution reserves (Note 23d) $'000	Foreign currency translation reserve (Note 23e) $'000	Revenue reserves (Note 23f) $'000	Total $'000
Opening balance as at 1 January 2020	26,872	1,810	247	11,727	743	2,749	(172)	69,304	113,280
Profit for the year	–	–	–	–	–	–	–	8,831	8,831
Other comprehensive income									
Foreign currency translation	–	–	–	–	–	–	3,185	–	3,185
Total comprehensive income for the year	–	–	–	–	–	–	3,185	8,831	12,016
Distributions to owners									
Dividends on ordinary shares (Note 29)	–	–	–	–	–	–	–	(10,000)	(10,000)
Total distributions to owners	–	–	–	–	–	–	–	(10,000)	(10,000)
Others									
Transfer to restricted reserves	–	–	–	133	–	–	–	(133)	–
Total others	–	–	–	133	–	–	–	(133)	–
Closing balance as at 31 December 2020	26,872	1,810	247	11,860	743	2,749	3,013	68,002	115,296

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 31 December 2020

Company	Share capital (Note 22) $'000	Share option reserve (Note 23c) $'000	Capital contribution reserves (Note 23d) $'000	Revenue reserves (Note 23f) $'000	Total $'000
At 1 January 2019	26,872	743	2,263	72,903	102,781
Loss for the year, representing total comprehensive income for the year	–	–	–	(1,642)	(1,642)
At 31 December 2019	26,872	743	2,263	71,261	101,139
At 1 January 2020	26,872	743	2,263	71,261	101,139
Profit for the year, representing total comprehensive income for the year	–	–	–	3,195	3,195
Dividends on ordinary shares, representing total distributions to owners (Note 29)	–	–	–	(10,000)	(10,000)
At 31 December 2020	26,872	743	2,263	64,456	94,334

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Speedy-Tech Electronics Ltd. and its subsidiaries

Consolidated cash flow statement
For the financial year ended 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000
Operating activities			
Profit/(loss) before tax		9,914	(5,309)
Adjustments:			
Depreciation of property, plant and equipment	10	7,607	8,049
Amortisation of intangible assets	11	229	229
Depreciation of right-of-use assets	18	3,752	2,459
Amortisation of deferred grants	21	(211)	(101)
Gain on disposal of property, plant and equipment	5	(368)	(97)
(Reversal of write-down of)/provision of inventory obsolescence, net	13	(2,015)	2,457
Finance costs	8	2,996	2,397
Interest income	5	(1,386)	(797)
Impairment loss of financial assets	14	–	1,130
Unrealised exchange (gain)/loss		(664)	445
Operating cash flows before changes in working capital		19,854	10,862
Changes in working capital:			
Decrease in inventories		3,764	19,824
Decrease in trade and other receivables		22,571	1,231
Decrease in contract assets		2,451	6,692
Decrease/(Increase) in prepayments		3	(103)
Decrease in trade and other payables		(5,773)	(18,232)
Cash flows generated from operations		42,870	20,274
Interest received	5	1,386	797
Interest income written off		–	(1,130)
Finance costs paid		(2,274)	(1,788)
Income taxes paid		114	(184)
Deferred charges		1,017	(8,975)
Net cash flows generated from operating activities		43,113	8,994
Investing activities			
Proceeds from disposal of property, plant and equipment		2,816	567
Net cash outflow on purchase of property, plant and equipment	10	(1,139)	(2,487)
Proceeds from government grants	21	421	–
Net cash flows from/(used in) investing activities		2,098	(1,920)
Financing activities			
Dividend paid	29	(10,000)	–
Payment of principal portion of lease liabilities	18	(3,511)	(2,202)
Interest paid on lease liabilities	18	(639)	(609)
Proceeds from/(repayment of) short-term bank loans	19	9,599	(16,711)
Decrease in amount due to intermediate holding company (non-trade), net	19	(774)	(5,952)
(Decrease)/increase in amount due to immediate holding company (non-trade)	19	(12,507)	29,969
Increase in amount due from related companies (non-trade), net	19	(3,183)	(11,274)
Net cash flows used in financing activities		(21,015)	(6,779)
Net increase in cash and cash equivalents		24,196	295
Effect of exchange rate changes on cash and cash equivalents		2,783	(569)
Cash and cash equivalents at beginning of year		39,998	40,272
Cash and cash equivalents at end of year (Note 16)		66,977	39,998

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Speedy-Tech Electronics Ltd (the Company) is a private limited company incorporated and domiciled in Singapore. The registered office of the Company is located at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 and its principal place of business is at Speedy-Tech Industrial Building, 20 Kian Teck Lane, Singapore 627854.

Its immediate holding company is IMI International (Singapore) Pte Ltd, a company incorporated and domiciled in Singapore. Its intermediate holding company and ultimate holding company is Integrated Micro-Electronics, Inc. ("IMI") and Ayala Corporation ("AC"), corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange.

The Group is principally engaged in the provision of Electronic Manufacturing Services and Power Electronics solutions to Original Equipment Manufacturer ("OEM") customers in the consumer electronics, computer peripherals/IT, industrial equipment, telecommunications and medical devices sectors. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Financial Reporting Standards in Singapore (FRSs).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (USD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *Changes in accounting polices*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2020. The adoption of these standards did not have material effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following relevant standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 103: *References to the Conceptual Framework*	1 January 2022
Amendments to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to FRS 109: *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	1 January 2022
Amendments to illustrative examples accompanying FRS 116: *Leases – Lease Incentives*	1 January 2022
Amendments to FRS 1: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(a) *Basis of consolidation (cont'd)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency*

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

2. Summary of significant accounting policies (cont'd)

2.6 *Property, plant and equipment (cont'd)*

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis with a residual value of 0% to 10% over the estimated useful life of the asset as follows:

Plant and machinery	5 - 10 years
Motor vehicles	5 years
Office equipment	3 - 5 years
Electronics equipment and computer software	3 - 5 years
Furniture and fittings	5 years
Tools and equipment	2 - 5 years
Leasehold building and improvements	5 - 30 years (over the term of lease)
EMC testing facility	3 - 10 years
Renovation	3 - 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Leases*

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.

<u>As lessee</u>

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 recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) ***Right-of-use assets***

The Group recognises 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 recognised, 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 remaining lease term, as follows:

Plant and equipment	2 to 8 years
Office equipment	2 to 6 years
Leasehold building and improvement	4 to 6 years
Motor vehicle	2 to 3 years

2. Summary of significant accounting policies (cont'd)

2.7 *Leases (cont'd)*

(a) *Right-of-use assets (cont'd)*

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. The accounting policy for impairment is disclosed in Note 2.9.

(b) *Lease liabilities*

At the commencement date of the lease, the Group recognises 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 recognised 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.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

<u>As lessor</u>

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in income in surplus or deficit due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

2.8 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment 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 de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Product development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (ranging from 4 to 8 years) on a straight line basis.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.11 *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 recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The financial assets of the Group consist of financial assets at amortised cost.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.11 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. 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.

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

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of financial assets (cont'd)*

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 recognises 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 consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering 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.

2.14 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials – purchase costs on a weighted average basis;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned as a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.16 *Borrowings costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.17 *Provisions*

Provisions are recognised 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Employee benefits*

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Singapore

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

People's Republic of China

The subsidiaries incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations, a defined contribution scheme. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. Contributions to this defined contribution scheme are recognised as an expense in the period in which the related service is performed.

Hong Kong

The subsidiary in Hong Kong participates in the defined Provident Fund, a defined contribution scheme. 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 recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.18 *Employee benefits (cont'd)*

Defined contribution plans (cont'd)

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Equity-settled transactions

The cost of equity-settled transactions with employees was measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account was taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions was recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Since the scheme was cancelled after the vesting period, share option reserves representing the cumulative share option expense recognised was retained as part of equity.

2.19 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Group is in the business of providing electronic manufacturing and other related services to various customers. 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.

2. Summary of significant accounting policies (cont'd)

2.19 *Revenue (cont'd)*

(a) *Manufacturing services*

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

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

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 recognised 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 FRS 115, 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.

Contract balances

A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

2. Summary of significant accounting policies (cont'd)

2.19 *Revenue (cont'd)*

(b) ***Tooling***

Non-recurring engineering charges and tooling (NREs) are recognised at a point in time as the criteria for over time recognition is not met. This is based on the assessment that while 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 the Group has enforceable right to payment or can recover the cost, plus reasonable margin, in case of contract termination. Revenue is recognised upon customer acceptance of the NREs.

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.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Rental income***

Rental income is recognised on a straight-line basis. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.20 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. 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 where appropriate.

2. Summary of significant accounting policies (cont'd)

2.20 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries, where 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 are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference 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 recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.20 *Taxes (cont'd)*

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.21 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.23 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. Summary of significant accounting policies (cont'd)

2.23 *Government grants (cont'd)*

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss or are deducted in reporting the related expenses.

3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(i) *Allowance for obsolete and slow-moving inventories*

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value.

Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period.

As at 31 December 2020, the carrying amounts of the Group's inventories amounted to $21,886,000 (2019: $23,635,000).

(a) *Critical judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following critical accounting judgements that will have a significant effect on the amounts recognised in the consolidated financial statements:

(i) *Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

4. Revenue

(a) *Disaggregation of revenue*

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Major revenue stream				
Manufacturing services	248,607	277,193	47,752	77,735
Tooling	2,720	650	–	–
	251,327	277,843	47,752	77,735
Timing of transfer of goods or services				
At a point in time	2,720	650	47,752	77,735
Over time	248,607	277,193	–	–
	251,327	277,843	47,752	77,735

(b) *Judgement and methods used in estimating revenue*

Recognition of revenue over time

For the sale of component parts where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of a promised good or service to a customer as it reflects Group's effort incurred to date relative to the total inputs expected to be incurred for the finished product.

(c) *Contract assets*

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Trade receivables (Note 14)	76,388	98,083	41,203	30,653
Contract assets	7,900	10,351	–	–

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for revenue earned from manufacturing services 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 recognised as contract assets are transferred to trade receivables when the rights become unconditional. The amounts included in contract assets at the beginning of the year was reclassified to trade receivables during the year.

5. Other operating income

	Note	Group		Company	
		2020	**2019**	**2020**	**2019**
		$'000	$'000	$'000	$'000
Sundry income		572	661	59	123
Government grants		4,475	698	–	–
Provision of test services		405	456	405	456
Interest income from:					
- banks		239	277	40	141
- subsidiaries		–	–	511	672
- related parties		1,147	520	1,147	520
Gain on disposal of property, plant and equipment	10	368	97	–	–
Gain on trading of materials		35	33	–	–
Dividend income		–	–	3,000	–
		7,241	2,742	5,162	1,912

Government grants received by the subsidiaries in People's Republic of China pertain to economic, technology and industrial development grants to encourage investments in technology and automation and one-off new enterprise grants.

6. Employee benefits expense

	Note	Group		Company	
		2020	**2019**	**2020**	**2019**
		$'000	$'000	$'000	$'000
Wages, salaries and bonuses(1)		41,463	45,972	1,829	1,622
Central Provident Fund/pension contributions		4,052	6,298	168	135
Other personnel benefits		5,178	3,418	36	42
	7	50,693	55,688	2,033	1,799

(1) Government grants relating to the Jobs Support Scheme ("JSS") amounting to $250,000 has been deducted in reporting the related salaries expenses for the financial year ended 31 December 2020.

7. Profit/(loss) before tax

Profit/(loss) before tax has been arrived after charging/(crediting) the following:

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Depreciation of property, plant and equipment	10	7,607	8,049	107	108
Depreciation of right-of-use assets	18	3,752	2,459	693	671
Exchange (gain)/loss, net		(2,951)	736	(168)	177
Employee benefits expense	6	50,693	55,688	2,033	1,799
(Reversal of write-down of)/provision of inventory obsolescence, net	13	(2,015)	2,457	–	–
Operating lease expenses	18	1,105	1,563	2	–
Inventories recognised as an expense in cost of sales	13	192,848	218,904	43,470	73,972

8. Finance costs

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Interest on bank loans	2,233	1,511	2,018	1,331
Interest on lease liabilities	639	609	181	194
Bank charges	124	277	26	30
Total finance costs	2,996	2,397	2,225	1,555

9. Income tax expense/(credit)

The major components of tax expense/(credit) for the year ended 31 December 2020 and 2019 are:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Current income tax				
Current year	134	124	–	–
Over-provision in respect of prior years	(72)	–	–	–
	62	124	–	–
Deferred income tax				
Origination and reversal of temporary differences	1,021	(2,222)	(4)	(20)
Overprovision of deferred tax liabilities	–	(22)	–	(22)
	1,021	(2,244)	–	(42)
Income tax expense/(credit) recognised in profit or loss	1,083	(2,120)	(4)	(42)

Relationship between tax expense/(credit) and accounting profit/(loss)

A reconciliation between the tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Profit/(loss) before tax	9,914	(5,309)	3,191	(1,684)
Tax at the domestic rates applicable to profits in the countries concerned*	1,494	(1,313)	542	(286)
Adjustments:				
Tax effect of expenses not deductible for tax purposes	430	547	349	492
Benefits from previously unrecognised tax losses	(107)	(317)	(37)	–
Effect of tax relief	(15)	–	(15)	–
Over-provision in respect of prior years	(72)	(22)	–	(22)
Income not subject to tax	(643)	(303)	(840)	(227)
Recognition of deferred tax assets previously not recognised	–	(713)	–	–
Others	(4)	1	(3)	1
Income tax expense/(credit) recognised in profit or loss	1,083	(2,120)	(4)	(42)

* The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

9. Income tax expense/(credit) (cont'd)

Speedy Tech Electronics (HK) Limited ("STHK")

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

Speedy-Tech (Philippines) Inc. ("STPHIL")

Speedy-Tech (Philippines) Inc. is registered with the Philippine Economic Zone Authority ("PEZA") as an economic zone export enterprise engaged in the manufacture and distribution of electronic products. As a registered enterprise, it is entitled to certain incentives, including the payment of income tax equivalent to 5% on gross income, as defined under Republic Act No. 7916, in lieu of all local and national taxes.

Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX"), IMI (Cheng Du) Ltd. ("IMICD") and IMI Technology (Shenzhen), Inc. ("IMISZ")

In accordance with the "Income Tax Law of the People's Republic of China (PRC) for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC 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 31 December 2020, STJX and IMISZ have been granted tax preference by the State Taxation Administration of the People's Republic of China 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% (2019: 25%) on its taxable income as reported in its financial statements, prepared in accordance with the accounting regulations in the PRC.

IMICD is subjected to taxation at the statutory tax rate of 15% (2019: 15%) on its taxable income as reported in the financial statement.

10. Property, plant and equipment

Group	Plant and machinery $'000	Motor vehicles $'000	Office equipment $'000	Electronics equipment and computer software $'000	Furniture and fittings $'000	Tools and equipment $'000	Leasehold building and improve-ments $'000	EMC testing facility $'000	Renovation $'000	Total $'000
Cost or valuation										
At 1 January 2019	82,727	618	2,075	3,343	2,222	6,869	4,050	2,466	5,061	109,431
Additions	1,181	12	230	386	130	152	109	1,140	1,127	4,467
Disposals	(3,068)	(11)	(184)	(68)	(76)	(293)	–	(11)	–	(3,711)
Currency realignment	(30)	(1)	(4)	(1)	(1)	(6)	–	–	(12)	(55)
At 31 December 2019 and 1 January 2020	80,810	618	2,117	3,660	2,275	6,722	4,159	3,595	6,176	110,132
Additions	2,795	12	172	130	23	143	455	685	201	4,616
Disposals	(7,392)	(1)	(99)	(205)	(69)	(286)	(52)	(1,220)	–	(9,324)
Currency realignment	1,936	22	21	179	145	35	13	42	471	2,864
At 31 December 2020	78,149	651	2,211	3,764	2,374	6,614	4,575	3,102	6,848	108,288
Accumulated depreciation and impairment loss										
At 1 January 2019	52,305	505	1,463	2,890	1,536	5,241	2,139	2,327	2,206	70,612
Charge for the year	5,223	71	367	268	222	477	759	42	620	8,049
Disposals	(2,637)	(11)	(184)	(46)	(76)	(287)	–	–	–	(3,241)
Currency realignment	(26)	(1)	(4)	(1)	(1)	(7)	–	–	(14)	(54)
At 31 December 2019 and 1 January 2020	54,865	564	1,642	3,111	1,681	5,424	2,898	2,369	2,812	75,366
Charge for the year	5,251	29	276	119	109	381	822	42	578	7,607
Disposals	(6,184)	(1)	(99)	(203)	(69)	(268)	(52)	–	–	(6,876)
Currency realignment	934	19	16	139	118	25	9	–	330	1,590
At 31 December 2020	54,866	611	1,835	3,166	1,839	5,562	3,677	2,411	3,720	77,687
Net carrying amount										
At 31 December 2019	25,945	54	475	549	594	1,298	1,261	1,226	3,364	34,766
At 31 December 2020	23,283	40	376	598	535	1,052	898	691	3,128	30,601

10. Property, plant and equipment (cont'd)

Company	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Computer software $'000	Leasehold building and improvements $'000	EMC testing facility $'000	Motor vehicle $'000	Total $'000
Cost								
At 1 January 2019	386	64	345	623	226	2,456	71	4,171
Additions	–	4	–	–	7	–	–	11
At 31 December 2019 and 1 January 2020	386	68	345	623	233	2,456	71	4,182
Additions	1	–	10	–	–	–	–	11
At 31 December 2020	387	68	355	623	233	2,456	71	4,193
Accumulated depreciation								
At 1 January 2019	366	51	337	623	99	2,328	62	3,866
Charge for the year	3	7	5	–	45	45	3	108
At 31 December 2019 and 1 January 2020	369	58	342	623	144	2,373	65	3,974
Charge for the year	4	5	6	–	47	42	3	107
At 31 December 2020	373	63	348	623	191	2,415	68	4,081
Net carrying amount								
At 31 December 2019	17	10	3	–	89	83	6	208
At 31 December 2020	14	5	7	–	42	41	3	112

10. Property, plant and equipment (cont'd)

Net cash outflow on purchase of PPE

	Group	
	2020	**2019**
	$'000	$'000
Current year additions	4,616	4,467
Net decrease in prepayment	(574)	(733)
Less: Other payables	(3,288)	(2,477)
Add: Cash outflow for settlement of payable relating to prior year additions to property, plant and equipment	385	1,230
Net cash outflow on purchase of property, plant and equipment	1,139	2,487

11. Intangible asset

	Group	
	2020	**2019**
	$'000	$'000
	Product development costs	
Cost		
At 1 January and 31 December	2,314	2,314
Accumulated amortisation		
At 1 January	1,799	1,570
Amortisation	229	229
At 31 December	2,028	1,799
Net carrying amount	286	515

Product development costs relate to the design, construction and testing of pre-production prototypes of new products and models and have an average amortisation period of 5 years. The amortisation of product development costs over the projected life commence upon mass production.

12. Investment in subsidiaries

	Company	
	20120	**2019**
	$'000	$'000
Unquoted equity shares at cost	42,284	42,284
Less: impairment losses	(542)	(542)
Carrying amount of investment	41,742	41,742
Movement in impairment losses:		
At 1 January and 31 December	542	542

The Group has the following investments in subsidiaries:

Name	Principal activities	Country of incorporation	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %
Held by the Company				
Speedy Tech Electronics (HK) Limited ("STHK") #	Procurement, marketing and supply chain services	Hong Kong	100	100
Speedy-Tech (Philippines) Inc. ("STPHIL") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	The Philippines	99.99	99.99
Speedy-Tech Electronics Inc.*	Marketing, liaison and support services (dormant)	United States of America	100	100

12. Investment in subsidiaries (cont'd)

The Group has the following investments in subsidiaries (cont'd):

Name	Principal activities	Country of incorporation	Effective equity interest held by the Group 2020 %	2019 %
Held by the Company (cont'd)				
Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	People's Republic of China	100	100
IMI (Cheng Du) Ltd. ("IMICD") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	People's Republic of China	100	100
IMI Technology (Shenzhen) Co., Ltd. ("IMISZ") #	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	People's Republic of China	100	100
Held by IMISZ				
IMI Smart Technology (Shenzhen) Co., Ltd. ("IMIST")	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	People's Republic of China	100	100

Audited by member firms of EY Global in the respective countries.

* The subsidiary was set up in 1999 with no paid-up capital. No audit is required by the law of its country of incorporation.

13. Inventories

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	18,904	22,787	–	–
Goods-in-transit	2,883	761	1,212	91
Tools	99	87	–	–
Total inventories at lower of cost and net realisable value	21,886	23,635	1,212	91
Income statement:				
Inventories recognised as an expense in cost of sales	192,848	218,904	43,470	73,972
(Reversal of write-down of)/provision of inventory obsolescence, net	(2,015)	2,457	–	–

14. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Trade receivables:				
- Third parties	63,261	86,668	7,071	11,758
- Intermediate holding company	10,364	11,057	73	–
- Immediate holding company	1,041	–	–	
- Subsidiaries	–	–	33,504	18,894
- Related companies	1,722	358	521	1
Total trade receivables	76,388	98,083	41,169	30,653
Other receivables:				
Other receivables	2,073	2,943	31	112
Deposits	124	136	122	120
Sales tax receivable	17	11	17	11
Due from intermediate holding company (non-trade)	921	554	368	–
Due from subsidiaries (non-trade)	–	–	35,852	51,685
Due from related companies (non-trade)	32,042	28,848	32,042	28,847
Total trade and other receivables	111,565	130,575	109,601	111,428
Less: Sales tax receivable	(17)	(11)	(17)	(11)
Add: Cash and cash equivalents	66,977	39,998	27,155	18,622
Add: Deferred charges (current and non-current)	10,595	11,612	–	–
Total financial assets carried at amortised cost	189,120	182,174	136,739	130,039

14. Trade and other receivables (cont'd)

Trade receivables

Trade receivables (receivables from contracts with customers) are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Renminbi	17,844	53,768	–	–

Related party balances

Amount due from intermediate holding company, subsidiaries and related companies (trade) are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Amount due from intermediate holding company (non-trade) are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Amount due from subsidiaries (non-trade) are unsecured, bears interest at rates ranging from 2.75% p.a. to 4.69% p.a. (2019: 4.48% p.a. to 5.39% p.a), repayable on demand and are to be settled in cash.

Amount due from related companies (non-trade) are unsecured, bears interest at rates ranging from 3.52% p.a. to 4.69% p.a. (2019: 4.34% p.a. to 6.11% p.a.), repayable on demand and are to be settled in cash amounted.

Deferred charges

Deferred charges represent tooling items customised based on the specifications of the customer and to be recovered as part of the manufactured items.

Expected credit loss

The Group has not recognised any allowance for expected credit losses of trade receivables and contract assets computed following assessments on recoverability as at 31 December 2020 and 2019.

During the financial year ended 31 December 2019, the Group and the Company wrote-off an amount due from related companies (non-trade) of $1,130,000.

15. Prepayments

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current:				
Prepayments for purchase of property, plant and equipment	2,067	2,641	–	–
Current:				
Prepaid operating expenses	187	190	23	2

16. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Fixed deposits[1]	–	8,016	–	8,016
Cash and bank balances [2]	66,977	31,982	27,155	10,606
Cash and short-term deposits	66,977	39,998	27,155	18,622

(1) Fixed deposits are mainly short-term deposits made for varying periods of approximately one week to two months depending on the immediate cash requirements of the Group and bears interest from 0.03% to 1.47% p.a. (2019: 1.43% to 2.28% p.a.).

(2) Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Singapore Dollar	435	223	435	223
Euro	1,246	1,827	28	25
Renminbi	2,177	12,455	–	–

17. Trade and other payables

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Trade payables:				
- Third parties	48,569	56,661	5,950	6,000
- Intermediate holding company	1,477	375	113	–
- Immediate holding company	7,600	3,824	7,600	3,824
- Subsidiaries	–	–	15,748	3,678
- Related companies	468	147	–	–
Total trade payables	58,114	61,007	29,411	13,502
Other payables:				
Other payables	8,614	11,164	449	503
Accrued operating expenses	15,034	12,321	1,051	1,107
Due to intermediate holding company (non-trade)	1,131	1,538	390	–
Due to immediate holding company (non-trade)	17,462	29,969	17,462	29,969
Due to subsidiaries (non-trade)	–	–	1,051	459
Due to related companies (non-trade)	14	3	–	3
Sales tax payable	508	566	–	–
Total trade and other payables	100,877	116,568	49,814	45,543
Less: Sales tax payable	(508)	(566)	–	–
Add: Borrowings (current and non-current)	47,409	35,856	38,505	28,908
Total financial liabilities carried at amortised cost	147,778	151,858	88,319	74,451

Trade payables are non-interest bearing and are generally on 30 to 60 days' terms.

Other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Related party balances

Amount due to intermediate holding company, immediate holding company, subsidiaries and related companies are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Included in trade payables are the following amounts denominated in foreign currencies at 31 December:

	Group 2020 $'009	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Euro	2,164	1,409	101	–
Hong Kong Dollar	84	221	4	–
Renminbi	10,408	26,605	–	–

18. Rights-of-use assets/ leases

As a lessee

The Group and the Company have lease contracts for plant and equipment, office equipment, leasehold building and improvements and motor vehicles used in its operations. The estimated useful lives of the right-of-use assets are set out in Note 2.7. Leases of factories generally have lease terms between 3 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Plant and equipment $'000	Office equipment $'000	Leasehold building and improve-ments $'000	Motor vehicles $'000	Total $'000
At 1 January 2019	3,017	–	8,231	141	11,389
Additions	–	775	–	80	855
Depreciation expense	(1,418)	(109)	(848)	(84)	(2,459)
At 31 December 2019 and 1 January 2020	1,599	666	7,383	137	9,785
Additions	5,007	–	–	–	5,007
Depreciation expense	(3,537)	(131)	–	(84)	(3,752)
Currency alignment	251	–	–	–	251
At 31 December 2020	3,320	535	7,383	53	11,291

Company	Office equipment $'000	Leasehold building and improve-ments $'000	Total $'000
At 1 January 2019	–	3,373	3,373
Additions	775	–	775
Depreciation expense	(109)	(562)	(671)
At 1 January 2020	666	2,811	3,477
Depreciation expense	(131)	(562)	(693)
At 31 December 2020	535	2,249	2,784

18. Rights-of-use assets/ leases (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At 1 January 2019	9,955	11,389	3,608	3,373
Additions	5,007	855	–	775
Accretion of interest	639	609	181	194
Payments	(4,150)	(2,811)	(784)	(735)
Translation differences	458	(87)	–	1
At 31 December 2019	11,909	9,955	3,005	3,608
Current	3,515	1,915	664	614
Non-current	8,395	8,040	2,341	2,994

The following are the amounts recognised in profit or loss:

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Depreciation of right-of-use assets		3,752	2,459	693	672
Interest on lease liabilities	8	639	609	181	194
Expense relating to short-term and low value leases	7	1,105	1,563	2	–
Total amounts recognised in profit or loss		5,496	4,631	876	866

The Group had a total cash outflows for leases of $5,255,000 (2019: $4,374,000).

19. Borrowings

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Current:					
- Short term bank loan		35,500	25,901	35,500	25,300
- Lease liabilities	18	3,515	1,915	664	614
		39,015	27,816	36,164	25,914
Non-current:					
- Lease liabilities	18	8,394	8,040	2,341	2,994

19. Borrowings (cont'd)

The unsecured Singapore Dollar denominated short term bank loan of the Group and Company is revolving in nature and bears interest at rates ranging from 2.93% to 4.46% (2019: 3.46% to 5.46%) per annum.

A reconciliation arising from the Group's financing activities is as follows:

			Non-cash changes			
	1 January 2020 $'000	**Cash flows** $'000	**Translation differences** $'000	**Additions** $'000	**Interest accretion** $'000	**31 December 2020** $'000
Group						
Lease liabilities	9,955	(4,150)	458	5,007	639	11,909
Short-term bank loan	25,901	9,599	–	–	–	35,500
Amount due to intermediate holding company (non-trade), net	984	(774)	–	–	–	210
Amount due to immediate holding company (non-trade)	29,969	(12,507)	–	–	–	17,462
Amount due from related companies (non-trade), net	(28,845)	(3,183)	–	–	–	(32,028)

			Non-cash changes			
	1 January 2019 $'000	**Cash flows** $'000	**Translation differences** $'000	**Additions** $'000	**Interest accretion** $'000	**31 December 2019** $'000
Group						
Lease liabilities	11,389	(2,811)	(87)	855	609	9,955
Short-term bank loan	42,612	(16,711)	–	–	–	25,901
Amount due to intermediate holding company (non-trade), net	6,936	(5,952)	–	–	–	984
Amount due to immediate holding company (non-trade)	–	29,969	–	–	–	29,969
Amount due from related companies (non-trade), net	(17,571)	(11,274)	–	–	–	(28,845)

20. Deferred taxation

	Balance sheet		Consolidated income statement	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Group				
Deferred tax assets				
Tax written-down value in excess of net book value of qualifying fixed assets	81	317	236	(317)
Provision for inventory obsolescence	255	919	664	(919)
Provisions	438	448	10	(448)
Unutilised tax losses	194	300	106	(300)
Leases	70	240	170	(240)
	1,038	2,224		
Deferred tax liabilities				
Others	–	165	(165)	(20)
Total deferred tax asset	1,038	2,059		
Deferred tax expense/(credit)			1,021	(2,244)

	Balance sheet		Income statement	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Company				
Deferred tax assets				
Leases	24	20	(4)	(20)
Deferred tax liabilities				
Others	–	–	–	(22)
Total deferred tax asset	24	20		
Deferred tax credit			(4)	(42)

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $15,295,000 (2019: $7,991,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

20. Deferred taxation (cont'd)

Unrecognised tax losses (cont'd)

The maximum number of years that the unutilised tax losses could be carried forward in China is 5 years.

The unabsorbed tax losses with expiry date, for which no deferred tax asset is recognised due to uncertainty of its recoverability, are as follows:

Year incurred	Expiry date	Unabsorbed tax losses
		$'000
2017	31 December 2022	1,608
2018	31 December 2023	5,430
2019	31 December 2024	5,344
2020	31 December 2025	2,913

There are no expired unabsorbed tax losses.

21. Deferred Grants

	Group	
	2020	**2019**
	$'000	$'000
Grants		
At 1 January	551	551
Received during the financial year	421	–
At 31 December	972	551
Accumulated amortisation		
At 1 January	128	25
Amortisation	211	101
Translation differences	(2)	2
At 31 December	337	128
Net carrying amount		
Current	155	101
Non-current	480	322
	635	423

Deferred capital grants relate to government grants received for the acquisition of equipment for research activities undertaken by the Group's subsidiary in People's Republic of China to promote technology advancement and transfer. There are no unfulfilled conditions or contingencies attached to these grants.

22. Share capital

Group and Company	No. of shares 2020 '000	2020 $'000	No. of shares 2019 '000	2019 $'000
Issued and fully paid				
At 1 January and 31 December	376,200	26,872	376,200	26,872

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

23. Reserves

(a) ***Revaluation and capital reserves***

(i) Revaluation reserve represents increase in the fair value of freehold land and buildings, net of tax, and decrease to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(ii) Capital reserve represents premium paid or discount on acquisition of non-controlling interest.

These reserves are not available for distribution.

(b) ***Restricted reserves***

Pursuant to the relevant laws in the People's Republic of China ("PRC"), the PRC subsidiaries of the Group have each set up a general reserve fund and an enterprise expansion fund by way of appropriation from their PRC statutory net profits at a rate to be determined by the board of directors of the subsidiaries. The respective board of directors of the subsidiaries use a guideline, that 10% of the PRC statutory profit after tax be appropriated each year to the general reserve fund and enterprise expansion reserve fund respectively. The funds may be utilised to off-set accumulated losses or increase the capital of the PRC subsidiaries, subject to approval from the PRC authorities. The funds are not available for dividend distribution to the shareholders.

(c) ***Share option reserve***

Share option reserve are made up of the cumulative value of services received from employees recorded over the vesting period commencing from grant date, in relation to the Speedy-Tech Employee Stock Option Scheme 2003 which has since lapsed.

(d) ***Capital contribution reserves***

Capital contribution reserves are made up of the difference between the fair value and the subscription price of the share of the Integrated Microelectronics, Inc. ESOWN granted to employees of the Group.

23. Reserves (cont'd)

(e) ***Foreign currency translation reserve***

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

(f) ***Revenue reserves***

Revenue reserves of the Company are available for distribution as dividend.

24. Related party information

An equity or individual is considered a related party of the group for the purposes of the financial statements if: i) possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or ii) it is subject to common control or common significant influence.

The Group did not have any significant transactions with related parties, who are not members of the Group, on terms agreed between the parties, except as disclosed below.

(a) ***Sale and purchase of goods and services***

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Sales				
- Intermediate holding company	25,407	19,560	124	1,716
- Immediate holding company	1,047	13,651	6	13,651
- Subsidiaries	–	–	22,534	26,879
Purchases				
- Intermediate holding company	7,116	11,464	6,162	11,194
- Immediate holding company	530	–	530	–
- Subsidiaries	–	–	21,833	44,273
Recovery costs				
- Intermediate holding company	871	1,064	75	1,064

24. Related party information (cont'd)

(b) ***Compensation of key management personnel***

	Group and Company	
	2020	**2019**
	$'000	$'000
Short-term employee benefits	710	497
Pension and post-employment medical benefits	23	13
Total compensation entitled to key management personnel	733	510
Comprise amounts entitled to:		
Directors of the Company	362	365
Other key management personnel	371	145
	733	510

25. Commitment

Lease commitments

The Group has no lease contracts that have not yet commenced as at 31 December 2020.

26. Financial risk management objectives and policies

The Group and the Company principal financial instruments, other than derivative financial instruments, comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to changes in interest rates relates primarily to the Group's debt obligations. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

26. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

As the end of the reporting period, it is estimated that a general increase/decrease of 75 (2019: 75) basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit before tax by approximately $266,000 (2019: increase/decrease the Group's loss before tax by approximately $221,000).

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 75 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2019.

Foreign currency risk

The Group is exposed to foreign currency risk from revenues generated and cost incurred in foreign currencies, principally in Chinese Renminbi ("RMB"), Hong Kong Dollars ("HKD"), Singapore Dollars ("SGD") and Euro ("EUR"). The Group does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in RMB.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including, People's Republic of China (PRC) and Hong Kong. The Group's net investments in PRC and Hong Kong are not hedged as currency positions in RMB and HKD are considered to be long-term in nature.

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 to hedge any material exposure where appropriate.

26. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in RMB and EUR exchange rates (against USD), with all other variables held constant, of the Group's profit before tax.

			Group	
			2020	**2019**
			$'000	$'000
			Profit before tax Increase/(decrease)	Loss before tax (Decrease)/increase
RMB	–	strengthened 4% (2019: 4%)	279	(967)
	–	weakened 4% (2019: 4%)	(279)	967
EUR	–	strengthened 4% (2019: 4%)	44	(78)
	–	weakened 4% (2019: 4%)	(44)	78

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

26. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on the contractual undiscounted payments.

2020	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Group				
Financial assets:				
Deferred charges	451	2,517	7,627	10,595
Trade and other receivables	111,565	–	–	111,565
Cash and cash equivalents	66,977	–	–	66,977
Less: Sales tax receivable	(17)	–	–	(17)
Total undiscounted financial assets	178,976	2,517	7,627	189,120
Financial liabilities:				
Trade and other payables	100,877	–	–	100,877
Borrowings	39,323	8,948	–	48,271
Less: Sales tax payable	(508)	–	–	(508)
Total undiscounted financial liabilities	139,692	8,948	–	148,640
Total net undiscounted financial assets	39,284	(6,431)	7,627	40,480

2019	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Group				
Financial assets:				
Deferred charges	334	1,243	10,035	11,612
Trade and other receivables	130,575	–	–	130,575
Cash and cash equivalents	39,998	–	–	39,998
Less: Sales tax receivable	(11)	–	–	(11)
Total undiscounted financial assets	170,896	1,243	10,035	182,174
Financial liabilities:				
Trade and other payables	116,568	–	–	116,568
Borrowings	28,455	8,901	–	37,356
Less: Sales tax payable	(566)	–	–	(566)
Total undiscounted financial liabilities	144,457	8,901	–	153,358
Total net undiscounted financial assets	26,439	(7,658)	10,035	28,816

26. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	2020 One year or less $'000	2020 One to five years $'000	2020 Total $'000	2019 One year or less $'000	2019 One to five years $'000	2019 Total $'000
Company						
Financial assets:						
Trade and other receivables	109,601	–	109,601	111,428	–	111,428
Cash and cash equivalents	27,155	–	27,155	18,622	–	18,622
Less: Sales tax receivable	(17)	–	(17)	(11)	–	(11)
Total undiscounted financial assets	136,739	–	136,739	130,039	–	130,039
Financial liabilities:						
Trade and other payables	49,814	–	49,814	45,543	–	45,543
Borrowings	36,312	2,551	38,863	26,095	3,352	29,447
Total undiscounted financial liabilities	86,126	2,551	88,677	71,638	3,352	74,990
Total net undiscounted financial assets	50,613	(2,551)	48,062	58,401	(3,352)	55,049

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that 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. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

26. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets

The Group has determined the default event on financial asset to be when there are information indicating that the Group is unlikely to receive the outstanding contractual amounts in full. Such information includes discontinuance of orders, financial difficulty or insolvency, probable bankruptcy or other financial reorganisation. The Group's historical information shows low defaulted accounts which were also substantially recovered subsequently, resulting in insignificant write-offs.

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. Historically, the Group did not incur any bad debt.

The expected credit losses also incorporate forward looking information. The Group uses compounded annual growth rate (CAGR) of the worldwide Electronics Assembly Market for Electronics Products Forecast being published annually by New Venture Research Corp. (NVR) as forward-looking estimate. Based on the assessment, the Group has concluded a forward-looking default rate of zero.

Hence, the lifetime expected credit loss will have no impact on the Group trade receivables and contract assets.

Summarised below is the information about the credit risk exposure on the Group's trade receivables:

	< 30 days past due $'000	**> 30 days past due** $'000	**> 60 days past due** $'000	**> 90 days past due** $'000	**Total** $'000
2020					
Carrying amount	2,993	295	86	10	3,384

	< 30 days past due $'000	**> 30 days past due** $'000	**> 60 days past due** $'000	**> 90 days past due** $'000	**Total** $'000
2019					
Carrying amount	3,401	55	1,808	136	5,400

The Group does not have loss allowance movement of trade receivables and contract assets.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

26. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit risk concentration profile

At the end of the reporting period, approximately:

- 28% (2019: 39%) of the Group's trade receivables were due from 3 major customers of the Group.
- 41% (2019: 31%) of the Group's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 (Trade and other receivables).

27. Fair value of financial instruments

(a) ***Fair value hierarchy***

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

27. Fair value of financial instruments (cont'd)

(b) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Bank balances, short-term receivables, short-term bank loan and other current liabilities

The carrying amounts approximate fair values due to the relatively short period to maturity of these instruments.

Deferred charges (non-current)

The carrying amounts of deferred charges (non-current) as disclosed in Note 15 are reasonable approximation of fair values as the consideration of time value of money is not material.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in the respective notes to the financial statements, where applicable.

The Group and Company does not have any financial instruments that are carried at fair value or any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

28. 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 maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

As disclosed in Note 23(b), the subsidiaries of the Group are required by the relevant laws of the PRC to contribute to and maintain restricted reserves whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes all liabilities (excluding tax payables) less cash and cash equivalents as the net debt. Capital includes equity attributable to the equity holder of the Company less the abovementioned restricted reserves.

28. Capital management (cont'd)

	Note	Group 2020 $'000	Group 2019 $'000
Trade and other payables	17	100,877	116,568
Borrowings	19	47,409	35,856
Less: Cash and cash equivalents	16	(66,977)	(39,998)
Net debt		81,309	112,426
Equity attributable to equity holder of the Company		115,296	113,280
Less: Restricted reserves	23(b)	(11,860)	(11,727)
Total capital		103,436	101,553
Capital and net debt		184,745	213,979
Gearing ratio		44%	53%

29. Dividends on ordinary shares

	Group and Company 2020 $'000	Group and Company 2019 $'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Interim exempt (one-tier) dividend for 2020: 2.66 cents (2019: Nil) per share	10,000	–

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 15 March 2021.

EXHIBIT 5

2020 Audited Annual Financial Statements,
Cooperatief IMI Europe U.A. and Subsidiaries

Coöperatief IMI Europe U.A. and Subsidiaries

Consolidated Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Directors
Coöperatief IMI Europe U.A. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Coöperatief IMI Europe U.A. and 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 members' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended 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.

Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which describes the basis of preparation. The consolidated financial statements are prepared to assist Integrated Micro-Electronics, Inc. (IMI) to meet the requirements of the Philippine Securities and Exchange Commission (SEC). As a result, the consolidated financial statements may not be suitable for another purpose. Our auditor's report is intended solely for IMI and the Philippine SEC and should not be used by parties other than IMI and the Philippine SEC.

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.

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- 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.

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

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$149,478,460**	$58,886,054
Receivables (Note 6)	**131,639,266**	132,188,743
Contract assets (Note 7)	**17,386,136**	19,444,373
Inventories (Note 8)	**77,985,765**	82,581,401
Other current assets (Note 9)	**9,383,361**	13,784,334
Total Current Assets	**385,872,988**	306,884,905
Noncurrent Assets		
Property, plant and equipment (Note 10)	**108,340,231**	109,155,188
Goodwill (Notes 2 and 11)	**49,284,453**	44,830,772
Intangible assets (Note 12)	**12,092,229**	17,460,147
Deferred tax assets (Note 24)	**1,365,788**	957,822
Right-of-use assets (Notes 27)	**14,520,676**	15,251,073
Other noncurrent assets (Note 13)	**6,097,399**	6,383,220
Total Noncurrent Assets	**191,700,776**	194,038,222
	$577,573,764	$500,923,127
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**$121,122,010**	$120,098,325
Contract liabilities (Note 7)	**6,162**	–
Loans payable (Note 15)	**97,878,528**	124,256,615
Other financial liabilities (Notes 17 and 29)	**88,361**	16,892,858
Current portion of lease liabilities (Note 27)	**853,881**	572,036
Current portion of long-term debt (Note 16)	**2,109,394**	2,207,902
Income tax payable	**2,179,368**	510,164
Total Current Liabilities	**224,237,704**	264,537,900
Noncurrent Liabilities		
Due to related parties (Note 28)	**17,770,665**	28,808,733
Noncurrent portion of lease liabilities (Note 27)	**14,658,862**	14,831,273
Noncurrent portion of long-term debt (Note 16)	**2,414,967**	4,380,913
Deferred tax liabilities (Note 24)	**1,491,966**	1,762,774
Retirement liability (Note 25)	**1,758,836**	1,314,852
Other noncurrent liabilities (Note 23)	**3,177,433**	2,068,010
Total Noncurrent Liabilities	**41,272,729**	53,166,555
Total Liabilities	**265,510,433**	317,704,455
MEMBERS' EQUITY		
Equity Attributable to the owners of the Parent		
Members' contribution (Note 18)	**75,269,893**	75,269,893
Additional paid-in capital (Note 18)	**36,118,436**	(11,608,119)
Retained earnings	**132,367,089**	135,365,963
Cumulative translation adjustment (Note 18)	**4,286,471**	(16,863,771)
Remeasurement losses on defined benefit plan	**(571,778)**	(451,780)
	247,470,111	181,712,186
Equity Attributable to Non-controlling Interest in a Consolidated Subsidiary	**64,593,220**	1,506,486
Total Members' Equity	**312,063,331**	183,218,672
	$577,573,764	$500,923,127

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)	**$566,548,683**	$639,196,849
COST OF SALES (Note 20)	**514,932,814**	593,565,670
GROSS PROFIT	**51,615,869**	45,631,179
OPERATING EXPENSES (Note 21)	**(41,697,245)**	(47,165,942)
OTHERS - net		
Interest and other financing charges (Note 23)	**(4,881,823)**	(5,784,668)
Foreign exchange losses – net	**(2,184,670)**	(2,938,636)
Interest income (Note 5)	**4,991**	3,559
Miscellaneous income - net (Note 23)	**3,208,493**	1,476,382
	(3,853,009)	(7,243,363)
INCOME (LOSS) BEFORE INCOME TAX	**6,065,615**	(8,778,126)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	**4,543,067**	2,939,286
Deferred	**(1,322,090)**	(1,042,471)
	3,220,977	1,896,815
NET INCOME (LOSS)	**$2,844,638**	($10,674,941)
Net Income Attributable to:		
Equity holders of the Parent Company	**$4,682,896**	($5,580,840)
Non-controlling interests	**(1,838,258)**	(5,094,101)
	$2,844,638	($10,674,941)

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
NET INCOME (LOSS)	**$2,844,638**	($10,674,941)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	**23,549,199**	(8,483,483)
Other comprehensive loss not to be reclassified into profit or loss in subsequent periods:		
Remeasurement losses on defined benefit plan	**(119,998)**	(98,536)
	23,429,201	(8,582,019)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$26,273,839**	($19,256,960)
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	**$25,713,140**	($13,623,604)
Non-controlling interests	**560,699**	(5,633,356)
	$26,273,839	($19,256,960)

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Attributable to Equity Holders of the Parent Company			Other Comprehensive Income (Loss)		Attributable to Non-controlling	
	Members' Contribution (Note 18)	**Additional Paid-in Capital** (Note 18)	**Retained Earnings** (Note 2)	**Cumulative Translation Adjustment** (Note 18)	**Remeasurement Losses on Defined Benefit Plans**	**Interests in a Consolidated Subsidiary**	**Total**
Balances at January 1, 2020	**$75,269,893**	**($11,608,119)**	**$135,365,963**	**($16,863,771)**	**($451,780)**	**$1,506,486**	**$183,218,672**
Dilution of ownership interest in a subsidiary	**–**	**32,397,610**	**–**	**–**	**–**	**62,526,035**	**94,923,645**
Derecognition of put option financial liability	**–**	**15,328,945**	**–**	**–**	**–**	**–**	**15,328,945**
Cash dividends (Note 18)	**–**	**–**	**(7,681,770)**	**–**	**–**	**–**	**(7,681,770)**
	75,269,893	**36,118,436**	**127,684,193**	**(16,863,771)**	**($451,780)**	**64,032,521**	**285,789,492**
Net income (loss)	**–**	**–**	**4,682,896**	**–**	**–**	**(1,838,258)**	**2,844,638**
Other comprehensive income (loss)	**–**	**–**	**–**	**21,150,242**	**(119,998)**	**2,398,957**	**23,429,201**
Total comprehensive loss	**–**	**–**	**4,682,896**	**21,150,242**	**(119,998)**	**560,699**	**26,273,839**
Balances at December 31, 2020	**$75,269,893**	**$36,118,436**	**$132,367,089**	**$4,286,471**	**($571,778)**	**$64,593,220**	**$312,063,331**
Balances at January 1, 2019	$75,269,893	($11,608,119)	$139,266,417	($8,657,017)	($353,244)	$4,358,993	$198,276,923
Effect of finalization of business combination	–	–	1,680,386	(262,526)	–	2,780,849	4,198,709
Balances at January 1, 2019, as restated	75,269,893	(11,608,119)	140,946,803	(8,919,543)	(353,244)	7,139,842	202,475,632
Allocation of share-based payments (Note 26)	–	–	–	–	–	–	–
	75,269,893	(11,608,119)	140,946,803	(8,919,543)	(353,244)	7,139,842	202,475,632
Net loss	–	–	(5,580,840)	–	–	(5,094,101)	(10,674,941)
Other comprehensive loss	–	–	–	(7,944,228)	(98,536)	(539,255)	(8,582,019)
Total comprehensive loss	–	–	(5,580,840)	(7,944,228)	(98,536)	(5,633,356)	(19,256,960)
Balances at December 31, 2019	$75,269,893	($11,608,119)	$135,365,963	($16,863,771)	($451,780)	$1,506,486	$183,218,672

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**$6,065,615**	($8,778,126)
Adjustments for:		
Depreciation of property, plant and equipment (Note 10)	**17,028,520**	16,662,122
Interest expense on loans (Note 23)	**4,283,847**	4,568,321
Amortization of intangible assets (Note 12)	**4,985,143**	4,566,583
Amortization of right-of-use asset (Note 27)	**2,805,098**	2,444,731
Mark-to-market loss (gain) on put-option (Notes 17 and 23)	**(2,467,550)**	1,616,914
Unrealized foreign exchange loss - net	**2,792,488**	496,106
Interest expense on lease liabilities (Notes 23 and 27)	**413,372**	346,574
Loss (gain) on sale of property, plant and equipment (Notes 10 and 23)	**16,950**	(37,447)
Interest income (Note 5)	**(4,991)**	(3,559)
Impairment loss on product development cost (Notes 12 and 23)	**996,679**	–
Impairment of property, plant and equipment (Notes 10 and 23)	**1,949,128**	–
Operating income before working capital changes	**38,864,299**	21,882,219
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**10,395,480**	(6,774,976)
Inventories	**10,421,599**	10,211,030
Contract assets	**2,058,237**	(911,850)
Other current assets	**(2,801,489)**	21,291
Increase (decrease) in:		
Accounts payable and accrued expenses	**(3,413,995)**	3,641,942
Other noncurrent liabilities	**(9,928,645)**	(1,329,452)
Retirement liabilities	**160,475**	59,435
Net cash generated from operations	**45,755,961**	26,799,639
Income tax paid	**(2,873,863)**	(4,616,090)
Interest paid	**(3,345,431)**	(7,325,265)
Interest received	**4,991**	3,559
Net cash provided by (used in) operating activities	**39,541,658**	14,861,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 10)	**(9,944,009)**	(16,145,539)
Intangible assets (Note 12)	**(518,137)**	(1,220,852)
Decrease in other noncurrent assets	**285,821**	2,521,911
Proceeds from sale of property, plant and equipment	**185,350**	100,468
Net cash used in investing activities	**(9,990,975)**	(14,744,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Net proceeds from subsidiary's public offering	**106,787,500**	–
Availment of loans payable and long-term debt (Note 32)	**43,872,007**	27,194,096
Payments of:		
Loans payable (Note 32)	**(72,871,516)**	(10,222,403)
Long-term debt (Note 32)	**(2,458,035)**	(2,345,457)
Lease liabilities (Note 32)	**(3,013,965)**	(2,592,929)
Dividends paid to equity holders of the Parent Company (Note 18)	**(7,681,770)**	–
Net cash provided by financing activities	**64,634,221**	12,033,307
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH	**(3,592,498)**	(230,701)
NET INCREASE IN CASH	**90,592,406**	11,920,437
CASH AT BEGINNING OF YEAR	**58,886,054**	46,965,617
CASH AT END OF YEAR (Note 5)	**$149,478,460**	$58,886,054

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

Coöperatief IMI Europe U.A. (Coöperatief or the Parent Company), a non-stock holding entity registered under the laws of Amsterdam, the Netherlands on May 2, 2011, has six direct subsidiaries, namely: Integrated Micro-Electronics Bulgaria EOOD (IMI BG), Integrated Micro-Electronics Czech Republic s.r.o. (IMI CZ), Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (IMI MX), Integrated Micro-Electronics d.o.o. Niš (IMI Serbia), VIA Optronics AG (VIA) and IMI France SAS (IMI France) (collectively referred to as the Group).

The registered office address of the Parent Company is Locatellikade 1, 1077 MA Amsterdam, the Netherlands.

IMI 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. (the Ultimate Parent Company) and the rest by the public.

In 2011, the Parent Company acquired IMI BG, IMI CZ and IMI MX (collectively referred to as IMI EU/MX Subsidiaries). IMI EU/MX Subsidiaries design and produce printed circuit board assemblies, engage in plastic injection, embedded tool shop, 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, Coöperatief acquired a 76.01% ownership interest in VIA, a Germany-based company with operations in Germany and China and sales offices in the United States America (USA) and Taiwan. VIA is a leading provider for optical bonding, a key technology to lower reflections thus enabling sunlight readability and increasing robustness, which is mandatory to allow thinner and lighter portable display solutions. 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 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.

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 18).

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.

The consolidated financial statements as of and for the years ended December 31, 2019 and 2018 were authorized for issue by Coöperatief'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:

Name of Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation	Functional Currency
Integrated Micro-Electronics Bulgaria EOOD	**100.00%**	100.00%	Bulgaria	Euro (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	United States Dollar (USD)
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics AG (VIA) [a/b]	**50.32%**	76.01%	Germany	EUR
VIA Optronics GmbH (VIA)	**100.00%**	100.00%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhuo)	**100.00%**	100.00%	China	Renminbi (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)

[a] *IMI Cooperatief'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)*
[b] *New entities of VIA in 2019*

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)	(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:

<u>Consolidated Balance Sheet</u>

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

<u>Consolidated Statement of Income</u>

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 are prepared to assist IMI to meet its requirement with the Philippine SEC. In this regard, the consolidated financial statements may not be suitable for another purpose.

The financial information included herein for the year 2020 for VIA may change; however, the Group does not expect any such changes to be material, in the aggregate, to the Group.

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 Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of and for the years ended December 31, 2020 and 2019.

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 balance sheet, 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 asset 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 loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while the resulting gain or loss is recognized in profit or loss. Any investment retained is recognized 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 beginning January 1, 2020. The amendments did not have any significant impact since the Group did not receive any rent concession during the year.

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.

Current versus Noncurrent Classification
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 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

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).

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 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 statement of financial position) 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, financial liabilities on put options over the non-controlling interests.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category applies to the Group's accounts payable and accrued expenses (excluding from 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.

Fair Value Measurement
The Group measures its derivatives 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 29.

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 by 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.

Inventories
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.

Deferred Charges
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.

Property, Plant and Equipment
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.

<u>Intangible Assets</u>
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 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 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
Members' Contribution
Members' contribution pertains to the capital contributed by members.

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 are charged to the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against "Retained earnings" account.

The financial liability arising from the put options over the non-controlling interest of VIA was recognized with a corresponding debit to the "Additional paid-in capital" account.

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.

Retained earnings
Retained earnings represent the net accumulated earnings of the Group.

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, 2019 and 2018.

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

Expenses of the Group include cost of sales, operating expenses and interest expense.

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 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

The functional currencies of the Group's foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to USD, which is IMI'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.

Retirement and Other Employee Benefits
Defined benefit plans
IMI BG and IMI Serbia maintain separate defined benefit plans covering substantially all of their employees. The plans of IMI BG and IMI Serbia are 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 Czech Republic, Mexico and Germany (including China) 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.

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.

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 IMI Singapore 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.

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 27.

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 to 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 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.

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 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 the current equity value of the acquiree, forecasted interest rate and probability of trigger events occurring. The current 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.

Further details on the valuation of the put options are disclosed in Note 29.

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 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 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 and intangible assets are disclosed in Notes 10 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, 27, 11, 12 and 13, respectively.

Details of the impairment loss recognized are disclosed in Note 23.

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 24.

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 and actual experiences during the period.

Further details on retirement and other employee benefits are disclosed in Note 25.

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**$17,411**	$14,619
Cash in banks	**149,461,049**	58,871,435
	$149,478,460	$58,886,054

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 amounted to $4,991 and $3,559 in 2020 and 2019, respectively.

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 18).

6. Receivables

This account consists of:

	2020	2019
Trade	**$130,271,861**	$131,058,270
Nontrade	**117,909**	1,124,652
Due from related parties (Note 28)	**2,414,017**	757,553
Others	**132,359**	71,448
	132,936,146	133,011,923
Less allowance for ECLs	**1,296,880**	823,180
	$131,639,266	$132,188,743

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.

Allowance for ECLs
Trade receivables with aggregate nominal value of $1.29 million and $0.82 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 follow:

	2020	2019
At beginning of year	**$823,180**	$770,610
Provisions (Note 22)	**465,819**	37,171
Foreign currency exchange difference	**7,881**	15,399
At end of year	**$1,296,880**	$823,180

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

7. Contract Assets

This account consists of:

	2020	2019
Contract assets	**$17,386,136**	$19,444,373
Contract liabilities	**6,162**	–

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 year 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 Group applies the practical expedient in PFRS 15 and does not disclose information about the transaction price allocated to remaining performance obligations given contracts have original expected duration of one year or less.

8. Inventories

This account consists of:

	2020	2019
Cost		
Raw materials and supplies	**$68,356,140**	$71,896,914
Work-in-process	**5,176,723**	6,608,715
Finished goods	**7,943,598**	8,496,430
	81,476,461	87,002,059
Allowance for inventory obsolescence		
Inventory obsolescence	**3,490,696**	4,420,658
	$77,985,765	$82,581,401

The amount of inventories recognized as expense under “Cost of sales” account amounted to $419.27 million in 2020 and $484.52 million in 2019 (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 follow:

	2020	2019
At beginning of year	**$4,420,658**	$3,371,666
Provisions (reversals) (Note 22)	**(933,289)**	1,048,992
Foreign currency exchange difference	**3,327**	–
At end of year	**$3,490,696**	$4,420,658

9. Other Current Assets

This account consists of:

	2020	2019
Prepayments	**$3,819,442**	$8,676,714
Input taxes	**3,223,544**	2,868,008
Tax credits	**1,444,347**	1,309,571
Advances to suppliers	**508,354**	915,757
Others	**387,674**	14,284
	$9,383,361	$13,784,334

Prepayments
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.

Input Taxes
Input taxes include 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 supplier or vendor.

Tax Credits
Tax credits represent recoverable taxes of IMI MX and BG such as VAT refundable and business tax.

Advances to Suppliers
Advances to suppliers represent advance payments made to suppliers for direct materials.

10. Property, Plant and Equipment

Movements in this account follows:

	2020						
	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
At beginning of year	$49,333,974	$102,018,009	$6,262,817	$766,230	$–	$4,109,800	$162,490,830
Additions	7,548	399,046	53,856	69,488	–	9,414,071	9,944,009
Disposals	–	(977,361)	(1,267,205)	(51,657)	–	(44,240)	(2,340,463)
Transfers	2,570,374	5,129,780	113,188	53,450	–	(7,866,792)	–
Foreign currency exchange difference	3,141,736	7,213,052	687,188	123,321	–	404,690	11,569,987
At end of year	55,053,632	113,782,526	5,849,844	960,832	–	$6,017,529	$181,664,363
Accumulated depreciation							
At beginning of year	5,881,060	43,608,486	3,640,599	205,497	–	–	53,335,642
Depreciation	1,921,296	14,165,916	757,119	184,189	–	–	17,028,520
Disposals	–	(822,880)	(1,266,843)	(48,440)	–	–	(2,138,163)
Foreign currency exchange difference	205,339	2,939,957	(71,928)	75,637	–	–	3,149,005
At end of year	8,007,695	59,891,479	3,058,947	416,883	–	–	71,375,004
Accumulated impairment losses							
At beginning of year	–	–	–	–	–	–	–
Impairment loss	–	1,949,128	–	–	–	–	1,949,128
At end of year	–	1,949,128	–	–	–	–	1,949,128
Net book value	$47,045,937	$51,941,919	$2,790,897	$543,949	$–	$6,017,529	$108,340,231

	2019						
	Buildings and Improvements	Machinery 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	$48,622,394	$83,576,138	$5,742,942	$681,447	$25,776	$7,990,767	$146,639,464
Effects of finalization of business combination	17,673	6,692,850	59,246	–	–	–	6,769,769
At beginning of year, as restated	48,640,067	90,268,988	5,802,188	681,447	25,776	7,990,767	153,409,233
Additions	30,539	8,988,536	49,829	198,008	–	6,878,627	16,145,539
Disposals	(6,069)	(3,558,224)	(1,436)	(101,823)	–	–	(3,667,552)
Transfers	1,511,467	8,517,273	532,587	22,211	(10,304)	(10,573,234)	–
Foreign currency exchange difference	(842,030)	(2,198,564)	(120,351)	(33,613)	(15,472)	(186,360)	(3,396,390)
At end of year	49,333,974	102,018,009	6,262,817	766,230	–	4,109,800	162,490,830
Accumulated depreciation							
At beginning of year, as previously stated	3,670,960	33,401,130	2,864,654	186,097	18,672	–	40,141,513
Effects of finalization of business combination	1,325	1,673,213	8,887	–	–	–	1,683,425
At beginning of year, as restated	3,672,285	35,074,343	2,873,541	186,097	18,672	–	41,824,938
Depreciation	2,349,064	13,227,645	939,402	146,011	–	–	16,662,122
Disposals	–	(3,489,066)	(1,436)	(101,579)	(12,450)	–	(3,604,531)
Foreign currency exchange difference	(140,289)	(1,204,436)	(170,908)	(25,032)	(6,222)	–	(1,546,887)
At end of year	5,881,060	43,608,486	3,640,599	205,497	–	–	53,335,642
Net book value	$43,452,914	$58,409,523	$2,622,218	$560,733	$–	$4,109,800	$109,155,188

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 $7.87 million and $10.57 million as of December 31, 2020 and 2019, respectively.

Loss amounting to $0.02 million in 2020 and gain of $0.04 million in 2019 were recognized from disposal of property, plant and equipment included under “Miscellaneous income – net” account in the consolidated statements of income (see Note 23).

As of December 31, 2020 and 2019, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $39.42 million and $33.61 million, respectively.

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

	2020	2019
Cost of sales (Note 20)	**$14,910,633**	$14,620,092
Operating expenses (Note 21)	**2,117,887**	2,042,030
	$17,028,520	$16,662,122

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

11. **Goodwill**

As of December 31, 2020 and 2019, goodwill acquired through business combinations had been allocated to the following CGUs:

	2020	2019
VIA	**$48,728,404**	$44,324,971
IMI CZ	**556,049**	505,801
	$49,284,453	$44,830,772

Movement in goodwill follows:

	2020	2019
Cost		
At beginning of year	**$44,830,772**	$46,163,655
Foreign currency exchange difference	**4,453,681**	(1,332,883)
At end of year	**$49,284,453**	$44,830,772

VIA 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 5-year period.
The pre-tax discount rates applied to cash flow projections follows:

	2020	2019
VIA	**11.45%**	12.78%
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.

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 VIA and IMI CZ in 2020 and 2019.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of 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.

12. **Intangible Assets**

Movements in this account follows:

	December 31, 2020				
	Customer Relationships	Licenses	Intellectual Properties	Product Development costs	Total
Cost					
At beginning of year	$9,134,350	$7,416,097	$14,099,740	$6,330,558	$36,980,745
Additions	–	518,137	–	–	518,137
Foreign currency exchange difference	196,016	527,680	(34,966)	–	688,730
At end of year	9,330,366	8,461,914	14,064,774	6,330,558	38,187,612
Accumulated amortization					
At beginning of year	7,687,401	3,472,894	6,161,827	2,198,476	19,520,598
Amortization	828,554	698,554	2,372,035	1,086,000	4,985,143
Foreign currency exchange difference	52,271	416,207	124,485	–	592,963
At end of year	8,568,226	4,587,655	8,658,347	3,284,476	25,098,704
Accumulated impairment loss					
At beginning of year	–	–	–	–	–
Impairment loss for the year	–	–	–	996,679	996,679
At end of year	–	–	–	996,679	996,679
Net book value	$762,140	$3,874,259	$5,406,427	$2,049,403	$12,092,229

	December 31, 2019				
	Customer Relationships	Licenses	Intellectual Properties	Product Development costs	Total
Cost					
At beginning of year	$6,766,617	$7,165,869	$13,456,209	$6,330,558	$33,719,253
Effects of finalization of business combination	2,438,129	–	–	–	2,438,129
At beginning of year, as restated	9,204,746	7,165,869	13,456,209	6,330,558	36,157,382
Additions	–	415,395	805,457	–	1,220,852
Foreign currency exchange difference	(70,396)	(165,167)	(161,926)	–	(397,489)
At end of year	9,134,350	7,416,097	14,099,740	6,330,558	36,980,745
Accumulated amortization					
At beginning of year	6,766,617	2,556,076	4,428,684	932,364	14,683,741
Effects of finalization of business combination	406,355	–	–	–	406,355
At beginning of year, as restated	7,172,972	2,556,076	4,428,684	932,364	15,090,096
Amortization	530,132	1,008,701	1,761,638	1,266,112	4,566,583
Foreign currency exchange difference	(15,703)	(91,883)	(28,495)	–	(136,081)
At end of year	7,687,401	3,472,894	6,161,827	2,198,476	19,520,598
Net book value	$1,446,949	$3,943,203	$7,937,913	$4,132,082	$17,460,147

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

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 $5.99 million and $6.60 million, respectively.

Product Development Costs
This includes capitalized costs arising from the development phase of certain projects which are still under 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 is 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 $1.0 million was recognized under "Miscellaneous income – net" account in 2020 (see Note 23).

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

	2020	2019
Cost of sales (Note 20)	**$1,115,515**	$1,299,258
Operating expenses (Note 21)	**3,869,628**	3,267,327
	$4,985,143	$4,566,585

13. Other Noncurrent Assets

This account consists of:

	2020	2019
Deferred charges	**$5,689,736**	$5,820,926
Miscellaneous deposits	**407,663**	562,294
	$6,097,399	$6,383,220

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 for rental and utilities will be returned to the lessor upon termination of the lease after deducting damages on the property. Utility deposits are deposits for thermo gas oil tanks that are used in the production.

14. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Trade	**$92,855,231**	$91,495,407
Due to related parties (Note 28)	**11,059,013**	7,261,270

(Forward)

	2020	2019
Employee-related accruals	**$5,583,285**	$4,889,760
Nontrade payables	**4,495,506**	7,479,339
Taxes payable	**2,283,506**	3,807,356
Accrued expenses	**1,638,550**	1,316,705
Accrued interest payable – Affiliates (Note 28)	**1,191,041**	252,625
Accrued tooling expense	**1,066,228**	2,361,774
Advances from customers	**949,650**	934,975
Others	**–**	299,114
	$121,122,010	$120,098,325

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

Employee-related accruals
Accrued compensation and benefits include 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 Payable
Taxes payable pertain to taxes withheld such as withholding taxes on purchased goods and services. Withholding taxes payable are expected to be settled within the next financial year.

Accrued Expenses
Accrued expenses consist mainly of accruals for supplies, professional fees, utilities, repairs and maintenance, postal and communication, insurance, interest, and freight and brokerage.

Accrued Tooling Expenses
Accrued tooling expenses pertain to billings from customers due to upgrades done by customers on the production equipment to cater product specifications. These are noninterest-bearing and are normally settled on 30 to 90-day average terms.

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

15. **Loans Payable**

This account consists of borrowings of the following entities:

	2020	2019
Intercompany (Note 28)		
IMI MX	**$72,965,104**	$82,743,182
VIA and IMI CZ	**–**	11,875,349
Coöperatief	**–**	3,250,832
Banks:		
VIA and IMI CZ	**24,913,424**	26,387,252
	$97,878,528	$124,256,615

IMI MX
IMI MX has outstanding loans from IMI, STEL and IMI Singapore to fund its working capital requirements. In 2020 and 2019, the loans bear interest rates ranging from 3.09% to 4.69% and 4.64% to 6.11%, respectively, with terms ranging from 322 to 365 days. Breakdown of the loan from IMI and IMI Singapore follows:

	2020	2019
IMI Singapore	**$42,114,142**	$56,576,402
STEL	**30,850,962**	25,414,496
IMI	–	752,284
	$72,965,104	$82,743,182

In 2019, IMI Singapore advanced $60 million to IMI Mexico, for the latter to use for the settlement of its intercompany loans to IMI and STEL. In addition, IMI and STEL waived the interest charged in prior years amounting to $3.89 million which was recorded as miscellaneous income for 2019 (see Note 23).

Interest expense incurred on remaining loans amounted to $2.68 million and $2.74 million in 2020 and 2019, respectively (see Note 23).

VIA and IMI CZ
VIA and IMI CZ have outstanding loans from IMI and IMI Singapore aggregating to nil and $11.88 million as of December 31, 2020 and 2019, respectively, to fund its working capital requirements. The loans bear interest rates ranging from 2.00% to 3.20%, respectively, with terms of 90 days. The loan was fully paid last October 2020.

Interest expense incurred on these loans amounted to $0.22 million and $0.27 million in 2020 and 2019 respectively (see Note 23).

The bank 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%. The loans of VIA are obtained from China, and Germany-based banks with terms ranging from 125 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 IMI CZ incurred interest expense on short-term loans amounting to $1.32 million in 2020 and $1.29 million in 2019 (see Note 23).

Coöperatief
Coöperatief obtained a loan from Speedy-Tech Electronics, Inc. (STEL) in 2017 to fund the acquisition of VIA Optronics. The loan bears interest rate of 4.41% with terms of 90 days. Interest expense incurred on this loan amounted to nil and $0.17 million in 2020 and 2019 respectively (see Note 23).

16. **Long-Term Debt**

This account consists of borrowings of the following entities:

	2020	2019
VTS and IMI CZ	**$4,524,361**	$6,588,815
	4,524,361	6,588,815
Less current portion:		
VIA and IMI CZ	**2,109,394**	2,207,902
	2,109,394	2,207,902
Noncurrent portion	**$2,414,967**	$4,380,913

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 and $0.08 million in 2020 and 2019, respectively (see Note 23).

17. Other Financial Liabilities

The account consists of financial liabilities, all classified as current, arises from the acquisition of VIA.

	2020	2019
Put options over non-controlling interests (Note 29)		
VIA	**$–**	$16,892,858
Derivative liabilities (Note 33)	**88,361**	–
	$88,361	$16,892,858

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 18).

Mark-to-market gains (loss) on put options included under "Miscellaneous income – net" account amounted to $2.47 million in 2020 and ($1.62) million in 2019 (see Note 23).

18. Members' Equity

Members' contribution
Details of the members of the Coöperatief follow:

	Country of Incorporation	**2020**	2019
IMI Singapore	Singapore	**100%**	100%

The movements in "Members' contribution" account are as follows:

	2020	2019
At beginning of year	**$75,269,893**	$75,269,893
Contributions during the year	**–**	–
At end of year	**$75,269,893**	$75,269,893

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 (see Note 17).

Dividends

In 2020, IMI Cooperatief paid cash dividends to IMI Singapore amounting to $7.68 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).

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.

No changes were made in the objectives, policies and processes during 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	**$97,878,528**	$124,256,615
Long-term debt	**4,524,361**	6,588,815
Total bank debt	**102,402,889**	130,845,430
Less cash and cash equivalents	**149,478,460**	58,886,054
Net bank debt (cash)	**($47,075,571)**	$71,959,376
Total Member's Equity	**$312,063,331**	$183,218,672
Debt-to-equity ratio	**0.33:1**	0.71:1
Net debt (cash)-to-equity ratio	**(0.15):1**	0.39:1

The Group is not subject to externally imposed capital requirements.

19. **Revenue from Contracts with Customers**

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

The following table presents revenue by type:

	2020	2019
Manufacturing of goods	**$560,284,119**	$633,828,853
Non-recurring engineering services	**6,264,564**	5,367,996
Revenue from contracts with customers	**$566,548,683**	$639,196,849

The following table presents revenue from contracts with customer per timing of revenue recognition for each reportable segments:

	2020	2019
Revenue recognized:		
Over time	**$386,342,308**	$481,474,406
At point in time	**180,206,375**	157,722,443
Revenue from contracts with customers	**$566,548,683**	$639,196,849

The following table presents revenues from external customers based on customer's nationality:

	2020	2019
Europe	**$331,448,349**	$413,170,118
America	**56,004,068**	73,881,768
Japan	**29,515,749**	27,093,811
Rest of Asia/Others	**149,580,517**	125,051,152
	$566,548,683	$639,196,849

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 12.89% and 19.34% of the Group's total revenue in 2020 and 2019 respectively.

The following table presents revenues per product type:

	2020	2019
Automotive	**$371,485,011**	$449,060,631
Industrial	**115,366,656**	93,420,861
Consumer	**78,299,843**	93,506,374
Others	**1,397,173**	3,208,983
	$566,548,683	$639,196,849

20. **Cost of Sales**

This account consists of:

	2020	2019
Direct, indirect and other material-related costs (Note 8)	**$419,270,808**	$484,522,277
Direct labor, salaries, wages and employee benefits (Note 25)	**64,620,786**	73,333,405
Depreciation and Amortization (Note 10,12 and 27)	**17,688,424**	17,782,044
Facilities costs and others (Note 22)	**13,352,796**	17,927,944
	$514,932,814	$593,565,670

21. **Operating Expenses**

This account consists of:

	2020	2019
Salaries, wages and employee benefits (Note 25)	**$19,667,897**	$25,652,261
Depreciation and amortization (Notes 10, 12 and 27)	**7,130,337**	5,891,394
Facilities costs and others (Note 22)	**14,899,011**	15,622,287
	$41,697,245	$47,165,942

22. **Facilities Costs and Others**

This account consists of:

	Cost of Goods Sold and Services		**Operating Expenses**	
	2020	2019	**2020**	2019
Utilities	**$5,565,822**	$6,744,928	**$654,043**	$424,883
Repairs and maintenance	**2,972,984**	6,865,115	**318,202**	338,639
Outsourced activities	**2,941,811**	3,642,900	**4,776,539**	6,455,834
Technology-related	**1,388,063**	413,352	**3,547,495**	1,451,205
Government-related	**575,492**	12,996	**347,672**	146,502
Travel	**213,741**	465,350	**899,390**	2,513,655
Insurance	**56,115**	56,765	**2,121,042**	1,326,339
Postal and communication	**33,427**	56,584	**86,967**	419,406
Promotional materials, representation and entertainment	**4,983**	–	**165,791**	254,988
Provision for (reversal of) inventory obsolescence (Note 8)	**–**	–	**(933,289)**	1,048,992
Provision for ECLs (Note 6)	**–**	–	**465,819**	37,171
Others	**(399,642)**	(330,046)	**2,449,340**	1,204,673
	$13,352,796	$17,927,944	**$14,899,011**	$15,622,287

"Others" include small tools and instruments, technology related expenses, copying expenses, office supplies, and other miscellaneous 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 Europe recognized as reduction in cost of sales and operating expenses.

23. **Others - Net**

Interest and Other Financing Charges

This account consists of:

	2020	2019
Interest expense on intercompany loans (Note 15)	**$2,906,426**	$3,181,824
Interest expense on bank loans (Notes 15 and 16)	**1,377,421**	1,386,497
Interest on leases	**413,372**	346,574
Bank charges	**184,604**	869,773
	$4,881,823	$5,784,668

Miscellaneous income - Net

This account consists of:

	2020	2019
Financial subsidies	**$3,704,928**	$193,754
Mark-to-market gain (loss) on put options (Note 17)	**2,467,550**	(1,616,914)
Gain (loss) on sale of property, plant and equipment (Note 10)	**(16,950)**	37,447
Interest waived	**–**	3,897,050
Impairment on property, plant and equipment (Note 10)	**(1,949,128)**	–
Impairment loss on product development cost (Note 12)	**(996,679)**	–
Set up of intellectual property related liability	**–**	(1,638,206)
Other income (loss)	**(1,228)**	603,251
	$3,208,493	$1,476,382

Financial subsidies pertain to the grant incentives received from the government of Serbia and other Covid-related grants in Europe. The balance of the grant incentive of IMI Serbia included under "Other noncurrent liabilities" account amounted to $2.49 million and $1.61 million in 2020 and 2019, respectively.

Interest waived pertains to interest accrued on IMI MX's intercompany loans with IMI and STEL which was subsequently refinanced through IMI Singapore.

Intellectual property (IP) related liability pertains to provision for potential compensation related to IP rights acquired on the acquisition of VTS.

Other income pertains to selling of tools and instruments to third parties plus technical services from third parties relating to provide support of adhesion technology for the LCD module.

24. **Income Tax**

Current Tax

Coöperatief

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 Serbia

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.

Deferred Tax
Deferred taxes of the Group relate to the following:

	2020	2019
Deferred tax assets:		
Lease liabilities	**$4,506,643**	$4,665,720
Net operating loss carry-over	**1,144,512**	756,393
Fair value adjustment on property, plant and equipment arising from business combination	**–**	78,571
Allowance for inventory obsolescence	**335,897**	97,933
Allowance for doubtful accounts	**149,828**	19,015
Others	**312,010**	(82,596)
	$6,448,890	$5,535,036
Deferred tax liabilities:		
Right of use asset	**$4,386,302**	$4,694,739
Fair value adjustment on property, plant and equipment and intangible assets arising from business combination	**2,067,937**	1,472,927
Contract assets	**120,828**	153,776
Others	**–**	18,546
	$6,575,067	$6,339,988

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**
IMI BG	**$683,776**	**($1,054,562)**	**$–**	**($370,786)**
IMI MX	**1,005,534**	**(853,560)**	**151,974**	**–**
IMI Serbia	**26,232**	**–**	**26,232**	**–**
VIA and IMI CZ	**4,733,348**	**(3,545,765)**	**1,187,582**	**–**
Consolidation	**–**	**(1,121,180)**	**–**	**(1,121,180)**
	$6,448,890	**($6,575,067)**	**$1,365,788**	**($1,491,966)**

	December 31, 2019			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
IMI BG	$–	($289,848)	$–	($289,848)
IMI MX	1,037,754	(984,357)	53,397	–
VIA and IMI CZ	4,497,282	(3,592,857)	904,425	–
Consolidation	–	(1,472,926)	–	(1,472,926)
	$5,535,036	($6,339,988)	$957,822	($1,762,774)

The temporary differences and tax losses for which no deferred tax assets have been recognized follows:

	2020	2019
Net operating loss carry-over	**$12,110,168**	$8,784,599
Accumulated impairment losses on property, plant and equipment	**1,949,128**	–
Excess of cost over NRV of inventories	**625,966**	644,030
Provisions	**259,200**	591,617
Allowance for doubtful accounts	**61,805**	58,730
	$15,006,267	$10,078,976

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 and 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.

The carry-over losses of certain entities within the Group 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	$23,730,483	$–	$23,730,483
2019	18,647,513	127,041	18,520,472
2018	10,691,089	951,854	9,739,235
2017 and prior	8,680,249	226,014	8,454,235
	$61,749,334	$1,304,909	$60,444,425

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
Statutory income tax	**25.00%**	(25.00%)
Tax effects of:		
Difference in tax jurisdiction	**(37.19%)**	32.68%
Nondeductible expenses	**65.29%**	(29.29%)
Effective income tax rate	**53.10%**	(21.61%)

25. **Personnel Costs**

Salaries, wages, and employee benefits follow:

	2020	2019
Salaries and benefits	**$76,233,187**	$90,941,548
Retirement expense under defined contribution plans	**3,424,168**	3,000,456
Government related contributions	**3,938,063**	4,152,884
Net retirement expense under defined benefit plans	**229,643**	195,836
Others	**463,622**	694,942
	$84,288,683	$98,985,666

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
Cost of sales (Note 20)	**$64,620,786**	$73,333,405
Operating expenses (Note 21)	**19,667,897**	25,652,261
	$84,288,683	$98,985,666

Defined Benefits Plans
IMI BG and IMI Serbia has a defined benefit plan covering substantially all of its employees. The latest actuarial valuation was made on December 31, 2020.

The tables below summarize the amount of IMI BG and IMI Serbia's retirement liability recognized in the consolidated balance sheets and components of retirement expense recognized in the consolidated statements of income as of and for the years ended December 31, 2020 and 2019:

Retirement Expense

	2020	2019
Current service cost	**$224,373**	$191,239
Net interest	**5,270**	4,597
	$229,643	$195,836

The retirement expense of the Group is included under "Salaries, wages, and employee benefits" account.

Retirement Liability

	2020	2019
At beginning of year	**$1,314,852**	$1,118,253
Retirement expense	**229,643**	195,836
Actuarial loss	**119,998**	98,536
Separation and benefits paid	**(69,168)**	(40,754)
Foreign currency exchange difference	**163,511**	(57,019)
At end of year	**$1,758,836**	$1,314,852

IMI BG expects to contribute $0.24 million to the defined benefit plans for 2020.

The average duration of net retirement liabilities at the end of the balance sheet date is 20.03 years and 21.31 years as of December 31, 2020 and 2019, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Less than one year	**$332,938**	$234,626
More than one year to five years	**705,444**	568,465
More than five years	**20,879,008**	19,870,909
	$21,917,390	$20,674,000

Principal Actuarial Assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2020	2019
Discount rate	**0.34%**	0.40%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement liability as of the end of the balance sheet date, assuming all other assumptions were held constant:

	Increase/Decrease in	Effect on Retirement Liability	
Actuarial Assumption	Actuarial Assumption	2020	2019
Discount rate	+1%	**($46,995)**	($8,070)
	-1%	**49,272**	67,410
Salary increase rate	+1%	**68,479**	82,299
	-1%	**(68,479)**	(24,801)

Defined Contribution Plans
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
Cost of sales	**$3,163,642**	$2,838,463
Operating expenses	**260,526**	161,993
	$3,424,168	$3,000,456

26. Employee Stock Ownership Plan

IMI has an ESOWN plan, which allows the grantees to purchase IMI's share at a discounted price.

The allocation of cost of share-based payments by IMI to the Group in 2020 and 2019 amounted to nil and nil, respectively.

27. 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	**$15,251,073**	$17,795,576
Additions	**563,207**	–
Amortization expense	**(2,805,098)**	(2,444,731)
Cumulative translation adjustment	**1,511,494**	(99,772)
As at December 31, 2020	**$14,520,676**	$15,251,073

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	**$15,403,309**	$17,795,576
Additions	**930,995**	–
Interest expense on lease liabilities	**413,372**	346,574
Rental payments	**(3,013,965)**	(2,592,929)
Waived rentals	**–**	–
Cumulative translation adjustment	**1,779,032**	(145,912)
As at December 31, 2020	**$15,512,743**	$15,403,309
Current	**$853,881**	$572,036
Noncurrent	**$14,658,862**	$14,831,273

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

	2020	2019
Amortization expense of right-of-use assets	**$2,805,098**	$2,444,731
Interest expense on lease liabilities	**413,372**	346,574
Expense related to short-term leases and low-value assets (included in cost of sales)	**377,956**	436,059
Expense related to short-term leases and low-value assets (included in operating expenses)	**271,443**	97,275
	$3,867,869	$3,324,639

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 follow:

	2020	2019
Within one year	**$3,098,694**	$2,691,412
After one year but not more than five years	**11,472,325**	11,928,554
More than five years	**1,084,524**	1,642,076
	$15,655,543	$16,262,042

Lease Commitments

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.

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.

28. **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 purchase of goods and services as well as other income and expenses to and from related parties made at normal commercial prices and terms.

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 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:

a. Outstanding balances of related party transactions follow:

	Receivables		**Payables**	
	2020	2019	**2020**	2019
IMI:				
Trade	**$–**	$–	**$1,293,133**	$2,027,998
Nontrade	**1,404,734**	209,504	**9,036,505**	5,027,013
Loans	**–**	–	**–**	13,651,865
STEL:				
Nontrade	**610,768**	149,534	**729,375**	206,259
Loans	**–**	–	**30,850,962**	25,414,496
Interest	**–**	–	**1,191,041**	252,625
IMI Singapore:				
Nontrade	**398,515**	398,515	**–**	–
Noncurrent liabilities	**–**	–	**17,770,665**	28,808,733
Loans	**–**	–	**42,114,142**	58,803,002
	$2,414,017	$757,553	**$102,985,823**	$134,191,991

i. Trade payables include purchase of goods and services.

ii. Nontrade receivables and payables include management fee on corporate and support services and operating cash advances. Nontrade transactions are unsecured, noninterest-bearing, repayable on demand and to be settled in cash.

iii. Intercompany loans of IMI to IMI MX and IMI CZ have a 90-day term subject to interest rates ranging from 2.00% to 3.20%. Intercompany loans from IMI Singapore bear interest rates ranging from 3.33% to 5.59% with terms ranging from 90 to 360 days.

iv. Noncurrent liabilities to IMI Singapore, presented as “Due to related parties” in the consolidated balance sheets, are nontrade in nature and relate to the acquisition of IMI EU/MX Subsidiaries. Management intends to convert these payables into equity in the future.

Payable to related parties are summarized as follows:

	2020	2019
Loans payable (Note 15)	**$72,965,104**	$97,869,363
Due to related parties (Note 14)	**11,059,013**	7,261,270
Accrued interest payable (Note 14)	**1,191,041**	252,625
	$85,215,158	$105,383,258

b. Expenses from related parties follow:

	2020	2019
IMI Singapore	**$1,580,187**	$1,076,403
STEL	**1,146,896**	520,129
IMI	**179,343**	1,585,292
	$2,906,426	$3,181,824

These amounts represent interest expenses from IMI's intercompany advances to IMI EU/MX Subsidiaries.

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
Key management personnel of the Group include all management committee members.

Short-term employee benefits of key management personnel amounted to $2.39 million and $3.26 million in 2020 and 2019, respectively.

29. 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, such as cash, receivables and accounts payable and accrued expenses are assumed to have carrying amounts approximating their fair values.

Below are the fair values of financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as at December 31, 2020 and 2019:

	Carrying Amounts		Fair Values	
	2020	2019	**2020**	2019
Financial liabilities				
Financial liabilities on put options	**$88,361**	$16,892,858	**$88,361**	$16,892,858
Noncurrent portion of long-term debt	**2,414,967**	4,380,913	**2,661,026**	4,399,561
	$2,503,328	$21,273,771	**$2,749,387**	$21,292,419

The following methods and assumptions were used to estimate the fair value:

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 the Parent Company arising from the written put options over the non-controlling interest of VIA. 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. The risk-free rate used is (0.72%) and 0.17% 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 option 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

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 1.67 to 1.91% in 2020 and 1.67 to 1.91% in 2019.

Fair Value Hierarchy

The following table provides the fair value hierarchy of the inputs to the valuation of the financial liabilities:

	December 31, 2020			
		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Liabilities measured at fair value:				
Financial liabilities	**$88,361**	**$–**	**$–**	**$88,361**
Liabilities for which fair values are disclosed:				
Long-term debt	**$2,460,381**	**$–**	**$–**	**$2,460,381**

	December 31, 2019			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:				
Financial liabilities on put options	$16,892,858	$–	$–	$16,892,858
Liabilities for which fair values are disclosed:				
Long-term debt	$4,467,947	$–	$–	$4,467,947

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, 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 a 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 $0.74 million. Decrease in the probability to 1% would result in a decrease in fair value by $1.15 million.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable and long-term debt, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash, 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'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 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) as of December 31, 2020 and 2019.

	Effect on Income before Tax	
Increase/Decrease in Basis Points	**2020**	2019
+100	**($21,034)**	($21,524)
-100	**21,034**	21,524

There is no other impact on the Group's equity other than those already affecting income.

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 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 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 assets held for liquidity purposes and financial liabilities based on contractual undiscounted payments:

2020

	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial liabilities:					
Accounts payable and accrued expenses:					
Trade payables	**$–**	**$92,855,231**	**$–**	**$–**	**$92,855,231**
Due to related parties	**–**	**11,059,013**	**–**	**–**	**11,059,013**
Employee-related accruals and contributions	**–**	**5,583,285**	**–**	**–**	**5,583,285**
Accrued expenses	**–**	**1,638,550**	**–**	**–**	**1,638,550**
Accrued interest payable	**–**	**1,191,041**	**–**	**–**	**1,191,041**
Accrued tooling expense	**–**	**1,066,228**	**–**	**–**	**1,066,228**
Financial liabilities on put options	**88,361**	**–**	**–**	**–**	**88,361**
Current portion of long-term debt	**–**	**2,109,394**	**–**	**–**	**2,109,394**
Loans payable	**–**	**–**	**97,878,528**	**–**	**97,878,528**
Noncurrent portion of long-term debt*	**–**	**–**	**–**	**2,460,381**	**2,460,381**
	$88,361	**$115,502,742**	**$97,878,528**	**$2,460,381**	**$215,930,012**

**Includes future interest payable*

2019

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial liabilities:					
Accounts payable and accrued expenses:					
Trade payables	$–	$91,495,407	$–	$–	$91,495,407
Due to related parties	–	7,261,270	–	–	7,261,270
Employee-related accruals and contributions	–	4,889,760	–	–	4,889,760
Accrued expenses	–	1,316,705	–	–	1,316,705
Accrued interest payable	–	252,625	–	–	252,625
Accrued tooling expense	–	2,361,774	–	–	2,361,774
Others	–	299,114	–	–	299,114
Financial liabilities on put options	16,892,858	–	–	–	16,892,858
Current portion of long-term debt	–	2,207,902	–	–	2,207,902
Loans payable	–	–	124,256,615	–	124,256,615
Noncurrent portion of long-term debt*	–	–	–	4,467,947	4,467,947
	$16,892,858	$110,084,557	$124,256,615	$4,467,947	$255,701,977

**Includes future interest payable*

The financial liabilities in the above tables are gross undiscounted cash flows. However, these amounts may be settled using liquid assets such as cash and cash equivalents and trade receivables. Furthermore, available credit lines may also be used to manage liquidity.

Credit lines

The Group has credit lines with different financing institutions as at December 31, 2020 and 2019, as follows:

	2020		2019	
Financial Institutions	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
EUR	**18,769,597**	**14,650,130**	27,430,000	17,585,654
Foreign:				
USD	**26,500,000**	**5,403,436**	26,500,000	8,920,045
JPY	**600,000,000**	**258,900,000**	600,000,000	102,940,000

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 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 asset. The Group's maximum exposure for cash excludes the carrying amount of cash on hand.

The Group has 36% and 42% 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 as follows:

	December 31, 2020							
		Neither	Past Due but not Impaired					
	Total	Past Due nor Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Specifically Impaired
Receivables:								
Trade	**$130,271,861**	**$106,369,928**	**$13,137,049**	**$4,544,529**	**$1,659,609**	**$606,819**	**$2,657,047**	**$1,296,880**
Nontrade	**117,909**	**117,909**	–	–	–	–	–	–
Due from related parties	**2,414,017**	**2,414,017**	–	–	–	–	–	–
Others	**132,359**	**132,359**	–	–	–	–	–	–
Contract Assets	**17,386,136**	**17,386,136**	–	–	–	–	–	–
Miscellaneous deposits	**407,663**	**407,663**	–	–	–	–	–	–
	$150,729,945	**$126,828,012**	**$13,137,049**	**$4,544,529**	**$1,659,609**	**$606,819**	**$2,657,047**	**$1,296,880**

	December 31, 2019							
		Neither	Past Due but not Impaired					
	Total	Past Due nor Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Specifically Impaired
Receivables:								
Trade	$131,058,270	$111,151,633	$9,741,475	$2,155,686	$1,289,199	$204,333	$5,692,764	$823,180
Nontrade	1,124,652	1,124,652	–	–	–	–	–	–
Due from related parties	757,553	757,553	–	–	–	–	–	–
Others	71,448	71,448	–	–	–	–	–	–
Contract Assets	19,444,373	19,444,373	–	–	–	–	–	–
Miscellaneous deposits	562,294	562,294	–	–	–	–	–	–
	$153,018,590	$133,111,953	$9,741,475	$2,155,686	$1,289,199	$204,333	$5,692,764	$823,180

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 Individually Impaired**	
	Minimal Risk	**Average Risk**	**Fairly High Risk**	**High Risk**		**Total**
Cash and cash equivalents	**$149,478,460**	**$–**	**$–**	**$–**	**$–**	**$149,478,460**
Receivables:						
Trade	**106,369,928**	**–**	**–**	**–**	**23,901,933**	**130,271,861**
Nontrade	**117,909**	**–**	**–**	**–**	**–**	**117,909**
Due from related parties	**2,414,017**	**–**	**–**	**–**	**–**	**2,414,017**
Others	**132,359**	**–**	**–**	**–**	**–**	**132,359**
Miscellaneous deposits	**407,663**	**–**	**–**	**–**	**–**	**407,663**
	$258,920,336	**$–**	**$–**	**$–**	**$23,901,933**	**$282,822,269**

	December 31, 2019					
	Neither Past Due nor Impaired				Past Due or Individually Impaired	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		Total
Cash and cash equivalents	$58,886,054	$–	$–	$–	$–	$58,886,054
Receivables:						
Trade	111,151,634	–	–	–	19,906,636	131,058,270
Nontrade	1,124,652	–	–	–	–	1,124,652
Due from related parties	757,553	–	–	–	–	757,553
Others	71,448	–	–	–	–	71,448
Miscellaneous deposits	562,294	–	–	–	–	562,294
	$172,553,635	$–	$–	$–	$19,906,636	$192,460,271

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 Letters of Credit (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 USD the consolidated statements of income can be affected significantly by movements in the EUR versus USD.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 22% and 23% of the Group's sales for the years ended December 31, 2020 and 2019, respectively, and 34**%** and 38% of costs for the years ended December 31, 2020 and 2019, respectively, are denominated in 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 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		2019	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$99,044,180**	**€80,925,059**	$1,162,077	€1,043,813
Receivables	**6,745,806**	**5,511,729**	3,556,755	3,194,786
Accounts payable and accrued expenses	**(18,996,088)**	**(15,520,948)**	(14,448,964)	(12,978,500)
Net foreign currency-denominated assets	**$86,793,898**	**(€70,915,840)**	($9,730,132)	(€8,739,901)

**The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for $1 in 2020 and EUR0.8982 for $1 in 2019*

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.

	Increase/Decrease	**Effect on Net Income before Tax**	
Currency	in USD Rate	**2020**	2019
USD	+1%	**$1,337,493**	($97,810)
	-1%	**(1,380,026)**	99,817

**The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for $1 in 2020 and EUR0.8982 for $1 in 2019*

31. 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.

32. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing activities includes capitalization by the Group of depreciation related to the developmental phase of certain projects amounting to nil and $0.37 million for 2020 and 2019, respectively.

The following table shows the reconciliation of liabilities arising from financing activities:

		Cash Flows			**Non-cash changes**			
	2019	**Availment**	**Settlement/ Payment**	**Reclass**	**Addition**	**Accretion of interest expense**	**Foreign currency translation**	**2020**
Loans payable	**$124,256,615**	**$43,872,007**	**($72,871,516)**	**$–**	**$–**	**$–**	**$2,621,422**	**$97,878,528**
Current portion of long-term debt	**2,207,902**	**–**	**(2,458,035)**	**2,062,455**	**–**	**–**	**297,072**	**2,109,394**
Long-term debt	**4,380,913**	**–**	**–**	**(2,062,455)**	**–**	**–**	**96,509**	**2,414,967**
Lease liabilities	**15,403,309**	**–**	**(3,013,965)**	**–**	**930,995**	**413,372**	**1,779,032**	**15,512,743**
	$146,248,739	**$43,872,007**	**($78,343,516)**	**$–**	**$930,995**	**$413,372**	**$4,794,035**	**$117,915,632**

		Cash Flows			Non-cash changes			
	2018	Availment	Settlement/ Payment	Reclass	Addition	Accretion of interest expense	Foreign currency translation	2019
Loans payable	$109,062,927	$26,290,676	($10,222,403)	$–	$–	$–	($874,585)	$124,256,615
Current portion of long-term debt	2,266,844	–	(2,345,457)	2,337,522	–	–	(51,007)	2,207,902
Long-term debt	5,708,175	903,420	–	(2,337,522)	–	–	106,840	4,380,913
Lease liabilities	17,795,576	–	(2,592,929)	–	–	346,574	(145,912)	15,403,309
	$134,833,522	$27,194,096	($15,160,789)	$–	$–	$346,574	($964,664)	$146,248,739

33. Other Matters

COVID-19 Pandemic
The manufacturing operations of the Group was highly affected by various government mandated lockdowns in Mexico and voluntary shutdowns in the Europe EMS factories to align with the demand slowdown during the first half of the year. Revenues (excluding VIA) in the second half of the year recouped, 50% better than first half on the back of strong demand recovery and subsequent normalization of operations. The Group excluding VIA, which is mobility-focused, benefitted from the rapid rise of global automotive production while the industrial segment also recovered swiftly as operations resumed.

To mitigate the impact of the lockdowns, affected operating sites 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, Czech Republic, France, Mexico and Serbia. 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 Group but will not materially affect the Group's ability to continue as going concern.