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

SEC Registration Number

9 4 4 1 9

C O M P A N Y   N A M E

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

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
284	April 22	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
Laurice S. Dela Cruz	laurice.delacruz@global-imi.com	(02) 7756-6840	+63 917 884 3713

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*

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

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Tel +63 49 544 0312
www.global-imi.com

11 April 2023

Securities and Exchange Commission
Secretariat Building, PICC Complex Pasay City

Attention: **Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

Gentlemen:

Enclosed herewith is the Integrated Micro-Electronics, Inc.'s (the "Corporation") 2022 SEC Form 17-A (the "Annual Report").

With respect to the required signatories of the Annual Report, please be advised that the Corporation's Chief Executive Officer is currently overseas on a business trip. The Corporation's Board of Directors, in its meeting on March 7, 2023, resolved to authorize the Corporation's President, Mr. Jerome S. Tan, to sign the Corporation's 2022 SEC Form 17-A in lieu of the Chief Executive Officer. Please find attached Secretary's Certificate on said resolution.

We trust that you find the foregoing in order. Thank you.

Very truly yours,

Laurice S. Dela Cruz
Compliance Officer

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)

As of December 31, 2022

(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, 2022**

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 ₱3.5 billion (based on closing stock price of IMI common shares as of December 31, 2022)

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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 47.91% 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. As a result of this contribution, VIA AG became the holding company for the VIA Group. 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 2021, VIA Optronics GmbH (“VIA”) announced the acquisition of Germaneers GmbH (“Germaneers), a high-tech engineering company focusing on automotive system integration and user interfaces (see Note 2). VIA also formed a strategic partnership with SigmaSense, a global leader in touch sensing performance. As part of the strategic partnership, VIA has made a financial investment into SigmaSense and expanded their collaboration to develop new touch solutions for automotive applications, industrial displays and consumer electronics. In December 2021, VIA incorporated a new entity in the Philippines, VIA optronics (Philippines), Inc. (“VIA Philippines”), to provide customized and platform camera solutions, from design and development to process testing and quality control. VIA Philippines was incorporated to facilitate the integration of a camera design and development team that was previously a part of IMI.

In 2018, the Group opened a 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, broadens 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. In 2021, the principal office of PSi was changed to North Science Avenue, Laguna Technopark – Special Economic Zone (LTSEZ), Bo.Biñan, Biñan, Laguna following the transfer of its manufacturing operations inside the IMI premises. PSi remains to be a separate legal entity.

(2) Business of Issuer

Principal Products, Services and Market Segments

MOBILITY

IMI's Mobility business unit significantly increased its booked business for the coming years with US $201 million of annual revenue potential secured in 2022. Over the last two years, IMI has centered the core of its strategy in car electrification and has set in motion the necessary actions to become a leader in this fast-growing segment. Half of our new customer pipeline wins in the mobility space were from dedicated Electric Vehicle projects in 2021 and 2022. We are now equipped with the capabilities to produce complex box-build projects that have electronic content up to 10 times more than traditional automotive platforms. Through these efforts, we were able to expand our portfolio within the industry, securing new Tier 1 and OEM customers who trust that our team is now ready to embrace the challenges in the electrification of the mobility market.

In 2022, we have set new targets to fuel our strong growth ambition. We will continue to focus a majority of our business development in the Electric Vehicles (EV) and Plug in Hybrid Electric Vehicles (PHEV) market. To maintain proper balance of our product portfolio and minimize risk exposure, we will also pursue historically successful opportunities in lighting, opening systems and sensors which are independent from the powertrain typology.

Component shortages increased raw material prices and cost inflation are all industry wide issues. We will leverage our market expertise and global management experience in maintaining process efficiencies and boost our market competitiveness. Even in the face of significant hurdles, we maintain our commitment to product and service quality, which has served as the foundation of our success in the automotive market.

AUTOMOTIVE CAMERAS

IMI is recognized as one of the leaders in automotive camera technologies. Our 12 years of experience in perfecting the process of mounting bare die image sensors for automotive camera has made us a preferred development partner of top tier 1's in the automotive industry. As we continue to cater to the manufacturing requirements of next generation sensors for autonomous driving, our camera teams have also witnessed a dramatic shift to projects dedicated to EVs and automated driving platforms.

We have also identified synergies with VIA Optronics. By combining IMI's camera manufacturing expertise, and VIA's proprietary display technology, we can offer complete camera and display packages that conform to the high standards of the automotive market.

Looking to the future, we see opportunities in tapping adjacent technologies such assembly of /Light Detection and Ranging (LIDAR) sensors that are needed to support L3-L5 Autonomous Driving levels. By utilizing more than 12 years of camera manufacturing expertise and partnering with IMI power module teams, we have prepared our team to be future ready to manufacture this type of complex sensors to support the autonomous vehicle mega trend.

INDUSTRIAL

Not only do we support the electrification of vehicles by working on components that go into cars themselves, IMI is also involved in developing the supporting infrastructure that will enable worldwide adoption to vehicle electrification. Since the market's infancy stage, IMI has been a development and manufacturing partner for one of the largest EV charging companies in the world. Through these partnerships with key players in the industry, IMI was able to power the first EV charging and transport system for the Ayala Group in December 2021 and successful roll-out of fast-charging stations continued throughout 2022. As we build on our knowledge and capabilities in the industry, we continue to pursue opportunities with other established manufacturers that have significant presence in key regions of the world.

Connectivity is the other major focus point of our Industrial business unit. We see IoT as a key enabling technology that will drive a more interconnected future. By seamlessly connecting multiple systems to real-time data, our devices drive efficiency in logistics, manufacturing, energy management and asset tracking. Similar sensor systems that we develop for top automotive manufacturers in the world also go into our own facilities. Our advanced sites utilize these devices to enable robotics and automation systems that enable us in manufacturing high quality, high reliability products while maintaining peak efficiency.

POWER MODULES

IMI Power Modules serve the growing demand for medium and high efficiency power systems in the renewable energy and EV markets. Our expertise stretch across multiple technologies such as Silicon Carbide and Gallium Nitride (Silicon Carbide and Gallium Nitride are not models but die technology). IMI's core strength in the market is our ability to fully customize design and manufacturing services that can go in tandem with products built in IMI's traditional EMS facilities.

Our technology roadmap points to power modules as a crucial enabler of multiple growth segments. We have invested heavily in equipment such as sintering, ultra-sonic welding, pre TIM application etc., capabilities, and talent to ensure that IMI is equipped to be a key player as a power semiconductor packaging market. IMI has recently doubled the manufacturing area dedicated to power modules to 3,000 square meters. Due to the increase in demand, IMI continually increase manufacturing surface.

As we leverage IMI's end-to-end service expertise, the team is optimistic for this segment's continued growth in 2023. Although power components have not been spared from supply shortage issues, our involvement in the design and development of products allow us the opportunity to proactively identify alternative components with our customers.

VIA

The company is a leading provider of enhanced display solutions for multiple end markets in which superior functionality or durability is a critical differentiating factor. About 800 employees worldwide working on high-end products for our customers in the automotive, consumer electronics, industrial and specialized end markets.

Since we acquired VIA in 2016, our management teams have identified strategy roadmaps to maximize VIA's potential in high margin markets. We leveraged IMI's position as a top automotive EMS company and VIA's expertise in robust, high reliability display processes to continuously improve automotive proficiency and build relationships with proven industry partners. Over the past six years, we started with a service company mainly focused on the industrial and consumer segments, and transformed it into a key player in mobility displays.

In June, VIA announced record shipments of over 31,000 units as of May 31, 2022, at its Nuremberg production site. The shipments record demonstrates VIA's ability to adjust quickly to geopolitical developments by establishing the factory and ramping up the complete automotive line in a very short period. This seamless pivot exemplifies VIA's consistent execution against our stated initiatives and production ramp up objectives. Achieving this record number of shipments after only five months further proves how we continue to deliver on our expansion plans, despite the semiconductor shortage, lockdowns in China, and other supply-chain-related challenges. This increase in shipments demonstrates not only our innovative capabilities, but also the growing demand for our display solutions.

In July, VIA announced a business award from a tier 1 Chinese electric vehicle (EV) maker for its instrument cluster and center information display (CID). The product combines a C-shaped cover lens with one of the Company's touch sensor solutions laminated to the cover lens. This award adds to VIA's strong track record in the EV space.

In August, VIA launched standard-sized, configurable display solutions. With its new display configurations, VIA offers enhanced display models for the industrial end-markets that allow for superior sunlight readability while consuming less power. The displays can be configured in multiple variations, starting from display only to a full assembly that includes a display, cover glass, AR-film and touch, with enhancements available for commercial off-the-shelf displays. The solutions can also be customized to fit the display sizes of 7'', 10.1", 12.1", and 15.6".

In October, VIA joined an exhibit at the Society for Information Display (SID) Vehicle Displays & Interfaces 29th Annual Symposium & Expo. They showcased an outstanding demonstration of an Interactive Display System (IDS) with multiple displays bonded on one curved cover glass. Further, the demo includes VIA's unique copper metal mesh touch sensor technology for high-performing touch functions and excellent automotive camera technology for mirror replacement.

STI

STI provides a full set of manufacturing services, from concept design, prototyping and production through to complete box-build, including thermal vibration and full product test. STI also provides full lifecycle support – spares, repairs and long-term obsolescence management.

STI specializes in the Aerospace, Defence and Security sectors as well as Energy, Healthcare, Communications and Industrial – particularly higher volume Internet of Things (IoT) products.

In 2022, STI was one of the exhibitors at the 2022 LAND FORCES International Land Defense Exposition in Australia. Land Forces is the primary exhibition bringing together the Defense Industry and Armies in Australia, New Zealand and the Pacific to showcase the latest equipment, technology and services for the Armies of the Australia and Indo-Asia-Pacific region.

Looking into the coming year, STI will utilize its expertise in satellite technology, radio frequency and industrial applications to serve market demand for a world currently affected by severe geopolitical tensions. STI aims to ramp up business for its sites and drive better utilization of its facilities.

<u>Product Capabilities</u>

Automotive

As the sixth-largest automotive EMS provider as per New Venture Research, the company continue to provide end-to-end solutions to the global automotive market, with manufacturing lines that are IATF 16949:2016 certified.

- Automotive Camera
- PCBA for Electronic Stability Program (ESP)
- Electronic Power Steering (EPS) ECU
- Gear Shifter controller
- Dual clutch transmission ECU
- Power module
- Body Control Module (BCM)
- Rotor Position Sensor (RPS)
- Steering Wheel Control Device
- Tire Pressure Sensor PCBA
- Wiper controller
- Car Windshield Temperature and Humidity Sensor
- Switch Controller for Main Light
- Communication Power PCBA
- Powertrain Control Solutions
- Semiconductors used in Electric Drive/ Hybrid Electric Vehicles
- Fuel Management
- Pump Driver
- Cockpit Control Device
- Audio Processor
- Vehicle detections equipment
- ECU Control PCBA for BEV
- e-Scooter ECU
- ADAS ECU and controllers
- Seat Occupancy Sensor

Industrial

The company specialize in durable electronics for long product life cycle segments, offering customized solutions in industrial engineering and manufacturing markets while taking advantage and maximizing new applications of industrial electronics for the industrial field market.

- Automated Meter Reading (AMR)
- Security Control Device
- Electronic Door Access System
- Electronic Toll Charging device
- Building automation
- Aircon damper controller
- Smart Card
- Intruder system
- Point of Sales System
- Power Amplifier
- DC-DC Power Converter
- Engine Controllers
- Welding Machine Inverter
- Motor Drivers for Conveyor
- Fan Motor Control Board

- Computer Numerical Control (CNC) Control Board
- Main power supplies for LED street lighting
- Modules for renewable energy generation, transmission and conversion
- Inverter Control Unit
- EV Charging Pile Control Board
- Optical Fingerprints for Biometric security
- Power distribution unit for EV charging station

Power Electronics

The company is one of the few companies in the world capable of handling not only the electronics manufacturing side of the power modules but also the power semiconductor side of it. We have the capability to scale and produce within a wide breadth of module specifications.

- Medium-High Power Packages
    - SOT 93 3L
    - SOT 227
    - TO 247 3L
    - TO 264 3/5L,
    - Standard Package 3 (SP3)
    - Standard Package 4 (SP4)
    - Standard Package 6 (SP6)
- Low-Medium Power Packages
    - TO 220 Fpak 3L
    - PowerFlex 2/3/5/7L
    - TN234 / TN233
    - TO 263 3L
    - 3 x 3 mm QFN
    - 3.3 x 3.3 mm QFN
    - 5 x 6 mm QFN
- Small Signal Packages
    - SOT 223 3L
    - TO 220 2/3/5/7L

Aerospace, Defense & Security

The UK subsidiary, STI Limited proudly supports mission-critical applications in the aerospace, defense and security market as safety critical solutions are needed for peak performance and high reliability for various applications.

Electronics for use in the satellite and space exploration sector require exceptional levels of reliability. At STI, we achieve this through stringent process control and the very latest technology for assembled board inspection. With the added value of lifetime testing, the customer has the confidence that the assembly will function consistently to the design specification.

Communications

The company is a key player in the development and manufacturing of systems and products in a world where information is power. We closely collaborate with our partners in moving such information around quickly and intelligently.

- Back Panel for Telecommunication Board
- Fiber to the “X” (FFTx) systems
- Booster Amplifier
- GPON (Gigabit Passive Optical Network) Systems

- Wireless Security System
- Base Station Power Supply
- Digital Station Control Board
- Power Transistors for amplifiers in cellular base stations
- Power Conversion ICs in adapters and chargers
- DC Port and USB Port protection for satellite radio peripherals
- Enterprise Network Wireless

Medical

The company enable our partners to better handle and address the increasing volumes of electronic content in the medical industry.

- Flat Panel Imaging Equipment
- Auto Body Contouring Imaging Equipment
- Dental Imaging System
- Defibrillator Component Device
- Concealed Hearing Aid
- Biomedical and Laboratory Equipment
- Centrifuge Control Board
- Fitness Equipment Control Board
- Non-invasive Ventilation Device
- Continuous Positive Airway Pressure (CPAP)

On March 29, 2023, the Company announced its strategic manufacturing collaboration with Zero Motorcycles, a world leader in electric motorcycles and power trains based in California, USA, to assemble Zero's electric motorcycle models and other assemblies in IMI's Laguna facility.

<u>Other Capabilities and Services</u>

Design and Development

IMI invest on considerable resources for product design and development and engineering while continuously improving product quality, reliability, and performance. Count on us for complete technical collaboration from product development to high volume manufacturing.

- Extensive competencies in electronic hardware, software development including industrial and mechanical design;
- Product and manufacturing platforms for automotive cameras for ADAS applications:
- Extensive capability covering sub 2.4GHz communications solutions
    - 3G-5G
    - LoRa
    - SigFox
    - Bluetooth
    - GPS
    - B IoT
    - CATM1
- Platforms – already developed to create fast development solutions in Power, IoT including multipole sensors 4G/5G, GPS, DC-DC and cameras.
- Motor and heater drives (for EV/HEV),
- Power module packages (for industrial and automotive applications) for customization and enable quick time-to-market.

Advanced Manufacturing Engineering (AME)

IMI provides technical solutions that are aligned to product specifications. Our engineers are constantly developing new and advanced manufacturing process technologies.

With our focus in design, development, and industrialization of new and advanced processes and material technologies, we are mindful of the continuously increasing complexities required to manufacture modern products today.

IMI 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

While thriving on speed and quality, we cut down time-to-market and maintain the highest product quality.

IMI offer rapid prototyping and make every effort to get it right the first time. By offering process development and tool design locally, you save on valuable lead-time.

Test and Systems Development

IMI guarantee customized test solutions of high quality and reliability in your products.

Robotic automation processes in many of our production facilities are implemented in various test platforms while sharing common software and hardware architectures.

Collaboration among our various TSD teams from different regions ensures continuous innovations in complex tester projects.

- Design for Testability
    - Parallel test solutions
    - Test coverage analysis & improvement
- Rapid turnkey hardware design and fabrication
- Flexible test platforms for product ECNs
    - SW revisions
    - Hardware field upgrades
- Test process and hardware documentation
- Training and 24x7 manufacturing

The company have five TSD Centers of Competence with more than 70 engineers serving our global factory network.

The company continue to innovate for sustainability, constantly rolling out customized test solutions for the EMS and automotive industry.

Our unique five-stage Tester Development Process involves a rigorous set of *gate check points* that help ensure compliance to quality standards and customer requirements.

Analytical Testing and Calibration

Our Analytical Testing and Calibration (ATC) laboratory is an ISO17025:2017 Accredited Laboratory which provides specialized laboratory testing and calibration services supporting the automotive, industrial, power electronics, aerospace, defense & security, communication and medical industries.

ATC Laboratory strives to develop long term relationships with clients as a global manufacturing solutions partner.

The cutting-edge instrumentation, the specialist industry knowledge and the expertise in applying the most relevant testing protocols according to standard methodologies (ISO, VDA, AECQ, Military, JEDEC, etc) and experts in method development provides innovative, custom-made test plans and analysis results delivered consistently with speed, precision and passion.

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 2022 Audited Consolidated Financial Statements which is incorporated herein as Exhibit 1.

Revenue Contribution by Industry Segment (in US$)

	2022	2021	2020
Automotive	**$748,133,702**	$648,027,420	$521,070,692
Industrial	**476,146,759**	413,898,749	355,463,462
Consumer	**71,740,418**	82,371,007	85,591,512
Telecommunication	**37,895,276**	52,342,497	64,928,610
Aerospace/defense	**39,953,992**	54,329,773	47,317,163
Medical	**23,005,325**	28,798,655	38,013,836
Multiple market/others	**12,141,040**	20,822,097	23,455,318
	$1,409,016,512	$1,300,590,198	$1,135,840,593

Revenue Contribution by Customer Nationality (in US$)

	2022	2021	2020
Europe	**$940,205,928**	$775,010,938	$675,265,274
America	**175,174,834**	184,955,706	164,835,520
Japan	**70,436,636**	77,943,575	73,620,703
Rest of Asia/Others	**223,199,114**	262,679,979	222,119,096
	$1,409,016,512	$1,300,590,198	$1,135,840,593

Foreign Subsidiaries' Contribution

	2022		**2021**		**2020**	
	Revenue	**Net Income***	**Revenue**	**Net Income***	**Revenue**	**Net Income***
Foreign Subsidiaries:						
China/SG	24%	N/A	24%	N/A	23%	N/A
Europe/Mexico	36%	N/A	34%	N/A	34%	N/A
Germany/UK (VIA/STI)	21%	N/A	23%	N/A	24%	N/A
TOTAL	**81%**	**Net Loss**	**81%**	**Net Loss**	**81%**	**Net Loss**

* *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 10.68%, 8.97% and 8.34% of the Group's total revenue in 2022, 2021, and 2020, respectively.

Sales and Distribution

The Company's global presence allows it to provide solutions to OEMs thru its Tier 1 customers catering to regional and international markets. IMI's unique global footprint significantly contributes to the differentiated value proposition that the Company offers to its customers, further driving incremental growth with existing customers as well as attracting new customers.

- Philippines: offers a low-cost manufacturing option with an improved cost structure through low labor and tariff export advantages
- Mexico: provides an opportunity for North American customers to onshore manufacturing
- Europe: provides European automotive OEMs close proximity to the manufacturing operation
- China: meets Chinese domestic demand (100% of IMI's revenue with Chinese-domiciled customers is generated out of its China sites)

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 for higher value add. The group also optimized and expanded the businesses with its key customers through global and regional key account management to tap regional and global opportunities.

Our global sales teams have boosted their efforts to ensure a strong rebound for IMI. New project wins in 2022 reached US$352 million of annual revenue potential (ARP) for IMI wholly-owned sites. A significant portion of these wins are for electric-vehicle and automated driving projects, two of the main subsegments that we have invested heavily in for the past few years.

Mergers and Acquisition

On May 21, 2021, VIA Optronics GmbH ("VIA") acquired Germaneers GmbH ("Germaneers), a high-tech engineering company focusing on automotive system integration and user interfaces for a transaction price of EUR3.06 million ($3.73 million). Germaneers provides solutions for a range of well-known high-end original equipment manufacturers (OEMs).

Germaneers is known for creating innovative and state-of-the-art digital car interiors to achieve the next level of customer experience through human machine interfaces (HMI), sensor and camera solutions.

Competition

IMI ranks 22nd in the list of Top EMS providers in the world by the Manufacturing Market Insider based on 2021 revenues. In the automotive market, it's the 8th in the world per New Venture Research.

From its 20 manufacturing plants across ten different countries, IMI provides engineering, manufacturing, support, and fulfillment capabilities to diverse industries globally.

IMI has created an extensive global manufacturing network that enables the Company to best serve its global, blue-chip customers. The company has a strong global footprint with foothold in key major markets worldwide. IMI is a technology leader in attractive areas such as Camera vision, power modules, sensors and connectivity. Our leading-edge capabilities, including robust design and advanced manufacturing engineering and processes, and bare die assembly, position the company for accelerated growth. We also provide solutions for advanced technology products in attractive end markets with long product life cycles. IMI also has reputation for quality and customer recognition.

The Company’s performance is affected by its ability to compete and by the competition it faces from other global EMS companies as well as the disruptions in the global electronics supply chain. 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 and service 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 company’s original design manufacturer (ODM) manufacturers all over the world. Some of its fierce EMS provider competitors include Flex, Plexus, SIIX, and Kimball.

Flex is a Singapore-headquartered company with annual revenues of US$29.7 billion in 2022; Through the collective strength of a global workforce across 30 countries and responsible, sustainable operations, Flex delivers technology innovation, supply chain, and manufacturing solutions to diverse industries and end markets. Its cost structure is very competitive, and it is vertically integrated as well. Flextronics poses competition to IMI in the consumer, communications, industrial, and automotive segments.

Plexus, a U.S.-based EMS, recorded US$4.1 billion in revenues in 2022. Plexus is a key EMS player in the industrial, medical, communications, and military sectors, wherein IMI also operates.

Kimball Electronics is a manufacturing facility located in Jasper Indiana USA, with revenues of US$1.6 billion in 2022. Kimball is a competitor of IMI in the automotive, industrial, and medical markets.

Principal Suppliers

IMI’s supplier base is extremely diversified in terms of spend and geography, providing the Company further flexibility across it supply chain. The Company’s top 10 suppliers in 2022 comprise about 20% of global purchases. No supplier represents more than 7% of total spend. In 2022, direct material spends comprise 45% active components, 15% passive components, 14% PCBs, 13% electro-mechanicals, 11% mechanicals, 2% others.

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

Please refer to Item 12. Certain Relationships and Related Transactions of this Report.

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 insulating heat-curable carrier.	California, USA, 2000	2020
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	California, USA and Singapore, 2001	2021

	such that the non-fluxing underfill material is trapped between the die and the substrate.		
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
United States Patent Publication Number: • **US 2019/0137723 A1** **Publication Date: May 9 , 2019**	CAMERA LENS HEATER - Integrated heating element on the lens element stack - a heating assembly having an annular -shaped heating element disposed on the second surface of the objective lens , the heating element configured to produce heat when an electrical current is caused to flow through it , and a lens cap attached in mating engagement to the base portion of the lens barrel securing the objective lens therebetween .	USA: Nov. 5, 2018	2039-10-25

VIA Optronics

VIA's success and ability to compete depend in part on its ability to maintain the proprietary aspects of its technologies and products. The company relies on a combination of patents, trademarks, trade secrets, licensing and collaboration agreements, confidentiality agreements, and other statutory and contractual provisions to protect its intellectual property, but these measures may provide only limited protection. For more information, please refer to VIA Optronics Annual Report (Form 20-F).

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 – Motorcycle	Philippine Economic Zone Authority

Engine Assembly	
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)
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)	12/15/2022	
PEZA Certificate of Registration – Motorcycle Engine Assembly	Laguna	2022-00058-PEZA-EX-C29-1	07/18/2022	
PEZA Certificate of Registration - Facilities Enterprise	Laguna	11-19-F	11/29/2011	
BIR Form 2303 - Certificate of Registration				
Laguna		OCN: 116RC20220000002231	11/07/2022	
Permit to Use Computerized Accounting System	Laguna	AC_116_102022_000144	10/26/2022	
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	Valid until exhaustion of invoices
		OCN 8AU0000356126	08/28/2019	Valid until exhaustion of invoices
Business Permit	Laguna	2023-02476	01/18/2023	12/31/2023
Fire Safety Inspection Certificate	Laguna	FSIC No. R4A 690620; FSIC No. R4A 690621	11/10/2022	11/10/2023
Environmental Compliance Certificate	Laguna	ECC-R4A-2021-03-0059; ECC-R4A-1607-0233	05/10/2021; 08/02/2016	
Hazardous Waste Generator Registration	Laguna	OL-GR-R4A-34-000488;	07/26/2020;	

Certificate		OL-GR-R4A-34-000406	07/02/2020	
Laguna Lake Development Authority (LLDA) – Clearance	Laguna	LX-21a-2022-00921; LA-21a-016-00032	08/25/2022; 09/20/2016	
LLDA - Discharge Permit	Laguna	DP (R)-21a-2022-06355; DP (R)-21a-2021-05287	01/05/2023; 01/21/2022	01/17/2024; 01/15/2025
Department of Environment and Natural Resources (DENR) - Permit to Operate	Laguna	PTO-OL-R4A-2022-00505; PTO-OL-R4A-2021-09183-R	01/19/2022; 11/03/2021	01/19/2027; 11/03/2026
DENR - Permit to Transport	Laguna	OL-PTT-R3-14-078269	01/31/2023	07/31/2023

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 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. 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.

VIA conducts research and development activities primarily in Germany as well as in China and Japan that focus on advancing its existing optical bonding and metal mesh technologies, improving its current product solutions, developing new products, improving functionality and manufacturing processes, enhancing the quality and performance of our product solutions and expanding its technologies to position the company as a critical and innovative supplier in its customers' supply chains.

Capital Finance International ("CFI.co") granted VIA the 2021 award for Best Technology Innovation Value Strategy – Germany. CFI.co is a print journal and online resource reporting on business, economics and finance. Each year, CFI.co seeks out individuals and organizations that contribute significantly to the convergence of economies and truly add value for all stakeholders. Highlights from the judging panel's full report include:

- VIA has developed a patented optical bonding process and is using state-of-the-art technology to create customized display, touch panel and camera solutions for clients worldwide.
- The company tailors solutions to each project's needs, working with clients in the automotive, consumer electronics, and industrial markets
- VIA has a growth strategy centered on continued investments in research and development to further enhance its solutions.
- The CFI.co judging panel pointed to the company's next-generation technology, multidisciplinary team and farsighted management as factors in the selection

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

		% to Revenues
2022	$5,675,802	0.40
2021	$7,695,324	0.59
2020	$7,430,288	0.65

Human Resources

The Company has a total workforce of 14,076 employees as of December 31, 2022, shown in the following table:

	2022	2021
Managers	523	520
Supervisors	1,955	2,026
Rank-and-File	1,740	2,435
Technicians/Operators	9,858	9,474
TOTAL	**14,076**	**14,455**

IMI's projected headcount for 2023 is 14,748.

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, skills and expertise, 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 fire and explosion due to presence and use of flammable materials in the operations, or force majeure. Additionally regional conflicts such as the Russia – Ukraine, or tensions in the Asia-Pacific region may also result in disruptions in logistics, supply chain, increased oil and natural gas prices, food supply, and sanctions levied upon individuals and entities that may have ties with Company's suppliers and customers.

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 factors such as Covid-19 Global Pandemic, climate change and failure to adopt to new carbon economy.

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, lack of skills 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, including requirements related to sustainability and ESG. 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. The Company also incorporates Environment, Social, and Governance (Sustainability) into it's strategy and future growth.

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 as well as fast phase growth in green/clean energy industry. 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.

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).

In addition, the company has embarked on ISO 27001 – Information Security Management Systems certification program to ensure integrity and validity of cyber security controls across the IMI enterprise. The program also includes contracting 3rd party security assessors to determine maturity of IMI's information technology infrastructure, software, policies, procedures, and practices.

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.

Macroeconomic pressures in the markets in which we operate, including, but not limited to, the effects of COVID-19, political and social conditions or civil unrest in the U.S. and in certain international markets, may adversely affect our financial results.

To varying degrees, our customer's products are sensitive to changes in macroeconomic conditions that impact consumer demand. As a result, consumers may be affected in many different ways, including for example:

- whether or not they make a purchase;
- their choice of brand, model or price-point; and
- how frequently they upgrade or replace their video gaming consoles.

Real GDP growth, consumer confidence, the COVID-19 pandemic, inflation, employment levels, oil prices, interest rates, tax rates, housing market conditions, foreign currency exchange rate fluctuations, costs for items such as fuel and food and other macroeconomic trends can adversely affect consumer demand for the products and services that our direct customers (B2B) offer and hence affects demand for components we supply. Geopolitical issues around the world and how our markets are positioned can also impact the macroeconomic conditions and could have a material adverse impact on our financial results.

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,
- currency 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, climate 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.

The Financial Action Task Force (FATF), a global organization based in Paris, has once again placed the Philippines on its "grey list" for failing to address strategic deficiencies in combating money laundering, terrorist financing, and proliferation financing in compliance with its 40+9 recommendations. The Anti-Money Laundering Act (AMLA)'s shortcomings persisted in the nation even after the 2020 Anti-Terrorism Act and its modifications were passed. The Bank Deposit Secrecy Act has not yet undergone any changes. Being placed on the gray list of FATF implies risk of higher inflation and processing fees, as well as increased scrutiny from financial companies.

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.

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 2021 alone, Super Typhoon Kiko and Odette caused massive disruptions in multiple cities and provinces, leaving over 1,500 people injured and resulting in about 500 deaths. 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. Approximately 3.42 million households (161 million people) with 6,300 casualties and 1,061 missing in the Philippines. It damaged 1,084,762 buildings in the country including heavily 489,613 and moderately 595,149 (NDRRMC, 2014), 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. 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.

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. With the passage of the European Union (departure deal) Act 2020 following the election in December 2019, the British parliament ultimately accepted the departure deal. The UK exited the EU on January 31, 2020, Central European Time. (11 p.m. GMT).

Economic effects and issues related to Brexit continues to persist and has caused political turmoil, with leadership changes where Rishi Sunak is the UK's third prime minister in a span of less than two months.

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, 2022 are shown below:

Location	Floor Area (square meters)	Capabilities
Manufacturing Sites		
Philippines-Laguna (2 sites) VIA Philippines	107,942	▪ 30 SMT lines, 2 FC lines ▪ 6 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) ▪ Vacuum reflow ▪ Precision Metals/Machining
China-Pingshan	28,350	▪ 7 SMT lines ▪ Box Build ▪ PTH, Solder Wave ▪ POP, Auto Pin Insertion ▪ Potting, Conformal coating and Burn-in ▪ ICT, FCT, AOI, RF Testing ▪ Design & Development ▪ Test & System Development ▪ LVHM, HVLM ▪ Sourcing, Procurement and Material Purchasing ▪ Logistics ▪ Regional support
China-Kuichong	24,073	▪ 21 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	11,500	▪ 3 SMT lines ▪ Box Build ▪ PTH, Auto Pin Insertion, BGA, X-Ray ▪ Solder Wave ▪ Automated Conformal Coating ▪ ICT, FCT, AOI ▪ HVLM / LVHM ▪ Test & System Development
USA-Tustin, CA*	1,184	▪ Global AME ▪ Engineering & Processs 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 site) Sofia, Bulgaria (1 site) Niš, Serbia (1 site)	 16,712 50,213	▪ Bulgaria – 25 SMT lines ▪ Serbia – 5 SMT lines ▪ Metrology & Laboratory ▪ 3D X-ray (CT) ▪ PCB Assembly and Testing ▪ Full automation manufacturing process (in-line laser), PTH, Auto Pin Insertion ▪ In-line ICT, Routing, Auto-manipulator of PCBA to trays ▪ Solder Wave, Selective Soldering, Manual Soldering ▪ Protective Coating ▪ Potting, Coating, Glue Dispensing ▪ 3D, AOI, 3D SPI, ICT; FCT; RF Testing ▪ Cabling ▪ Test & System Development ▪ Design & Development ▪ Plastic Injection Embedded Toolshop ▪ Overmolding ▪ Metrology & laboratory ▪ Chip on board ▪ Tooling ▪ Automation ▪ Box Build (manual/semi/automatic) ▪ Full traceability including interlocking
El Salto, Guadalajara, Mexico (2 sites)	25,600	▪ 10 SMT lines ▪ 40 Plastic Injection Machines (50-1,600T) including Overmolding ▪ 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, Automated potting ▪ SPI, 2D & 3D AOI, ICT, FCT, 3D X-Ray ▪ Embedded Toolshop ▪ Test & System Development

Třemošná, Plzeňská, Czech Republic	7,470	▪ 5 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 AG 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)	5,770	▪ 2 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)	6,187	▪ 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, Phils (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	**330,072**	
Sales and Marketing Support		
Hong Kong*	300	Procurement, marketing and supply chain support
Japan*	110	Sales Support
Malaysia*	8	Global Procurement, Global Internal Audit
Total Support Space	**410**	
Total	**423,026**	

Lease Commitments

Lease Commitments

Parent Company

In 2018, the Parent Company entered into a lease agreement for the use of a warehouse building located in Laguna. The non-cancellable lease is for a period of five years from September 1, 2018 to August 31, 2023.

The Parent Company entered into an amended lease contract with AREIT INC., formerly owned by 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 lease contract which expired 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 of five percent beginning January 1, 2024 until the end of the lease term.

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, 2021 to December 31, 2025.

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, 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, the contract was extended up to May 2023. In 2022, IMI SZ entered a two-year lease agreement effective July 1, 2022 to June 30, 2024, for a dormitory located in Pingshan.

In 2017, STJX extended its existing lease agreement up to 2027 with Jiaxing Economic Development Zone Investment and Development Group Co., Ltd to use as its manufacturing facility located in He Ping Street, Jiaxing.

On November 2020, IMI CD entered a five-year lease agreement effective 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. In September 2022, IMI

CD entered a three-year non-cancellable lease, effective October 1, 2022 to September 30, 2025, located at Xindu district, Chengdu City to serve as their external warehouse.

IMI BG
IMI BG have lease agreements related to office and warehouse building rent with 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 expired in 2022 and were no longer renewed. PSi transferred its operations and office in Laguna Technopark Inc., Binan, Laguna.

VIA Group
VIA Group has lease contracts for various items of office, plant and vehicles used in its operations. Leases of office and plant have lease terms between 3 and 18 years, while motor vehicles generally have lease terms of 3 years. VIA's obligations under its leases are secured by the lessor's title to the leased assets. For certain leases, VIA is restricted from entering into any sub-lease agreements. There are several lease contracts that include extension and termination options. VIA Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. VIA Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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 a two-year lease of office premises which matured in 2012 with automatic renewal 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 and an option to extend the lease up to two years.

Capital Expenditures

In 2022, IMI spent $21.2 million on capital expenditures related to new programs, lower than last year's $31.0 million. The Company does not have any material commitment for capital expenditure but expects to spend ~$30-40 million in 2023 to be funded by internal cash and bank loans.

ITEM 3. LEGAL PROCEEDINGS AND CONTINGENCIES

There are no material pending legal proceedings, bankruptcy petition, conviction by final judgment, order, 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.

As of December 31, 2022, Integrated Micro-Electronics, Inc. ("IMI") is a party to legal proceedings arising in the ordinary course of its operations. Certain employees have filed illegal dismissal cases before the National Labor Relations Commission against IMI when the latter terminated their services due to violation of company rules and regulations such as acts of dishonesty, and excessive unauthorized absences. These cases are at various stages including appeal.

IMI's action for specific performance against Standard Insurance ("Standard") wherein it sought to collect Standard's share in the loss incurred by IMI from the May 24, 2009 fire at IMI's Cebu facility was decided against IMI. On October 20, 2022, IMI received SC's Resolution dated March 16, 2022 denying its motion for reconsideration with finality

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 2022 and 2021.

Philippine Stock Exchange
Prices in PhP/share

	High		Low		Close	
	2022	2021	2022	2021	2022	2021
First Quarter	10.56	14.84	7.82	8.68	8.10	10.54
Second Quarter	8.05	11.60	6.00	8.55	6.19	9.90
Third Quarter	7.46	10.60	5.66	7.50	5.66	7.50
Fourth Quarter	5.51	9.18	4.55	7.50	4.87	8.40

The market capitalization of the Company's common shares as of December 31, 2022, based on the closing price of P4.87/share, was approximately P10.80 billion.

The price information of IMI's common shares as of the close of the latest practicable trading date, March 22, 2023, is P4.98 per share.

Holders

There are approximately 285 registered common stockholders as of February 28, 2023. 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)	511,819,784	23.0813%
3.	Resins Incorporated	291,785,034	13.1595%
4.	PCD Nominee Corporation (Filipino)	204,465,846	9.2214%
5.	2014 ESOWN Subscription	19,764,242	0.8913%
6.	ESOWN Trust Account	9,337,397	0.4211%
7.	SIIX Corp.	7,815,267	0.3525%
8.	2007 ESOWN Subscription	5,580,500	0.2517%
9.	2015 ESOWN Subscription	3,514,400	0.1584%
10.	2009 ESOWN Subscription	2,391,268	0.1078%
11.	Ayala Corporation	1,379,892	0.0622%
12.	Meneleo J. Carlos, Jr.	805,288	0.0363%
13.	Transtechnology Pte. Ltd.	304,836	0.0137%
14.	Alfredo Gramata, Jr.	258,842	0.0116%
15.	Emmanuel V. Barcelon	240,000	0.0108%
16.	Philippe Marquet	225,519	0.0101%
17.	Conrad J. Eisenman	160,163	0.0072%
18.	Joselito Senadoza Bantatua	150,000	0.0067%
19.	Sylke Ludewig	137,601	0.0062%
20.	Roberto Raymond G. Castillo	128,812	0.0058%

A list of the company's top 100 shareholders as of December 31, 2022 can be found through this link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=915bbfe452a89deb9e4dc6f6c9b65995

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, 2021 and 2022.

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 2022, 2021 and 2020 are shown on the following table:

	For the years ended December 31		
	2022	**2021**	**2020**
		(in US$ thousands, except Basic EPS)	
Revenues from contracts with customers	1,409,017	1,300,590	1,135,841
Cost of goods sold and service	(1,298,609)	(1,209,772)	(1,039,504)
Gross profit	110,408	90,818	96,337
Net loss attributable to equity holders of the Parent Company	(6,757)	(10,565)	(3,455)
EBITDA[1]	47,099	46,358	58,884
Basic Earnings per Share (EPS)	(0.003)	(0.005)	(0.002)

2022 vs 2021

Revenues from Sales and Services

The Company posted consolidated full year 2022 revenues of US$1.4 billion, 8 percent growth compared to the previous year. Despite the on-going component shortage and impact of weakened Euro, IMI was able to deliver strong revenue growth on focus market segments automotive (15%) and industrial (+15%) driven by successful ramp up of new projects.

Wholly-owned subsidiaries achieved revenues of US$1.1 billion for the year, an 11% growth from 2021. Meanwhile, VIA optronics (VIAO) and Surface Technology International (STI Ltd.) continued to face stiffer headwinds in their operating environments. Component allocation challenges, particularly for aerospace/defense and consumer, continue to be slower compared to other markets. Combined revenues for these non wholly owned subsidiaries was flat vs last year with 1% year-on-year increase.

Gross Profit and Gross Profit Margin

The full year gross profit of $110.4 million increased 22% versus 2021 (GP% of 7.8% vs 7.0% last year). This was a result of proactive steps taken to streamline the supply chain, rationalize global headcount, restructure product pricing, and an upside gain was booked to align the company's accounting for the estimated useful life of manufacturing equipment with the rest of the industry from an average of 7 to 10 years.

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[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.

Operating income

Operating income is at $2.7 million from a negative ($17.7M) in 2021 mainly driven by improved GP margins reduced general and administrative expenses driven by cost reduction initiatives.

Net Loss

The Company posted a net loss of $6.8 million, better than last year's net loss of $10.6 million or an improvement of +$3.8M mainly from improved operating income by +$20.3 million, offset by higher interest expense, provision for onerous contracts and some financial provisions and forex losses on the core business. 2021 also has one off gains such as mark-to-market on put options and reversal of impairment losses.

EBITDA

EBITDA of $47.1 million, slightly higher by 2% than last year due to better operating income.

Financial Condition

In 2022, IMI spent $21.2 million on capital expenditures related to new programs, lower than last year's $31 million. The Company does not have any material commitment for capital expenditure but expects to spend ~$30-40 million in 2023 to be funded by internal cash and bank loans.

IMI's balance sheet remains robust with a current ratio of 1.51:1 and debt-to-equity ratio of 0.83:1.

Key Performance Indicators of the Company

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

	As of end Dec 31, 2022	**Dec 31, 2021**
Performance indicators		
Liquidity:		
Current ratio[a]	1.51x	1.59x
Solvency:		
Debt-to-equity ratio[b]	0.83x	0.69x

	For the years ended 31 Dec 2022	**2021**
Operating efficiency:		
Revenue growth[c]	8%	15%
Profitability:		
Gross profit margin[d]	7.8%	7.0%
Net income margin[e]	(0.5%)	(0.8%)
Return on equity[f]	(1.7%)	(2.5%)
Return on common equity[g]	(1.7%)	(2.5%)
Return on assets[h]	(0.6%)	(0.9%)
[2]EBITDA margin	3.3%	3.6%

[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*

[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:

The risk of recurrence of further pandemic related shutdowns and other macro-economic factors 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 and other macro-economic factors 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 2022 versus 31 December 2021)

8% increase in Revenues ($1.30B to $1.41B)
The increase was driven mainly by focus market segments automotive (+15%) and industrial (+15%) year-on-year.

22% increase in Cost of goods sold ($1,209.8M to $1,298.6M)
Direct costs increased relevant to the revenues. Higher than revenue increase due to higher material prices affected by component shortage and elevated freight costs.

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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.

1% decrease in Operating expenses ($108.5M to $107.8M)
Mainly due to decrease in people costs (-$3.2M), depreciation and amortization (-$4.3M) offset by increase in travel and transportation (+$2.8M), and other financial provisions.

448% decrease in Non-operating income/(expenses) ($3.3M to -$11.6M)
Decrease due to asset impairments in 2022 (-$4.3M), foreign exchange valuation (-$3.5M) related to appreciation of USD versus Euro, GBP and RMB and increase in interest expense (-$4.1M) due to increase in interest rates and additional loans during the year.

6% decrease in Noncontrolling interest (-$9.1M to -$8.6M)
Higher share of minority in the net losses of VIA (49.68%) and STI (20%).

Balance Sheet items
(31 December 2022 versus 31 December 2021)

28% decrease in Cash and cash equivalents ($159.8M to $115.8M)
Cash used in operating activities -$40.1M mainly driven by higher inventory levels due to the component shortage issue and increase in receivables; cash used in investing -$19.3M mainly from capital expenditure to support new programs; cash provided in financing +$18.9M mainly from net availment of loans (+$29.1M) offset by payment of lease liabilities (-$11.6M).

100% increase in Short-term Investment (nil to $8.5M)
Increase was due to reclassification from Cash and cash equivalent for money market placements made for varying periods of more than three months but less than one year.

13% increase in Inventories ($238.6M to $268.5M)
Inventory build up due to customer backlogs and component shortage.

13% increase in Other current assets ($22.4M to $25.3M)
Increase in tax credits.

10% decrease in Property, plant and equipment ($162.0M to $146.1M)
Decrease from yearly depreciation (-$27.9M), offset by additional capex for the year (+$20.7M) and impact of forex depreciation on translation.

53% decrease in Intangible assets ($10.9M to $5.1M)
Yearly amortization (-$4.8M) and due to booking of provision for impairment.

32% decrease in Right-of-use of assets ($28.5M to $19.3M)
Amortization (-$9.1M), offset by additional contracts during the year.

34% increase in Financial assets through OCI ($1.4M to $1.8M)
Increase in fair value of quoted club shares.

27% decrease in Deferred tax assets ($2.9M to $2.1M)
Reversal of DTA on lease liabilities.

56% increase in Contract liabilities ($4.7M to $7.4M)
Increase in advance payments received to render manufacturing services.

16% increase in Loans and trust receipts payable ($165.8M to $192.7M)
Availment of loans.

26% decrease in Income tax payable ($2.4M to $1.8M)
Lower taxable income.

100% increase in Other current liabilities (nit to $1.0M)
Recognition of provision for onerous contracts.

69% increase in Current portion of long-term debt ($1.8M to $3.0M)
Availment of loans.

32% decrease in Net retirement liabilities ($10.3M to $7.0M)
Decrease in provision for retirement liability.

44% decrease in Lease liabilities ($22.8M to $12.9M)
Payments of leases.

120% decrease in Cumulative translation adjustments (-$19.9M to -$43.7M)
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 1.13 to 1.06, GBP against USD from 1.35 to 1.20 and RMB against USD from 6.38 to 6.96.

34% decrease in Equity attributable to NCI ($57.1M to $38.0M)
Decrease due to the minority share in the loss of VIA and STI.

2021 vs 2020

Revenues from Sales and Services

The Company posted consolidated full year 2021 revenues of US$1.3 billion, 15 percent growth compared to the previous year. Despite supply chain constraints spanning the entire year, IMI was able to deliver on strong customer demand for electronic products. Focus market segments automotive (+24%), industrial (+16%), and aerospace (+15%) all grew year-on-year.

Wholly-owned subsidiaries achieved revenues of US$1 billion for the year, a 16% growth from 2020. Meanwhile, VIA optronics (VIAO) and Surface Technology International (STI Ltd.) revenues also increased to US$296 million, a 10% year-on-year growth.

Gross Profit and Gross Profit Margin

The full year gross profit of $90.8 million declined 6% versus 2020 (GP% of 7.0% vs 8.5% last year). The challenging business environment has been further complicated by the disruptions in the supply chain of electric components which resulted to revenue backlogs, high raw material prices and elevated logistics expenses. The component shortage also resulted to labor inefficiencies and low utilization.

Operating loss

At the start of 2021, the Group was expecting to recover from the effects of Covid-19. However, supply chain disruptions in the electronics industry spanned the entire year which resulted to revenue backlogs, higher logistic expenses and increase in material and labor costs which impacted the Group's operations.

Although the issues brought about by the global component shortage and recurrence of pandemic-related headwinds affected the entire industry, the Group endeavors to focus on excelling in areas the Group can control. Through rigorous collaboration with customers and suppliers, the order bookings remain robust and the Group continues to build its pipeline by winning projects that should allow the Group to improve performance as soon as the supply chain find its balance.

Operating loss is at $17.7 million from an operating income of $3.9 million in 2020 from lower gross profit due to impact of component shortage and increase in general and administrative expenses mainly growth and technology-related expenditures, people cost, outsourced activities and insurance expense.

Net Loss

The Company posted a net loss of $10.6 million, higher loss than last year's net loss of $3.5 million. With effects of Covid-19 largely in control at the beginning of the year, the disruptions in supply chain and rising Covid Delta cases towards the second half of the year has pushed back the recovery timeline which significantly affected the operating performance of the Company. Losses were tempered by beneficial FX position, financial subsidies, mark-to-market gains and reversal of impairment losses.

EBITDA

EBITDA of $46.4 million, 21% lower than last year due to operating losses.

Financial Condition

Despite the current market situation, we continued investing on capital expenditure for further space utilization and line upgrades to ensure readiness for capacity expansion when the supply issues begin to resolve. In 2021, IMI spent $31.0 million on capital expenditures, higher than last year's $18.7 million, mainly purchase of machineries for new projects and maintenance of existing facilities. The Company does not have any material commitment for capital expenditure but expects to spend ~$30-40 million in 2022 to be funded by internal cash and bank loans.

On the financing activities, our high cash level provided the opportunity to redeem $70M of preferred shares that will translate to lower financing cost for IMI. We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a robust balance sheet. As of December 31, 2021, current ratio stood at 1.59:1, debt-to-equity ratio was 0.69:1.

Key Performance Indicators of the Company

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

	As of end	
	Dec 31, 2021	**Dec 31, 2020**
Performance indicators		
Liquidity:		
Current ratio[a]	1.59x	1.54x
Solvency:		
Debt-to-equity ratio[b]	0.69x	0.41x

	For the years ended 31 Dec	
	2021	**2020**
Operating efficiency:		
Revenue growth[c]	15%	(9%)
Profitability:		
Gross profit margin[d]	7.0%	8.5%
Net income margin[e]	(0.8%)	(0.3%)
Return on equity[f]	(2.5%)	(0.8%)
Return on common equity[g]	(2.5%)	(0.8%)
Return on assets[h]	(0.9%)	(0.3%)
[3]EBITDA margin	3.6%	5.2%

[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*

[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:

The risk of recurrence of further pandemic related shutdowns and other macro-economic factors 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 and other macro-economic factors 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 2021 versus 31 December 2020)

15% increase in Revenues ($1.14B to $1.30B)
The increase was driven mainly by recovery from focus market segments automotive (+24%), industrial (+16%), and aerospace (+15%) year-on-year.

16% increase in Cost of goods sold ($1,039.5M to $1,209.8M)
Direct costs increased relevant to the revenues. Slightly higher than revenue increase due to higher material prices, elevated freight costs and increase in labor costs.

16% increase in Operating expenses ($92.5M to $108.5M)

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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.

Mainly due to increase in people costs (+11.4M), insurance expense (+2.5M), and contracted services (+1.3M).

95% increase in Non-operating income/(expenses) (-$5.3M to $3.3M)
Increase due to reversal of asset impairments in 2020 (+$2.3M), gain on foreign exchange valuation (+$6.2M) related to appreciation of Euro, GBP and RMB.

213% increase in Noncontrolling interest (-$2.9M to -$9.1M)
Higher share of minority in the net losses of VIA (50.32%) and STI (20%).

Balance Sheet items
(31 December 2021 versus 31 December 2020)

35% decrease in Cash and cash equivalents ($244.4M to $159.8M)
Cash used in operating activities -$47.5M mainly driven by increase in inventory levels due to the shortage issue and receivables; cash used in investing -$32.6M mainly from capital expenditure to support line expansion and new programs; cash used in financing -$6.6M mainly due to net availment of loans (+$78.8M) offset by redemption of subsidiary's preferred shares (-$70M), payment of lease liabilities (-$11.6M) and dividends paid to preference shares (-$3.7M).

68% increase in Inventories ($142.3M to $238.6M)
Inventory build up due to accumulation of customer backlog and component issues.

29% increase in Other current assets ($17.4M to $22.4M)
Increase in prepayments and tax credits.

9% decrease in Property, plant and equipment ($178.0M to $162.0M)
Decrease from yearly depreciation (-$40M), offset by additional capex for the year (+$30.4M) and impact of forex appreciation on translation.
36% decrease in Intangible assets ($17.1M to $10.9M)
Yearly amortization (-$7.4M) slightly offset by reversal of impairment.

13% decrease in Right-of-use of assets ($32.7M to $28.5M)
Amortization (-$10.9M), offset by additional contracts during the year.

21% increase in Financial assets through OCI ($1.1M to $1.4M)
Increase in fair value of quoted club shares.

16% decrease in Deferred tax assets ($3.5M to $2.9M)
Reversal of DTA on lease liabilities.

14% increase in Accounts payable and accrued expenses ($253.8M to $289.4M)
Mainly from increase in trade and nontrade payables and accruals for salaries and benefits.

213% increase in Contract liabilities ($1.5M to $4.7M)
Increase in advance payments received to render manufacturing services.

20% decrease in Loans and trust receipts payable ($206.5M to $165.8M)
Repayment of loans.

28% decrease in Income tax payable ($3.4M to $2.4M)
Lower taxable income.

100% decrease in Other financial liabilities ($1.7M to nil)
Reversal of put options.

14% decrease in Current portion of long-term debt ($2.1M to $1.8M)
Repayment of loans.

<u>365% increase in Noncurrent portion of long-term debt ($32.2M to $149.7M)</u>
Refinancing of short-term loans and a portion of the availments used to redeem the subsidiary's preferred shares.

<u>34% decrease in Deferred tax liabilities ($1.6M to $1.1M)</u>
Decrease DTL from ROU assets, contract assets and fair value adjustments.

<u>10% increase in Net retirement liabilities ($9.4M to $10.3M)</u>
Additional provision for retirement liability.

<u>17% decrease in Lease liabilities ($27.6M to $22.8M)</u>
Payments of leases.

<u>317% decrease in Cumulative translation adjustments ($9.1M to -$19.9M)</u>
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 1.22 to 1.13, and RMB against USD from 6.54 to 6.38.

<u>59% decrease in Equity attributable to NCI ($133.2M to $57.1M)</u>
Decrease due to redemption of preferred shares of a subsidiary (-$70M), and the minority share in the loss of VIA and STI.

<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. The company, however, achieved its highest quarterly performance with a revenue record of US$347 million in the fourth quarter of 2020, an increase of 12% over the same period in 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%)
[4]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
[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.

[4] 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.

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).

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 election at the scheduled annual stockholders' meeting with an audit fee of Php4,970,000, exclusive of value-added tax.

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 Revised 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 2022, 2021, 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
2022	₱ 5.43M	-	₱ 0.13M
2021	₱ 4.65M	-	₱ 0.06M

Audit and audit-related fees includes the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years, including the review of the audit work of the other independent auditors and any additional scope identified during the course of the audit. The fees are exclusive of out-of-pocket expenses incidental to the independent auditors' work.

Tax fees

No tax consultancy services has been rendered by SGV & Co. for the past two years.

All other fees

Includes other services rendered by SGV & Co. such as agreed-upon procedures and validation of votes during 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, 2022.

Board of Directors

Delfin L. Lazaro	Chairman of the Board of Directors
Arthur R. Tan	Vice-Chairman and Chief Executive Officer
Jerome S. Tan	President
Jose Ignacio A. Carlos	Director
Roland Joseph L. Duchâtelet	Director
Alberto M. de Larrazabal	Director
Rafael C. Romualdez	Director
Jaime Z. Urquijo	Director
Edgar O. Chua	Lead Independent Director
Hiroshi Nishimura	Independent Director
Sherisa P. Nuesa	Independent Director

Delfin L. Lazaro, Filipino, 76, has served as member of the Board of IMI since May 2000 and was appointed as Chairman of the Board of Directors on October 21, 2022. He holds the following positions in publicly listed companies: Director of Ayala Corporation, ACEN CORPORATION, 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. and AYC Holdings Ltd.; Co-Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Energy and Infrastructure Corporation, AC Industrial Technology Holdings, Inc., 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. and a member of the BPI Advisory Council. 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.

Arthur R. Tan, Filipino, 63, has been a member of the Board of Directors of IMI since July 2001, Vice Chairman since 28 June 2021 and Chief Executive Officer since April 2002. He served as President of the Company from April 2002 to June 2016 and was re-elected to serve as such from January 1, 2020 until June 28, 2021. 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 CEO of AC Industrial Technology Holdings, Inc; Chairman of the Board and Chief Executive Officer of Merlin Solar Technologies (Phils.), Inc.; Chairman of the Board of PSi Technologies Inc.; President & CEO of Speedy-Tech Electronics, Ltd.; Director of Surface Technology International, Ltd.; Member of the Board of Advisors of Via Optronics; Chairman of the Advisory Board of MT-CCON Technologies; Chairman and CEO of AC Motors, American Motorcycles Inc. and Skyeye Analytics, Inc.; and an Independent Board Member of SSI Group, Inc., Lyceum of the Philippines University, and East Asia Computer Center/FEU Institute of Technology. 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.

Jerome S. Tan, Singaporean, 61, has been the President of IMI since June 28, 2021. He served as Senior Managing Director and the Global Chief Financial Officer and Treasurer of IMI from January 2011 to June 28, 2021, providing leadership, direction and management of all Finance functions including Treasury, Financial Planning & Analysis and Controllership. Concurrently, he is also an Independent Director of PAL Holdings, Inc. and Philippine Airlines, Inc. He brings more than 30 years of broad experience and various achievements in finance, strategic planning, business development and acquisition/integration. He had 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 GE Capital 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.

Jose Ignacio A. Carlos, Filipino, 53, has been a Director of IMI since December 2006. Concurrently, he is the Chairman of the Board of AVC Chemical Corporation, Vice Chairman of the Board of Mindanao Energy Systems, Inc. and Cagayan Electric Power and Light Co., and President of Polymer Products Philippines, Inc. and Minergy Power Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, 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.

Alberto M. de Larrazabal, Filipino, 67, has served as a Director of IMI on April 15, 2021. He is a Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head of Ayala Corporation. He is also a Director of publicly listed companies, namely, ENEX Energy Corp. and Manila Water Company, Inc. He is the Chairman, President and CEO of AC Ventures Holdings Corp., Chairman of Darong Agricultural and Development Corporation and LiveIt Investments Limited; President and CEO of AYC Finance Limited, and Bestfull Holdings Limited; Vice Chairman of Lagdigan Land Corporation; President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc.; CEO of Azalaea International Venture Partners Limited, Director of Ayala Hotels, Inc., AC Infrastructure Holdings Corporation, AC Energy and Infrastructure Holdings, Inc., Ayala Healthcare Holdings, Inc., AC Energy International, Inc., AC Industrial Technology Holdings, Inc., Affinity Express Holdings Limited, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., A.C.S.T Business Holdings, Inc., Merlin Solar Technologies, Inc., Pioneer Adhesives, Inc., BF Jade E-Services Philippines, Inc., Cartera Interchange Corporation, AC International Finance 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., Purefoods International Limited ("PFIL NA") and AI North America, Inc. Albert has 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 Ayala Corporation, Albert served as Chief Commercial Officer and Chief Finance Officer of Globe Telecom, a business unit of Ayala Corporation. Before he joined Globe Telecom, he held positions such as Vice President and CFO of Marsman Drysdale Corporation, 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.

Roland Joseph L. Duchâtelet, 75, Belgian, was elected as Director of the Company on October 21, 2022. He worked for several enterprises in Belgium and Germany. He created several businesses throughout his career, meanwhile organizing approximately 50 acquisitions or sales of businesses. One of them was EPIQ, now part of IMI. Together with his business partners Rudi De Winter and Françoise Chombar, he created Melexis, a company which yielded them the title of "Enterprise the Year" in 2000. In the year 2000, Mr. Duchâtelet became active in the internet business. Between 2007 and 2010 he was a member of the Belgian Senate. Mr. Duchâtelet has degrees in Engineering and Applied Economics from the University of Louvain. He also obtained his Masters in Business Administration from the same university.

Rafael C. Romualdez, Filipino, 60, 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, Pacific Resins, Incorporated (PRI), and Bio Renewable Energy Ventures Incorporated (BIOREV); he is also Chairman of Philippine Iron Construction and Marine Works, Incorporated (PICMW), a subsidiary 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.

Jaime Z. Urquijo, 34, Filipino, was elected as Director of the Company on October 21, 2022. He is currently a director of the Bank of the Philippines Islands, BPI MS Insurance, AC Industrial Technology Holdings, Inc., Merlin Solar Technology, Inc., Merlin Solar Technology (Phils.), Inc., and ENEX Energy Corp. He is the Assistant Vice President of Business Development of the International Business unit of ACEN CORPORATION. Prior to this, he was a Strategy and Development Manager at Ayala Corporation. From 2014 to 2016, he was seconded to AF Payments, Inc., where he served as head of Business Development overseeing the launch of the Beep Card payment system. Prior to joining the Ayala Group, he was an associate at JP Morgan in New York. He is an advisor to the board of the Philippine Rugby Football Union and is the current President of the Notre Dame Club of the Philippines. He is also an executive committee member of the INSEAD Alumni Association of the Philippines, and a member of the National Advisory Council of WWF Philippines. He received his Bachelor of Arts degree in Political Science from University of Notre Dame, Indiana, USA, and obtained his Master's in Business Administration in INSEAD, France in 2018.

Edgar O. Chua, Filipino, 66, 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, First Gen Corp, Philcement, JGSummit Olefins Corp and PHINMA Corp. 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, 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, 69, 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, 68, has been an independent director of IMI since April 2018. Currently, she is an Independent Director of other publicly listed companies namely: Manila Water Company, Inc., ACEN CORPORATION (formerly AC Energy Philippines, Inc.), and Ayala Land, Inc. She is a non-executive Director of Far Eastern University, also a publicly listed company, and of FERN Realty Corporation. 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 Justice Reform Initiative (JRI), and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. In the recent past, from 2012 to early 2021, she held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee of the Institute of Corporate Directors (ICD). 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 is an accredited lecturer of both ICD and the FINEX Academy. 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 had served in various capacities in Ayala Corporation, Ayala Land, Inc., and Manila Water Company, Inc. She co-led the Initial Public Offering (IPO) teams of Ayala Land, Inc., Cebu Holdings, Inc., Manila Water, and IMI. She was awarded the ING-FINEX CFO of the Year for 2008. She received a Master of 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 in 1974, with a degree of Bachelor of Science in Commerce from the Far Eastern University, which named her as one of its Outstanding University Alumni. She is a Certified Public Accountant.

<u>Nominees to the Board of Directors for election at the stockholders' meeting</u>

All the incumbent directors of the Company are being nominated to the Board of Directors.

<u>Management Committee Members and Key Executive Officers</u>

*/**	Arthur R. Tan	Chief Executive Officer
*/**	Jerome S. Tan	President
**	Eric De Candido	Chief Operations Officer
	Mary Ann S. Natividad	Chief Commercial Officer
	Laurice S. Dela Cruz	Chief Finance Officer-OIC, Compliance Officer, Acting Chief Risk Officer and Chief Sustainability Officer
	Anthony P. Rodriguez	Treasurer
	Rosalyn O. Tesoro	Chief Information Officer and Data Protection Officer
	Solomon M. Hermosura	Corporate Secretary
	Rosario Carmela G. Austria	Assistant Corporate Secretary

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

Eric De Candido, French, 48, 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. He has graduated with Production Engineering in ESIEE/Electronics & Electrotechnic High School in Amiens, France.

Mary Ann S. Natividad, Filipino, 56, 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 30 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, 38, has served as Chief Finance Officer-OIC since June 2021. Prior to her appointment, she has held roles of increasing responsibilities since she joined IMI in 2011, including her last role as Global Head for Financial Planning and Analysis. She is also the Corporation's Compliance Officer since April 2020. Over the years, she has demonstrated her strong proficiency in technical accounting as well as a broad knowledge in finance in general. 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.

Anthony Raymond P. Rodriguez, Filipino, 56, has been the Treasurer of the Company since June 1, 2021. He has been the Head of Treasury and Credit and Investor Relations Officer since February 2009. Prior to IMI, he has gained nineteen years of extensive professional experience from Metropolitan Bank & Trust Co. as Head, FX Trading – USD/Thirds, BDO – Equitable PCI Bank as Senior Dealer and Head –FX and Derivatives Desk and from Far East Bank & Trust Co. as Institutional Sales Desk Head for Treasury Marketing. He finished a degree in Industrial Engineering at University of Sto. Tomas in 1990 and obtained an MBA from De La Salle University in 1997.

Rosalyn O. Tesoro, Filipino, 51, has been the Chief Information Officer since 2013 and Data Protection Officer of IMI since August 12, 2020. She joined IMI in 2005, initially as IT Infrastructure manager, before being designated as IT head in 2010. Prior to joining IMI, she held various roles in semiconductor manufacturing and IT companies. 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, 60, has served as Corporate Secretary of IMI since November 2013. He is a Senior Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He also serves as Corporate Secretary and Group General Counsel of Ayala Land, Inc.; Corporate Secretary of ACEN CORPORATION, AREIT, Inc. Globe Telecom, Inc. and Ayala Foundation, Inc., He serves as Corporate Secretary and member of the Board of Directors of a number of companies in the Ayala Group. He 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.

Rosario Carmela G. Austria, Filipino, 40, was elected as Assistant Corporate Secretary of Integrated Micro-Electronics in April 2021. She is also the Assistant Corporate Secretary of Ayala Corporation, Ayala Foundation, Inc., AC Industrial Technology Holdings, Inc., and other companies within the Ayala Group. She is Head of the Corporate Secretarial Services Division, Corporate Governance Group of Ayala Corporation. Previously, she was Corporate Governance Manager in Ayala Group Legal from May 2019 to May 2020 and in Ayala Corporation from May 2020 to March 2021. Prior to joining Ayala Group, she worked in the Securities and Exchange Commission from September 2009 to April 2019 where her last post was Assistant Director of the Corporate Governance Division, Corporate Governance and Finance Department. She graduated with a Bachelor of Science degree in Legal Management, minor in International Business, from the Ateneo de Manila University in 2004 and completed her Juris Doctor degree from the same university in 2008. She was admitted to the Philippine Bar in 2009. She obtained a Master of Public Policy in 2013 from the National Graduate Institute of Policy Studies (GRIPS) in Tokyo, Japan as a recipient of the Japan-IMF Scholarship Program for Asia.

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

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 Chief Executive Officer			
Jerome S. Tan President			
Eric De Candido Chief Operations Officer			
Laurice S. Dela Cruz Chief Finance Officer-OIC, Compliance Officer, Acting Chief Risk Officer and Chief Sustainability Officer			
Mary Ann S. Natividad Chief Commercial Officer			
CEO & Other Named Executive Officers	Actual 2021	71.66M	19.21M
	Actual 2022	88.23M	10.64M
	Projected 2023	92.64M	11.17M
All officers as a group unnamed*	Actual 2021 *(Restated)*	388.64M	36.80M
	Actual 2023	351.47M	36.53M
	Projected 2023	369.04M	38.35M

**All employees with a rank of manager and higher, including all above-named officers.*

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.

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.

(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 2022, the non-executive directors and independent directors of the Company received remuneration, as follows:

Name	Amount (Php)
Jaime Augusto Zobel de Ayala*	500,000.00
Fernando Zobel de Ayala**	300,000.00
Delfin L. Lazaro	840,000.00
Alberto M. de Larrazabal	1,020,000.00
Jaime Z. Urquijo***	200,000.00
Jose Ignacio A. Carlos	720,000.00
Rafael C. Romualdez	1,080,000.00
Roland Joseph L. Duchâtelet****	-
Edgar O. Chua	800,000.00
Sherisa P. Nuesa	740,000.00
Hiroshi Nishimura	800,000.00
Total	7,000,000.00

*Resigned from the Board effective October 21, 2022.
**Resigned from the Board effective September 12, 2022.
***Elected on October 21, 2022 to serve the unexpired term of Mr. Fernando Zobel de Ayala.
****Mr. Duchâtelet waived his director's fees for the meetings attended.

(i) Other arrangement

Aside from the compensation received as herein stated, the Company has no other arrangement with regard to the remuneration of its existing non-executive and independent directors for services provided as a director.

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 February 28, 2023

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.[5] 32nd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.	AC Industrial Technology Holdings, Inc.[6]	Filipino	1,153,725,046	52.0330%
Common	PCD Nominee Corporation (Non-Filipino)[7]	PCD participants acting for themselves or for their	Various Non-	311,820,784	14.0631%

[5] AC Industrial Technology Holdings, Inc. (AC Industrials) is a stockholder of the Company.
[6] The Board of Directors of AC Industrials has the power to decide how AC Industrials' shares in IMI are to be voted. The Chairman of the meeting is appointed to exercise the voting power.
[7] PCD Nominee Corporation (PCD) is not related to the Company.

	29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	customers [8]	Filipino		
Common	Resins, Inc.[9] E. Rodriguez Jr. Avenue, Bagong Ilog, Pasig City.	Resins, Inc.[10]	Filipino	291,785,034	13.1595%
Common	PCD Nominee Corporation (Filipino)[3] 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	PCD participants acting for themselves or for their customers[4]	Filipino	204,465,846	9.2214%
Common	PCD Nominee Corporation (Non-Filipino)[3] 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	Fremach International[11]	Belgian	199,999,000	9.0200%

2) Security ownership of directors and management as of February 28, 2023.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percentage of Ownership
Directors					
Common	Delfin L. Lazaro	100	(direct)	Filipino	0.0000%
Common	Arthur R. Tan	21,223,552	(direct & indirect)	Filipino	0.9572%
Common	Jerome S. Tan	2,884,733	(indirect)	Singaporean	0.1301%
Common	Alberto M. de Larrazabal	100	(direct)	Filipino	0.0000%
Common	Rafael C. Romualdez	1	(direct)	Filipino	0.0000%
Common	Jose Ignacio A. Carlos	1	(direct)	Filipino	0.0000%
Common	Jaime Z. Urquijo	100	(direct)	Filipino	0.0000%
Common	Roland Joseph L. Duchâtelet	1,000	(direct)	Belgian	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	503,385	(direct & indirect)	Filipino	0.0227%
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	1,435,240	(direct & indirect)	Filipino	0.0647%
Common	Jerome S. Tan	2,884,733	(indirect)	Singaporean	0.1301%
Other Executive Officers					
Common	Anthony Raymond P. Rodriguez	0		Filipino	0.0000%
Common	Rosalyn O. Tesoro	34,505	(indirect)	Filipino	0.0016%
Common	Solomon M. Hermosura	15	(direct)	Filipino	0.0000%
Common	Rosario Carmela G. Austria	0		Filipino	0.0000%
All Directors and Officers as a group		**26,952,631**			**1.2156%**

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.

[8] 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 516,286,630 common shares registered in the name of PCD, 232,198,527 common shares or 10.4721% of the outstanding common shares are for the account of The Hongkong and Shanghai Banking Corporation (HSBC). Based on the records of Company, HSBC, nor any of its customers, beneficially owns more than 5% of the Company's common shares.

[9] Resins, Inc. is a substantial stockholder to the Company.

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

[11] 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.

As of December 2022, 32.84% of IMI's common shares were owned by the public.

Foreign owned shares as of February 28, 2023: 522,165,310 shares or 23.5497% 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

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, 2022, 2021 and 2020, 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, 2022 and 2021, the Group maintains current and savings accounts and short-term investments with BPI amounting to $2.17 million and $1.42 million, respectively.

  Total interest income earned from investments with BPI amounted to $0.003 million, $0.001 million and $0.01 million for the years ended December 31, 2022, 2021 and 2020, respectively.

  The Group has an outstanding short term and long-term loans from BPI amounting to $177.59 million and $137.40 million as of December 31, 2022 and 2021, respectively.

  Total interest accrued for the loan payable to BPI amounted to $5.78 million, $1.36 million and $1.02 million for the years ended December 31, 2022, 2021 and 2020, respectively.

  - Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables		Payables	
	2022	2021	**2022**	2021
KTM Asia Motor Manufacturing Inc. (KAMMI)	$2,444,570	**$413,754**	**$–**	$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	85,745	**23,130**	**–**	–
AC Industrials Technology Inc. (AC Industrials)		**11,813**	**–**	–
BPI	–	**–**	10,458	**21,138**
Innove Communication, Inc. (ICI)	–	**–**	7,383	**6,460**
AG Legal	–	**–**	–	**19,959**
Globe Telecom, Inc. (GTI)	–	**–**	1,117	**1,880**
	$2,530,315	**$448,697**	$18,958	**$49,437**

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 pertain to employee related transactions.
iv. Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.
v. Payable to AGLegal relates to legal and regulatory assistance services.
vi. 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		
	2022	2021	2020	**2022**	2021	2020
KAMMI	**$5,012,496**	$1,511,811	$1,040,797	**$–**	$–	$–
MSTPI	**135,821**	882,121	857,807	**–**	–	–
AC Industrials	**–**	49,868	42,801	**–**	–	–
BPI	**2,999**	1,396	3,851	**38,914**	–	–
AREIT	**–**	–	–	**1,444,719**	1,512,012	1,407,557
Laguna Water (LAWC)	**$–**	$–	$–	**$1,071,846**	$1,035,751	$961,519
AC	**–**	–	–	**536,818**	641,891	676,738
AG Legal	**–**	–	–	**57,730**	113,269	172,011
ICI	**–**	–	–	**310,287**	185,239	135,011
GTI	**–**	–	–	**117,306**	160,840	103,492
	$5,151,316	$2,445,196	$1,945,256	**$3,577,620**	$3,649,002	$3,456,328

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 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. Administrative services charged by AC related to certain transactions.
ii. Rental expense from the lease contract between the Parent Company and AREIT (Formerly TLI).
iii. Water allocation charged by LAWC.
iv. Building rental, leased lines, internet connections and ATM connections with ICI.
v. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
vi. Billings for cellphone charges and WiFi connections with GTI.
vii. Staff house rent expenses paid with BPI.

- Revenue, income and expenses eliminated at the Group level follow:

i. Intercompany revenues and income mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore, trade related transactions from certain customers and interest income of the Parent Company, IMI Singapore and STSN for loans granted to Psi, IMI MX, STI and IMI CZ.
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 and trade related transactions from certain customers.
iii. Dividend income of the Parent Company was declared by IMI Singapore amounting to $4.57 million and $5.33 million in 2022 and 2021, respectively.

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:

	2022	2021
Short-term employee benefits	**$6,450,787**	7,776,881
Post-employment benefits	**724,073**	85,630
	$7,174,860	$8,662,511

PART IV – CORPORATE GOVERNANCE

Please refer to the Definitive Information Statement and Integrated Annual Corporate Governance Report posted in the Company's Official Website 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

Please refer to the Sustainability Report posted in the Company's Official Website with the following link: https://www.global-imi.com/governance/sustainability

PART VI - EXHIBITS AND SCHEDULES

Exhibit 1: 2022 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, 2022 and 2021
Consolidated Statements of Income for the Years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Comprehensive Income for the Years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2022, 2021 and 2020
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020
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. Long-Term Debt
E. Indebtedness to Related Parties (Long-term Loans from Related Companies)
F. Guarantees of Securities of Other Issuers
G. 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

2022 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, 2022	Press Release: More Firms Solidify Partnerships to Help PH Push for Carbon Neutrality
Jan. 6, 2022	Attendance of the Directors in 2021
Jan. 17, 2022	Public Ownership Report as of December 2021
Jan. 17, 2022	List of Top 100 Stockholders (Common Shares) as of December 2021
Feb. 4, 2022	Notice of Holding of Annual Stockholders' Meeting in a Fully Virtual Format
Feb. 21, 2022	Notice of Analysts'/Investors' Briefing
Mar. 14, 2022	Work Suspension in IMI Shenzhen Sites from March 14-20, 2022
Mar. 23, 2022	Press Release: MI Posts US$1.3 Billion of Revenues in 2021 Despite Macroeconomic Headwinds
Apr. 1, 2022	Work Suspension in IMI Jiaxing beginning April 1, 2022
Apr. 5, 2022	Press Release: IMI Now Ranks 19th on Top EMS List
Apr. 18, 2022	List of Top 100 Stockholders (Common Shares) as of March 2022
Apr. 19, 2022	Public Ownership Report as of March 2022
Apr. 22, 2022	Results of Annual or Special Stockholders' Meeting Results of Organizational Meeting of Board of Directors
Apr. 28, 2022	Notice of Analysts'/Investors' Briefing
May 4, 2022	Press Release: IMI Q1 Revenues Grew as Global Supply Chain Pressure Persists
May 19, 2022	2022 General Information Sheet
Jun 1, 2022	Change in Designation of Mr. Anthony Raymond P. Rodriguez
Jun 23, 2022	Amended General Information Sheet
Jul 15, 2022	Public Ownership Report as of June 2022
Jul 18, 2022	List of Top 100 Stockholders (Common Shares) as of June 2022
Jul 27, 2022	Notice of Analysts'/Investors' Briefing
Aug 3, 2022	Press Release: IMI Sustains Continued Growth Despite Industry-wide Macroeconomic Issues
Sep 12, 2022	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
Sep 19, 2022	Amended General Information Sheet
Oct 17, 2022	Public Ownership Report as of September 2022
Oct 17, 2022	List of Top 100 Stockholders (Common Shares) as of September 2022
Oct 21, 2022	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
Oct 25, 2022	Initial Statement of Beneficial Ownership of Securities
Oct 28, 2022	Amended General Information Sheet
Nov 2, 2022	Notice of Analysts'/Investors' Briefing
Nov 7, 2022	Press Release: IMI Announces 2022 Q3 Earnings
Dec 19, 2022	Notice of Annual or Special 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.

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 3 0 2023, 2023.

By:

Delfin L. Lazaro
Chairman of the Board

Jerome S. Tan
President

Laurice S. Dela Cruz
Chief Finance Officer – OIC and Compliance Officer

Solomon M. Hermosura
Corporate Secretary

MAR 3 0 2023

SUBSCRIBED AND SWORN to before me this _____ day of ______ 2023, affiants exhibiting to me their respective passports as follows:

	Passport No.	Date of Issue	Place of Issue
Delfin L. Lazaro	P7392634B	Aug. 13, 2021	Manila City
Jerome S. Tan	K1766021H	Jan. 02, 2020	Singapore
Solomon M. Hermosura	P3081434B	Oct. 14, 2019	Manila City
Laurice S. Dela Cruz	P7177471B	July 12, 2021	Manila City

Doc. No. 20
Page No. 5
Book No. XXXIX
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

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

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public - Makati City
Appt. No. M-079 until December 31, 2023
Roll of Attorneys No. 58335
IBP No. 264594 - 01/03/2023 - Makati City
PTR No. 9566341MM - 01/03/2023 - Makati City
MCLE Compliance No. VII-0020268 - 06/02/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

A member of AC Industrials

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

Tel (63 2) 756 6840
Fax (63 49) 544 0322
www.global-imi.com

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SECRETARY'S CERTIFICATE

I, **ROSARIO CARMELA G. AUSTRIA**, of legal age, being the duly elected, qualified and incumbent Assistant Corporate Secretary of **INTEGRATED MICRO-ELECTRONICS, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, after having been duly sworn in accordance with law, do hereby certify that at the regular meeting of the Board of Directors held on 7 March 2023, at which meeting a quorum existed and acted throughout, the Board approved the following resolution:

Resolution No. B-06-2023

> **RESOLVED**, to approve the delegation to the President, Jerome S. Tan, of the authority to sign the Corporation's Statement of Management Responsibility and Annual Report (17-A) in lieu of the Chief Executive Officer, Arthur R. Tan.

IN WITNESS WHEREOF, I have signed this Certificate this MAR 2 2 2023 at Makati City.

ROSARIO CARMELA G. AUSTRIA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 2 2 2023 at Makati City, the affiant exhibited to me, as competent evidence of identity, her Passport with No. P8820775A issued on 19 September 2018 by the DFA Manila.

Doc. No. 296;
Page No. 61;
Book No. XXXVIII;
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

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

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. M-079 until December 31, 2023
Roll of Attorneys No. 58335
IBP No. 264594 – 01/03/2023– Makati City
PTR No. 9566341MM– 01/03/2023 – Makati City
MCLE Compliance No. VII – 0020268 - 06/20/2022
4[th] Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

EXHIBIT 1

**2022 Audited Consolidated Financial Statements,
Integrated Micro-Electronics, Inc. and Subsidiaries**

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

SEC Registration Number

						9	4	4	1	9

C O M P A N Y   N A M E

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

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
284	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
Ms. Laurice S. Dela Cruz	Laurice.delacruz@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*

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

16 March 2023

Securities and Exchange Commission
Secretariat Building, PICC Complex Pasay City

Attention: **Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

Gentlemen:

Enclosed herewith is the Integrated Micro-Electronics, Inc.'s (the "Corporation") Statement of Management's Responsibility ("SMR") for Financial Statements for the years ended December 31, 2022, 2021, and 2020.

With respect to the required signatories of the SMR, please be advised that the Corporation's Chief Executive Officer is currently overseas on a business trip. The Corporation's Board of Directors, in its meeting on March 7, 2023, resolved to authorize the Corporation's President, Mr. Jerome S. Tan, to sign the Corporation's Statement of Management Responsibility in lieu of the Chief Executive Officer. Please find attached Secretary's Certificate on said resolution.

We trust that you find the foregoing in order. Thank you.

Very truly yours,

Laurice S. Dela Cruz
Compliance Officer

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

Tel (63 2) 756 6840
Fax (63 49) 544 0322
www.global-imi.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-electronics, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2022, 2021 and 2020, 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.

DELFIN L. LAZARO
Chairman, Board of Directors

JEROME S. TAN
President

LAURICE S. DELA CRUZ
Chief Finance Officer - OIC

SUBSCRIBED AND SWORN to before me this MAR 16 2023 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Delfin L. Lazaro	P7392634B	August 13, 2021 – DFA Manila
Jerome S. Tan	K1766021H	January 2, 2020 – Singapore
Laurice S. Dela Cruz	P7177471B	July 12, 2021 – DFA Manila

Doc. No. 267 ;
Page No. 55 ;
Book No. XVII ;
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

RIZZA ANNE O. SY
NOTARY PUBLIC
ROLL NO. 64676
MAKATI CITY, PHILIPPINES

RIZZA ANNE O. SY
Notary Public - Makati City
Appt. No. M-057 until December 31, 2024
Roll of Attorneys No. 64676
Lifetime IBP No. 018509 - 01/04/18 - Bulacan
PTR No. 9566340MM - 01/03/2023 - Makati City
MCLE Compliance No. VIII-0000243 - 08/26/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

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A member of AC Industrials

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SECRETARY'S CERTIFICATE

I, **ROSARIO CARMELA G. AUSTRIA**, of legal age, being the duly elected, qualified and incumbent Assistant Corporate Secretary of **INTEGRATED MICRO-ELECTRONICS, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, after having been duly sworn in accordance with law, do hereby certify that at the regular meeting of the Board of Directors held on 7 March 2023, at which meeting a quorum existed and acted throughout, the Board approved the following resolution:

Resolution No. B-06-2023

> **RESOLVED**, to approve the delegation to the President, Jerome S. Tan, of the authority to sign the Corporation's Statement of Management Responsibility and Annual Report (17-A) in lieu of the Chief Executive Officer, Arthur R. Tan.

IN WITNESS WHEREOF, I have signed this Certificate this MAR 22 2023 at Makati City.

ROSARIO CARMELA G. AUSTRIA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 22 2023 at Makati City, the affiant exhibited to me, as competent evidence of identity, her Passport with No. P8820775A issued on 19 September 2018 by the DFA Manila.

Doc. No. 296;
Page No. 61;
Book No. XXXVIII;
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

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

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. M-079 until December 31, 2023
Roll of Attorneys No. 58335
IBP No. 264594 – 01/03/2023– Makati City
PTR No. 9566341MM– 01/03/2023 – Makati City
MCLE Compliance No. VII – 0020268 - 06/20/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the 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, 2022 and 2021, 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, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the 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, 2022, 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 $136.25 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 continue to be impacted by the coronavirus pandemic, specifically revenue growth rate, gross margin, cost ratios and discount rates.

The Group's disclosures about goodwill are included in Notes 4 and 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 reasonableness of the discount rate. We tested the parameters used in the determination of the discount rate against market data. We compared the key assumptions used such as revenue growth rate, gross margins and cost ratios against actual historical performance of the CGU and industry outlook, taking into consideration the impact associated with coronavirus pandemic. 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.

Recoverability of property, plant and equipment

Under PFRS, the Group is required to test the recoverability of nonfinancial assets when indicators of impairment exist. In 2022, the continuing gross loss 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. Accordingly, the related items of property, plant, and equipment with an aggregate depreciated cost of $44.69 million as of December 31, 2022, which is significant to the consolidated financial statements, were tested for impairment, resulting to recognition of impairment loss amounting to $0.36 million. 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 continues to be impacted by the coronavirus pandemic, specifically revenue growth rate, gross margin, cost ratios and discount rates.

The Group's disclosures about the property, plant and equipment are included in Notes 4 and 10 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process. We involved our internal specialist in evaluating the reasonableness of the discount rate. We tested the parameters used in the determination of the discount rate against market data. We compared the key assumptions used such as revenue growth rate, gross margins and cost ratios against actual historical performance of the above property, plant, and equipment and industry outlook, taking into consideration the impact associated with coronavirus pandemic. 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 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, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 32 and 33)	**$115,824,555**	$159,787,623
Short-term investments (Notes 5, 32 and 33)	**8,499,610**	–
Receivables (Notes 6, 31, 32 and 33)	**291,640,064**	279,042,371
Contract assets (Notes 7 and 33)	**67,138,029**	52,481,010
Inventories (Note 8)	**268,497,252**	238,588,862
Other current assets (Note 9)	**25,246,196**	22,425,433
Total Current Assets	**776,845,706**	752,325,299
Noncurrent Assets		
Property, plant and equipment (Note 10)	**146,108,637**	161,967,366
Goodwill (Note 11)	**136,247,840**	145,433,881
Intangible assets (Note 12)	**5,125,423**	10,926,579
Right-of-use assets (Note 30)	**19,266,348**	28,457,787
Financial assets at FVOCI (Notes 13, 32 and 33)	**1,829,432**	1,364,733
Deferred tax assets – net (Note 25)	**2,148,861**	2,933,748
Other noncurrent assets (Notes 14 and 33)	**16,312,146**	19,765,291
Total Noncurrent Assets	**327,038,687**	370,849,385
	$1,103,884,393	$1,123,174,684
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 15, 32 and 33)	**$301,774,641**	$289,417,711
Contract liabilities (Notes 7, 32 and 33)	**7,406,803**	4,741,058
Loans payable (Notes 16, 32 and 33)	**192,659,599**	165,772,031
Current portion of long-term debt (Notes 17, 32 and 33)	**3,048,254**	1,805,008
Current portion of lease liabilities (Notes 30, 32 and 33)	**7,067,675**	8,418,492
Income tax payable	**1,780,773**	2,409,845
Other current liabilities (Notes 18, 32 and 33)	**1,035,201**	–
Total Current Liabilities	**514,772,946**	472,564,145
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 17, 32 and 33)	**147,365,278**	149,678,652
Lease liabilities (Notes 30, 32 and 33)	**12,869,991**	22,802,307
Net retirement liabilities (Note 27)	**7,012,752**	10,310,860
Deferred tax liabilities - net (Note 25)	**1,105,620**	1,058,216
Other noncurrent liabilities (Note 24)	**5,473,950**	5,047,260
Total Noncurrent Liabilities	**173,827,591**	188,897,295
Total Liabilities	**688,600,537**	661,461,440

(Forward)

	December 31	
	2022	2021
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common (Note 19)	**$42,719,224**	$42,705,563
Subscribed capital stock (Note 19)	**692,454**	708,788
Additional paid-in capital (Note 19)	**193,797,219**	193,830,800
Subscriptions receivable (Notes 19 and 28)	**(2,620,195)**	(2,701,935)
Retained earnings (Note 19)	**194,803,301**	201,560,230
Treasury stock (Note 19)	**(1,012,588)**	(1,012,588)
Other components of equity (Note 13)	**32,794**	(554,610)
Cumulative translation adjustment (Note 19)	**(43,668,483)**	(19,865,348)
Remeasurement losses on defined benefit plans (Note 27)	**(7,434,231)**	(10,072,232)
	377,309,495	404,598,668
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries (Note 19)	**37,974,361**	57,114,576
Total Equity	**415,283,856**	461,713,244
	$1,103,884,393	$1,123,174,684

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 29)	**$1,409,016,512**	$1,300,590,198	$1,135,840,593
COST OF SALES (Notes 20, 22 and 27)	**1,298,608,896**	1,209,771,812	1,039,503,708
GROSS PROFIT	**110,407,616**	90,818,386	96,336,885
OPERATING EXPENSES (Notes 21, 22 and 27)	**(107,750,306)**	(108,481,712)	(92,460,393)
OTHERS – Net			
Interest expense and bank charges (Note 23)	**(14,655,729)**	(10,553,667)	(10,422,633)
Foreign exchange gains (losses) – net	**1,916,986**	5,398,202	(755,744)
Interest income (Note 5)	**667,901**	300,539	330,682
Miscellaneous income – net (Note 24)	**439,103**	8,196,782	5,522,929
	(11,631,739)	3,341,856	(5,324,766)
LOSS BEFORE INCOME TAX	**(8,974,429)**	(14,321,470)	(1,448,274)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	**5,929,924**	6,399,874	6,496,089
Deferred	**457,999**	(1,015,825)	(1,570,668)
	6,387,923	5,384,049	4,925,421
NET LOSS	**($15,362,352)**	($19,705,519)	($6,373,695)
Net Loss Attributable to:			
Equity holders of the Parent Company	**($6,756,929)**	($10,564,571)	($3,455,073)
Non-controlling interests	**(8,605,423)**	(9,140,948)	(2,918,622)
	($15,362,352)	($19,705,519)	($6,373,695)
Loss Per Share (Note 26)			
Basic and diluted	**($0.003)**	($0.005)	($0.002)

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
NET LOSS	**($15,362,352)**	($19,705,519)	($6,373,695)
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)	**(34,337,927)**	(25,915,831)	29,152,586
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Note 27)	**2,638,001**	(322,019)	700,550
Fair value changes on financial assets at FVOCI - net of tax (Note 13)	**587,404**	320,194	(138,993)
	3,225,405	(1,825)	561,557
	(31,112,522)	(25,917,656)	29,714,143
TOTAL COMPREHENSIVE INCOME (LOSS)	**($46,474,874)**	($45,623,175)	$23,340,448
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**($27,334,659)**	($39,569,513)	$23,927,179
Non-controlling interests	**(19,140,215)**	(6,053,662)	(586,731)
	($46,474,874)	($45,623,175)	$23,340,448

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, 2022, 2021 AND 2020

	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 (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, 2022	**$42,705,563**	**$708,788**	**$193,830,800**	**($2,701,935)**	**$201,560,230**	**($1,012,588)**	**($554,610)**	**($19,865,348)**	**($10,072,232)**	**$404,598,668**	**$57,114,576**	**$461,713,244**
Issued shares during the year	**13,661**	**(13,661)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Collection from subscriptions	**–**	**–**	**–**	**45,486**	**–**	**–**	**–**	**–**	**–**	**45,486**	**–**	**45,486**
Forfeitures during the year	**–**	**(2,673)**	**(33,581)**	**36,254**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	42,719,224	**692,454**	**193,797,219**	**(2,620,195)**	**201,560,230**	**(1,012,588)**	**(554,610)**	**(19,865,348)**	**(10,072,232)**	**404,644,154**	**57,114,576**	**461,758,730**
Net loss	**–**	**–**	**–**	**–**	**(6,756,929)**	**–**	**–**	**–**	**–**	**(6,756,929)**	**(8,605,423)**	**(15,362,352)**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**587,404**	**(23,803,135)**	**2,638,001**	**(20,577,730)**	**(10,534,792)**	**(31,112,522)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(6,756,929)**	**–**	**587,404**	**(23,803,135)**	**2,638,001**	**(27,334,659)**	**(19,140,215)**	**(46,474,874)**
Balances at December 31, 2022	**$42,719,224**	**$692,454**	**$193,797,219**	**($2,620,195)**	**$194,803,301**	**($1,012,588)**	**$32,794**	**($43,668,483)**	**($7,434,231)**	**$377,309,495**	**$37,974,361**	**$415,283,856**

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 (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, 2021	$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
Issued shares during the year	30,633	(30,633)	–	–	–	–	–	–	–	–	–	–
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–	(70,000,000)	(70,000,000)
Collection from subscriptions	–	–	–	142,579	–	–	–	–	–	142,579	–	142,579
Forfeitures during the year	–	(5,402)	(38,884)	44,286	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(3,668,889)	–	–	–	–	(3,668,889)	–	(3,668,889)
	42,705,563	708,788	193,830,800	(2,701,935)	212,124,801	(1,012,588)	(874,804)	9,137,769	(9,750,213)	444,168,181	63,168,238	507,336,419
Net loss	–	–	–	–	(10,564,571)	–	–	–	–	(10,564,571)	(9,140,948)	(19,705,519)
Other comprehensive income (loss)	–	–	–	–	–	–	320,194	(29,003,117)	(322,019)	(29,004,942)	3,087,286	(25,917,656)
Total comprehensive income (loss)	–	–	–	–	(10,564,571)	–	320,194	(29,003,117)	(322,019)	(39,569,513)	(6,053,662)	(45,623,175)
Balances at December 31, 2021	$42,705,563	$708,788	$193,830,800	($2,701,935)	$201,560,230	($1,012,588)	($554,610)	($19,865,348)	($10,072,232)	$404,598,668	$57,114,576	$461,713,244

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 (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)	$382,549,863.00	$101,228,934	$483,778,797
Issued shares during the year	903	(903)	–	–	–	–	–	–	–	–	–	–
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–	(30,000,000)	(30,000,000)
Refund on subscriptions	–	–	–	(5,023)	–	–	–	–	–	(5,023)	–	(5,023)
Forfeitures during the year	–	(6,834)	(64,970)	71,804	–	–	–	–	–	–	–	–
Dilution of ownership interest in a subsidiary	–	–	32,397,610	–	–	–	–	–	–	32,397,610	62,526,035	94,923,645
Derecognition of put option financial liability	–	–	15,328,945	–	–	–	–	–	–	15,328,945	–	15,328,945
Cash dividends	–	–	–	–	(6,504,083)	–	–	–	–	(6,504,083)	–	(6,504,083)
	42,674,930	744,823	193,869,684	(2,888,800)	219,248,763	(1,012,588)	(735,811)	(17,682,926)	(10,450,763)	423,767,312	133,754,969	557,522,281
Net loss	–	–	–	–	(3,455,073)	–	–	–	–	(3,455,073)	(2,918,622)	(6,373,695)
Other comprehensive income (loss)	–	–	–	–	–	–	(138,993)	26,820,695	700,550	27,382,252	2,331,891	29,714,143
Total comprehensive income (loss)	–	–	–	–	(3,455,073)	–	(138,993)	26,820,695	700,550	23,927,179	(586,731)	23,340,448
Balances at December 31, 2020	$42,674,930	$744,823	$193,869,684	($2,888,800)	$215,793,690	($1,012,588)	($874,804)	$9,137,769	($9,750,213)	$447,694,491	$133,168,238	$580,862,729

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**($8,974,429)**	($14,321,470)	($1,448,274)
Adjustments for:			
Depreciation of property, plant and equipment (Notes 10, 20, and 21)	**27,909,940**	40,047,883	38,158,147
Interest expense on loans (Notes 16, 17 and 23)	**13,076,061**	8,433,898	8,411,717
Amortization of right-of-use asset (Notes 20, 21 and 30)	**9,134,302**	10,875,975	9,395,254
Amortization of intangible assets (Notes 12, 20, and 21)	**4,812,157**	7,399,018	7,879,168
Loss (gain) on sale and retirement of property, plant and equipment – net (Notes 10 and 24)	**2,355,745**	(438,498)	(657,101)
Provision (reversal) of impairment loss on product development cost (Notes 12 and 24)	**1,604,842**	(636,456)	4,693,985
Interest expense on lease liabilities (Note 23)	**932,077**	1,349,772	1,644,189
Provision (reversal) of impairment loss on property, plant and equipment (Note 24)	**361,185**	(1,612,065)	2,620,779
Loss (gain) on derivative transactions	**42,640**	(139,984)	92,122
Unrealized foreign exchange losses (gain) - net	**(8,153,359)**	(5,107,955)	3,723,227
Interest income (Note 5)	**(667,901)**	(300,539)	(330,682)
Mark-to-market gain on put options (Notes 19 and 24)	**–**	(1,627,806)	(6,068,906)
Gain on insurance claims (Note 24)	**(415,795)**	(458,016)	(61,260)
Loss on lease modifications (Note 24)	**–**	159,630	–
Operating income before working capital changes	**42,017,465**	43,623,387	68,113,625
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Short-term investments	**(8,499,610)**	–	–
Receivables	**(20,352,968)**	(8,642,453)	21,328,413
Inventories	**(35,844,294)**	(99,550,741)	13,873,495
Contract assets	**(17,280,645)**	1,297,542	4,382,722
Other current assets	**(3,416,787)**	(5,569,760)	(5,446,059)
Increase (decrease) in:			
Accounts payable and accrued expenses	**10,876,000**	33,353,941	(7,405,255)
Contract liabilities	**2,713,065**	3,225,963	(3,227,075)
Other current liabilities (Notes 18 and 22)	**1,034,209**	–	–
Retirement liabilities	**(1,036,186)**	(18,741)	487,307
Net cash generated from (used for) operations	**(29,789,751)**	(32,280,862)	92,107,173
Interest paid	**(12,960,528)**	(7,724,832)	(9,954,398)
Income tax paid	**(6,558,996)**	(7,507,162)	(4,587,114)
Interest received	**667,901**	300,539	330,682
Net cash provided by (used in) operating activities	**(48,641,374)**	(47,212,317)	77,896,343
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 10)	**(20,683,406)**	(30,374,533)	(18,121,100)
Intangible assets (Note 12)	**(505,349)**	(618,132)	(595,188)
Proceeds from sale and retirement of property, plant and equipment	**782,678**	2,729,968	1,529,412
Decrease (increase) in other noncurrent assets	**1,155,440**	(1,269,552)	4,130,406
Acquisition through business combination, net of cash acquired (Note 2)	**–**	(3,018,336)	–
Net cash used in investing activities	**(19,250,637)**	(32,550,585)	(13,056,470)

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of loans and long-term debt	**$56,695,080**	$140,575,118	$82,665,635
Net proceeds from subsidiary's public offering (Note 19)	**–**	–	106,787,500
Payments of: (Note 35)			
Loans payable	**(23,499,829)**	(59,700,000)	(4,974,751)
Lease liabilities (Note 30)	**(11,571,267)**	(11,900,875)	(10,799,326)
Dividends paid to preference shareholders of a subsidiary (Note 19)	**–**	(3,668,889)	(6,504,083)
Long-term debt	**(4,088,335)**	(2,042,863)	(108,497,471)
Redemption of preferred shares of a subsidiary to non-controlling interest (Note 19)	**–**	(70,000,000)	(30,000,000)
Increase (decrease) in noncurrent liabilities	**1,318,426**	(215,999)	1,640,002
Collections (refund) of subscriptions receivable (Note 19)	**45,486**	142,579	(5,023)
Settlement of derivatives (Note 33)	**–**	(88,361)	(5,321)
Net cash provided by (used in) financing activities	**18,899,561**	(6,899,290)	30,307,162
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**5,029,382**	2,094,390	(3,451,726)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(43,963,068)**	(84,567,802)	91,695,309
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**159,787,623**	244,355,425	152,660,116
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$115,824,555**	$159,787,623	$244,355,425

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 47.91% 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. As a result of this contribution, VIA AG became the holding company for the VIA Group. 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 2021, VIA Optronics GmbH (“VIA”) announced the acquisition of Germaneers GmbH (“Germaneers), a high-tech engineering company focusing on automotive system integration and user interfaces (see Note 2). VIA also formed a strategic partnership with SigmaSense, a global leader in touch sensing performance. As part of the strategic partnership, VIA has made a financial investment into SigmaSense and expanded their collaboration to develop new touch solutions for automotive applications, industrial displays and consumer electronics. In December 2021, VIA incorporated a new entity in the Philippines, VIA optronics (Philippines), Inc. (“VIA Philippines”), to provide customized and platform camera solutions, from design and development to process testing and quality control. VIA Philippines was incorporated to facilitate the integration of a camera design and development team that was previously a part of IMI.

In 2018, the Group opened a 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, broadens 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. In 2021, the principal office of PSi was changed to North Science Avenue, Laguna Technopark – Special Economic Zone (LTSEZ), Bo.Biñan, Biñan, Laguna following the transfer of its manufacturing operations inside the IMI premises. PSi remains to be a separate legal entity.

The consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were endorsed for approval by the Audit Committee and authorized for issue by the Parent Company's Board of Directors (BOD) on March 16, 2023.

2. Group Information

Information about Subsidiaries

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

	Percentage of Ownership		Country of	
Subsidiary	**2022**	2021	Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ [c]	**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.	**100.00%**	100.00%	China	RMB
IMI Innovative Technology (Shenzhen) Co., Ltd. [a]	**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) [c]	**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)	**50.32%**	50.32%	Germany	EUR
Germaneers GmbH [b]	**100.00%**	100.00%	Germany	EUR
VIA Optronics (Philippines), Inc. [b]	**100.00%**	100.00%	Philippines	PHP
VIA Optronics GmbH (VIA GmbH)	**100.00%**	100.00%	Germany	USD
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**100.00%**	100.00%	China	USD
VIA Optronics LLC (VIA LLC)	**100.00%**	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd	**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 [c]	**100.00%**	100.00%	Hong Kong	Hong Kong Dollar (HKD)
ST Intercept Limited [c]	**100.00%**	100.00%	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	JPY
Psi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [c]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [c]	**64.00%**	64.00%	Philippines	USD

[a] *New entity of IMI SZ incorporated in November 2022*
[b] *New entities of VIA in 2021*
[c] *In the process of liquidation / dormant*

Business Combinations

Acquisition of Germaneers GmbH ("Germaneers")

On May 21, 2021, VIA Optronics GmbH ("VIA") acquired Germaneers GmbH ("Germaneers), a high-tech engineering company focusing on automotive system integration and user interfaces for a transaction price of EUR3.06 million ($3.73 million). Germaneers provides solutions for a range of well-known high-end original equipment manufacturers (OEMs).

Germaneers is known for creating innovative and state-of-the-art digital car interiors to achieve the next level of customer experience through human machine interfaces (HMI), sensor and camera solutions.

The control concept according to PFRS 10, *Consolidated Financial Statements*, sets out three elements of control consisting of power over investee, exposure or rights to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of these returns. Based on assessment, VIA has control over Germaneers and needs to consolidate Germaneers in its consolidated financial statements.

In 2021, the purchase price allocation for the acquisition of Germaneers has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and innovative technologies in the automotive sector. The purchase price allocation has been finalized in 2022 and there were no significant changes in the fair value of the identifiable assets and liabilities and the resulting goodwill (see Note 11).

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 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022.

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 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.

<u>Changes in Accounting Policies and Disclosures</u>
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, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Business Combinations, 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 applied 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 cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

  - the incremental costs of fulfilling that contract – direct labour and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts – an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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

  Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets dedicated to that used in fulfilling the contract.

  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. The Group recorded provision for onerous contracts amounting to $1.03 million in 2022 as an impact of applying the amendments (see Notes 4 and 18).

- Annual Improvements to PFRSs 2020-2022 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.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are expected to have no impact on the Group.

    The Group adopted the amendments beginning January 1, 2022.

Effective beginning on or after January 1, 2023

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

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

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

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Acounting Policies, Changes in Accounting Estimes and Error, Definition of Accounting Estimates*, *Definition of Accounting Estimates*

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted, and that fact must be disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

Cash and Cash Equivalents

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

Shot-term Investments

Short-term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.

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, 2022 and 2021 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, short-term investments, 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.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative within a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held. On the other hand, an embedded derivative with a financial liability or a non-financial host is separated from the host and accounted for as a separate derivative if: its 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.

Separated 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 modified 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.

Fair Value Measurement
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	20 - 30
Building improvements	5
Machineries and facilities equipment (Notes 4 and 10)	3 - 13
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.

<u>Business Combinations and Goodwill</u>
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 adjustment to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Intangible Assets

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

Research and development costs

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

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

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

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

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

	Years
Customer relationships	5
Unpatented technology	5
Licenses	2-5
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
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.

Extension Options
Some property leases contain extension options exercisable by the Group up to one year before the end of the noncancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether

it is reasonably certain to exercise the extension options. The Group re-assesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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 and Onerous Contracts
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.

Many contracts (for example, some routine purchase orders) can be cancelled without paying compensation to the other party, and therefore there is no obligation. Other contracts establish both rights and obligations for each of the contracting parties. Where events make such a contract onerous, the contract falls within the scope of PAS 37 and a liability exists which is recognized. Executory contracts that are not onerous fall outside the scope of PAS 37.

PAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

(a) the incremental costs of fulfilling that contract – for example, direct labour and materials; and
(b) an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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.

<u>Equity</u>
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.

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.

For R&D engineering services, revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance completed to date.

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, 2022 and 2021.

b) Contract balances

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

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

c) Cost to obtain a contract

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

Other Income

Interest income

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

Dividends

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

Miscellaneous income

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

Expenses

Cost of sales

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

Operating expenses

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

Government Grants

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

Foreign Currency Transactions

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

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

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

<u>Income Taxes</u>
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.

<u>Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company</u>
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.

<u>Retirement and Other Employee Benefits</u>
Defined benefit plans
The Parent Company, PSi, STIPH, IMI BG and IMI Serbia maintain separate defined benefit plans covering substantially all of their employees. The plans of the Parent Company, PSi and STIPH 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, Czech Republic, Mexico, Germany, Japan, 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.

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 obligations. 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. VIA Group has no defined benefit plans.

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.

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.

In 2021, the Group has determined that there was a change in functional currency for VIA GmbH and VIA Suzhou, wholly owned subsidiaries of VIA. In prior years, the functional currency of VIA GmbH and VIA Suzhou is Euro and RMB, respectively and both were changed to USD since majority of its sales and purchases are denominated in this currency.

Onerous contracts – costs of fulfilling a contract
When the Group assessed that it has contracts that are onerous, the present obligation under the contract shall be recognized and measured as a provision. The Group defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The Group applies judgment in assessing loss-making projects and determining commitment period or non-cancellable period of the contract.

Further details are disclosed in Notes 18 and 22.

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 dates 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.

Estimated Useful Lives (EUL) of Property, Plant, and Equipment (PPE)

The Group estimates the useful lives of its PPE based on expected usage, wear and tear, and technological or commercial obsolescence. The Group reviews the EUL of PPE annually. If the result of the review indicates that the PPE will continue to be used for a period longer or shorter than the existing policy and practice, the EUL is revised. The change in EUL is accounted for prospectively (no restatement of prior periods) and applied to existing assets at the time of change and to future assets to be acquired in future periods. An increase in the EUL of PPE will result in lower depreciation since the carrying values of the PPE will be depreciated over the extended remaining lives.

In 2022, the Group has concluded its assessment that most of its production machineries and equipment were historically being used in operations for about ten (10) years which is beyond the EUL of seven (7) years. The review also disclosed that the repairs being incurred for these production machineries and equipment, after seven (7) years, remain to be low or not more than 50% of the annual depreciation. Because of this, the Group changed the EUL of production machineries and equipment from seven (7) to ten (10) years (see Note 10).

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 Note 19.

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, 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, intangible assets, and right-of-use assets are disclosed in Notes 11, 12 and 30, respectively.

Evaluation of impairment of nonfinancial assets
The Group reviews 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 of the Group's 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, goodwill, intangible assets, deferred charges, and right-of-use assets are disclosed in Notes 10, 11, 12, 14 and 30, respectively. Details of the impairment loss recognized are disclosed in Notes 10, 12 and 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.

Onerous contracts – costs of fulfilling a contract
The Group estimates the provision on onerous contract by determining the revenues less unavoidable costs during the commitment period based on financial budgets approved by management. In determining unavoidable costs, the Group excludes other non-directly related costs such as costs of wasted materials, labor inefficiencies and other costs of resources that were not reflected in the pricing of the contract.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting period are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material.

The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted. The Group assessed that the time value of money is not applicable in the determination of the current provision as the committed periods are normally not exceeding one year.

Further details on onerous contracts are disclosed in Notes 18 and 22.

5. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2022	2021
Cash on hand	**$73,706**	$55,620
Cash in banks	**115,750,849**	154,232,003
Cash equivalents	**–**	5,500,000
	$115,824,555	$159,787,623

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents have maturities of varying periods of up to three months and earn interest at the respective cash equivalents rates.

Interest income earned from cash in banks and cash equivalents amounted to $0.25 million in 2022, $0.30 million in 2021 and $0.33 million in 2020.

Short-term Investments
Short-term investments amounting to $8.5 million as of December 31, 2022 pertain to money market placements made for varying periods of more than three months but less than one year and earn interest ranging from 2.0% to 2.4% per annum in 2022.

Interest income earned from these investments amounted to $0.42 million in 2022.

6. Receivables

This account consists of:

	2022	2021
Trade (Note 16)	**$283,795,011**	$273,946,003
Nontrade	**7,529,001**	6,882,895
Due from related parties (Note 31)	**2,530,315**	448,697
Receivable from employees	**310,056**	471,930
Receivable from insurance	**–**	1,078,869
Others	**822,810**	957,732
	294,987,193	283,786,126
Less allowance for ECLs	**3,347,129**	4,743,755
	$291,640,064	$279,042,371

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. VIA has pledged a portion of its trade accounts receivable, up to amounts drawn under the respective loans, in support of the obligations (see Note 16).

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 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.

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 which was fully impaired as of December 31, 2022 and 2021.

On October 20, 2022, IMI received the Supreme Court's Resolution dated March 16, 2022 denying its motion for reconsideration with finality. The full amount was written-off in the consolidated balance sheets as at December 31, 2022.

Allowance for ECLs
Trade receivables, nontrade receivables and receivable from insurance with aggregate nominal value of $3.35 million and $4.74 million as of December 31, 2022 and 2021, respectively, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Movements in the allowance for ECLs are as follow:

	December 31, 2022			
	Trade	**Nontrade**	**Receivable from Insurance**	**Total**
At beginning of year	**$3,459,906**	**$204,980**	**$1,078,869**	**$4,743,755**
Provisions (Note 22)	**604,726**	**(19,238)**	**–**	**585,488**
Written-off	**(628,458)**	**(103,886)**	**(1,117,057)**	**(1,849,401)**
Foreign currency exchange difference	**(132,713)**	**(38,188)**	**38,188**	**(132,713)**
At end of year	**$3,303,461**	**$43,668**	**$–**	**$3,347,129**

	December 31, 2021			
	Trade	Nontrade	Receivable from Insurance	Total
At beginning of year	$1,503,569	$148,096	$1,095,700	$2,747,365
Provisions (Note 22)	1,970,799	40,053	–	2,010,852
Foreign currency exchange difference	(14,462)	16,831	(16,831)	(14,462)
At end of year	$3,459,906	$204,980	$1,078,869	$4,743,755

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:

	2022	2021
Contract assets	**$67,138,029**	$52,481,010
Contract liabilities	**7,406,803**	4,741,058

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, 2022 and 2021, 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 increase in contract liabilities was mainly due to higher advance payments received from new and existing customers.

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

8. Inventories

This account consists of:

	2022	2021
Raw materials and supplies	**$267,413,402**	$225,928,319
Work-in-process	**7,995,649**	6,946,498
Finished goods	**5,984,042**	18,171,690
	281,393,093	251,046,507

(Forward)

	2022	2021
Less allowance for:		
Inventory obsolescence	**$12,601,131**	$12,304,771
Decline in value of inventories	**294,710**	152,874
	12,895,841	12,457,645
	$268,497,252	$238,588,862

The cost of the inventories carried at NRV amounted to $27.60 million and $23.66 million as of December 31, 2022 and 2021, respectively. The amount of inventories recognized as an expense under “Cost of sales” account amounted to $1,043.62 million in 2022, $932.39 million in 2021, and $796.04 million in 2020 (see Note 20).

Movements in the allowance for inventory obsolescence follows:

	2022	2021
At beginning of year	**$12,304,771**	$13,151,796
Provisions (Note 22)	**2,225,263**	211,766
Write-offs	**(1,024,313)**	(528,248)
Foreign currency exchange difference	**(904,590)**	(530,543)
At end of year	**$12,601,131**	$12,304,771

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

	2022	2021
At beginning of year	**$152,874**	$95,126
Provisions (Note 22)	**141,836**	57,748
At end of year	**$294,710**	$152,874

The Group recognized gains from sale of materials and scrap amounting to $0.03 million in 2022, $0.10 million in 2021, and $0.04 million in 2020. 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:

	2022	2021
Prepayments and deferred charges	**$8,341,278**	$9,446,848
Input taxes	**7,649,650**	4,765,407
Advances to suppliers	**4,911,642**	6,329,176
Tax credits	**3,973,586**	1,668,793
Others	**370,040**	215,209
	$25,246,196	$22,425,433

Prepayments and Deferred Charges
Prepayments include prepayments for rent, life and fire insurance and prepaid insurance for product liability and recall and directors and officers (D&O) liability insurance.

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:

	2022						
	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	$101,484,847	$229,249,025	$24,889,977	$2,398,427	$9,390,659	$3,384,016	$370,796,951
Additions	1,083,887	8,679,316	1,913,115	296,971	132,080	8,578,037	20,683,406
Disposals/retirement	(215,408)	(33,579,982)	(592,206)	(450,283)	(23,892)	(64,045)	(34,925,816)
Transfers	1,947,480	4,145,714	90,135	63,443	970	(6,247,742)	–
Foreign currency exchange difference	(3,183,770)	(11,650,870)	4,877	(123,988)	(212,105)	415,311	(14,750,545)
At end of year	101,117,036	196,843,203	26,305,898	2,184,570	9,287,712	6,065,577	341,803,996
Accumulated depreciation							
At beginning of year	46,995,886	134,845,473	19,033,948	1,464,606	4,031,590	–	206,371,503
Depreciation	5,891,911	19,193,903	2,214,925	462,768	146,433	–	27,909,940
Disposals/retirement	(92,702)	(30,683,460)	(572,763)	(418,484)	(19,985)	–	(31,787,394)
Foreign currency exchange difference	(1,245,551)	(7,611,595)	(620,789)	(103,432)	(36,590)	–	(9,617,957)
At end of year	51,549,544	115,744,321	20,055,321	1,405,458	4,121,448	–	192,876,092
Accumulated impairment losses							
At beginning and end of year	–	2,458,082	–	–	–	–	2,458,082
Impairment loss (Notes 4 and 24)	–	361,185	–	–	–	–	361,185
Adjustments	–	–	–	–	–	–	–
At end of year	–	2,819,267	–	–	–	–	2,819,267
Net book value	$49,567,492	$78,279,615	$6,250,577	$779,112	$5,166,264	$6,065,577	$146,108,637

	2021						
	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	$106,722,276	$224,771,856	$23,147,356	$2,660,652	$9,941,378	$6,208,359	$373,451,877
Additions	1,714,418	16,889,771	2,400,243	295,809	240,325	8,833,967	30,374,533
Acquisition thru business combination	–	–	41,456	–	–	–	41,456
Disposals/retirement	(4,441,612)	(15,061,221)	(552,494)	(467,327)	(860,265)	(254,415)	(21,637,334)
Transfers	398,376	10,014,473	432,847	11,236	–	(10,856,932)	–
Foreign currency exchange difference	(2,908,611)	(7,365,854)	(579,431)	(101,943)	69,221	(546,963)	(11,433,581)
At end of year	101,484,847	229,249,025	24,889,977	2,398,427	9,390,659	3,384,016	370,796,951
Accumulated depreciation							
At beginning of year	44,498,416	123,522,344	17,841,417	1,437,244	3,848,497	–	191,147,918
Depreciation	7,422,130	29,822,825	2,047,420	508,089	247,419	–	40,047,883
Disposals/retirement	(4,339,674)	(13,805,297)	(552,116)	(467,327)	(181,450)	–	(19,345,864)
Foreign currency exchange difference	(584,986)	(4,694,399)	(302,773)	(13,400)	117,124	–	(5,478,434)
At end of year	46,995,886	134,845,473	19,033,948	1,464,606	4,031,590	–	206,371,503
Accumulated impairment losses							
At beginning and end of year	–	4,352,991	–	–	–	–	$4,352,991
Reversal of impairment loss – net (Notes 4 and 24)	–	(1,612,065)	–	–	–	–	(1,612,065)
Adjustments	–	(282,844)	–	–	–	–	(282,844)
At end of year	–	2,458,082	–	–	–	–	2,458,082
Net book value	$54,488,961	$91,945,470	$5,856,029	$933,821	$5,359,069	$3,384,016	$161,967,366

In 2022 and 2020, provision for impairment of certain assets was recognized by the Group amounting to $0.36 million and $2.62 million, respectively, due to declining customer demand (nil in 2021). In 2021, the Group recorded impairment reversal amounting to $1.61 million net of $0.06 million impairment provision, as the business previously assessed with impairment has recovered.

The Group decided to change the EUL of machineries from 7 to 10 years based on the expected asset utilization and pattern of economic benefits. The change, which was accounted for prospectively effective January 1, 2022, resulted in a decrease in depreciation expense of $7.63 million in 2022. The assets affected will result to a lower depreciation expense annually over its remaining life.

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 $6.25 million and $10.86 million as of December 31, 2022 and 2021, respectively.

The Group recognized gains / (loss) from disposal and retirement of certain items of property, plant and equipment amounting to ($2.36 million) in 2022, $0.44 million in 2021, and $0.66 million in 2020 (see Note 24).

As of December 31, 2022 and 2021, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $218.88 million and $231.45 million, respectively.

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

	2022	2021	2020
Cost of sales (Note 20)	**$25,611,371**	$35,982,278	$34,148,037
Operating expenses (Note 21)	**2,298,569**	4,065,605	4,010,110
	$27,909,940	$40,047,883	$38,158,147

The Group has no restrictions on its property, plant 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:

	2022	2021
STI	**$52,290,256**	$58,642,020
VIA	**44,151,673**	46,955,284
STEL	**38,225,186**	38,225,186
Parent Company	**1,097,776**	1,097,776
IMI CZ	**482,949**	513,615
	$136,247,840	$145,433,881

Movement in goodwill follows:

	2022	2021
Cost		
At beginning of year	**$152,336,719**	$154,147,932
Additions	**–**	2,098,674
Foreign currency exchange difference	**(9,186,041)**	(3,909,887)
At end of year	**143,150,678**	152,336,719
Accumulated impairment loss		
At beginning and end of year	**6,902,838**	6,902,838
	$136,247,840	$145,433,881

The additional goodwill in 2021 arose from the acquisition of Germaneers (see Note 2).

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:

	2022	2021
STI	**11.57%**	8.30%
VIA	**19.71%**	14.72%
STEL	**13.51%**	12.01%
IMI CZ	**13.79%**	11.37%

Cash flows beyond the 5-year period are extrapolated using a growth rate of 1% to 3.47%, which does not exceed the compound annual growth rate (CAGR) for the area-specific 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. Significant assumptions include freight cost, labor costs and material costs.
- 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 recorded in 2022, 2021 and 2020.

Sensitivity to changes in assumptions
Value in use calculation is sensitive to pre-tax discount rates and inflation rate. With regard to the assessment of value-in-use of VIA, STEL and IMI CZ, an increase in the pre-tax discount rate by more than 9.43%, 0.14% and 3.98%, respectively, would result to impairment of goodwill. In addition, an increase in inflation rate affecting overhead and administrative costs by more than 67.87%, 1.72% and 35.54% for VIA, STEL and IMI CZ, respectively, would also result to impairment.

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 2022 2021 and 2020, the Group assessed the impairment based on value-in-use calculations using cash flow projections of the Parent Company from financial budgets approved by BOD covering a 5-year period.

The comparison of the recoverable amounts and the carrying amounts resulted to no impairment loss in 2022, 2021 and 2020.

12. Intangible Assets

Movements in this account are as follows:

	December 31, 2022					
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year	**$21,670,211**	**$100,000**	**$16,364,902**	**$13,908,257**	**$20,599,131**	**$72,642,501**
Additions	**–**	**–**	**506,538**	**–**	**–**	**506,538**
Foreign currency exchange difference	**138,389**	**–**	**(948,352)**	**(62,104)**	**–**	**(872,067)**
At end of year	**21,808,600**	**100,000**	**15,923,088**	**13,846,153**	**20,599,131**	**72,276,972**
Accumulated amortization						
At beginning of year	**$21,541,528**	**$100,000**	**$12,430,828**	**$11,268,936**	**$11,792,396**	**$57,133,688**
Amortization	**374,149**	**–**	**923,448**	**1,228,649**	**2,285,911**	**4,812,157**
Foreign currency exchange difference	**(107,077)**	**–**	**(898,749)**	**24,454**	**–**	**(981,372)**
At end of year	**21,808,600**	**100,000**	**12,455,527**	**12,522,039**	**14,078,307**	**60,964,473**
Accumulated impairment loss						
At beginning of year	**–**	**–**	**–**	**–**	**4,582,234**	**4,582,234**
Impairment loss (Notes 4 and 24)	**–**	**–**	**–**	**–**	**1,604,842**	**1,604,842**
At end of year	**–**	**–**	**–**	**–**	**6,187,076**	**6,187,076**
Net book value	**$–**	**$–**	**$3,467,561**	**$1,324,114**	**$333,748**	**$5,125,423**

	December 31, 2021					
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year	$22,242,100	$100,000	$15,480,244	$14,477,250	$20,599,131	$72,898,725
Additions	–	–	637,630	–	–	637,630
Acquisition thru business combination	–	–	–	35,580	–	35,580
Foreign currency exchange difference	(571,889)	–	247,028	(604,573)	–	(929,434)
At end of year	21,670,211	100,000	16,364,902	13,908,257	20,599,131	72,642,501
Accumulated amortization						
At beginning of year	21,479,959	100,000	11,516,011	8,618,343	8,820,093	50,534,406
Amortization	605,095	–	977,244	2,844,376	2,972,303	7,399,018
Foreign currency exchange difference	(543,526)	–	(62,427)	(193,783)	–	(799,736)
At end of year	21,541,528	100,000	12,430,828	11,268,936	11,792,396	57,133,688
Accumulated impairment loss						
At beginning of year	–	–	–	–	5,218,690	5,218,690
Reversal of impairment loss (Notes 4 and 24)	–	–	–	–	(636,456)	(636,456)
At end of year	–	–	–	–	4,582,234	4,582,234
Net book value	$128,683	$–	$3,934,074	$2,639,321	$4,224,501	$10,926,579

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, 2022, 2021 and 2020. The remaining net book value of the customer relationship in 2021 with net book value $0.13 million pertains to VTS, which was also fully amortized in 2022.

Licenses

This includes acquisitions of computer software, applications and modules.

Intellectual Properties

The Group's intellectual properties (IPs) 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 while VTS's IP relates to the transfer of the seller of the technology relevant to run the business.

As of December 31, 2022 and 2021, the carrying value of VIA and VTS's intellectual properties amounted to $1.32 million and $2.64 million, respectively.

Product Development Costs

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

Capitalized development costs amounting to $1.60 million were impaired in 2022 due to end of life of business while in 2021 the Group recorded impairment reversal for certain assets amounting to $0.64 million as the related business recovered (see Note 4).

Research expenditure recognized as expense amounted to $5.68 million, $7.70 million, and $7.43 million in 2022, 2021 and 2020, respectively (see Note 21).

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

	2022	2021	2020
Cost of sales (Note 20)	**$2,505,209**	$3,233,174	$3,810,122
Operating expenses (Note 21)	**2,306,948**	4,165,844	4,069,046
	$4,812,157	$7,399,018	$7,879,168

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

The table below shows reconciliation of fair value measurements:

	2022	2021
Balance at beginning of year	**$1,364,733**	$1,124,461
Change in fair value of quoted securities	**464,699**	240,272
Balance at end of year	**$1,829,432**	$1,364,733

The table below shows the movement of the other components of equity related to FVOCI:

	2022	2021
Balance at beginning of year	**($554,610)**	($874,804)
Change in fair value of quoted securities	**464,699**	240,272
Foreign currency exchange difference	**122,705**	79,922
Balance at end of year	**$32,794**	($554,610)

14. **Other Noncurrent Assets**

This account consists of:

	2022	2021
Deferred charges	**$12,286,431**	$15,721,545
Miscellaneous deposits	**3,156,449**	3,565,133
Pension asset - net (Note 27)	**225,090**	255,318
Others	**644,176**	223,295
	$16,312,146	$19,765,291

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 of utilities and rent deposits.

15. **Accounts Payable and Accrued Expenses**

This account consists of:

	2022	2021
Trade payables	**$212,112,883**	$205,358,544
Accrued expenses	**37,704,785**	33,376,879
Employee-related accruals and contributions	**22,078,493**	26,818,339
Nontrade payables	**21,215,024**	17,978,918
Taxes and government-related payables	**3,075,974**	3,620,758
Advances from customers	**2,644,613**	410,675
Accrued interest payable	**$1,646,532**	$1,530,999
Customer deposits	**1,277,379**	273,162
Due to related parties (Note 31)	**18,958**	49,437
	$301,774,641	$289,417,711

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. These advances are generally applied against related billings to customers.

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

16. **Loans Payable**

This account consists of borrowings of the following entities:

	2022	2021
Parent Company	**$150,100,000**	$96,700,000
STEL	**4,100,000**	22,100,000
VIA and STI	**35,182,754**	43,550,163
CZ	**3,276,845**	3,421,868
	$192,659,599	$165,772,031

Parent Company
As of December 31, 2022 and 2021, the Parent Company has unsecured short-term loans aggregating to $150.10 million and $96.70 million, respectively, with maturities ranging from 30 to 180 days, and fixed annual interest rates ranging from 4.37% to 5.36% in 2022, 1.44% to 2.00% in 2021, and 1.42% to 2.94% in 2020. From the total short-term loans of the Parent Company, $60.70 million and $18.20 million was payable to BPI as of December 31, 2022 and 2021, respectively (see Note 31).

The Parent Company incurred interest expense on its short-term loans amounting to $4.75 million in 2022, $3.00 million in 2021, and $3.23 million in 2020 (see Note 23).

STEL
As of December 31, 2022 and 2021, STEL has short-term loans aggregating to $4.10 million and $22.10 million, respectively, which are from existing revolving credit facilities with Singapore and China -based banks and bear annual interest rates ranging from 3.96% to 7.56% in 2022, 3.02% to 3.10% in 2021, and 2.93% to 4.46% in 2020, and have maturities of 91 to 92 days from the date of issue.

STEL incurred interest expense on short-term loans amounting to $0.86 million in 2022, $1.08 million in 2021, and $1.28 million in 2020 (see Note 23).

VIA & STI
The loans of VIA and STI were obtained from China, Germany and UK-based banks with terms ranging from 125 to 365 days and interest rates ranging from 1.82% to 4.00% in 2022, 0.59% to 4.00% in 2021 and 1.16% to 4.0% in 2020. VIA has pledged a portion of its trade accounts receivable, up to amounts drawn under the respective loans, in support of the obligations.

VIA and STI incurred interest expense on the short-term loan amounting to $2.22 million, $1.34 million and $1.47 million in 2022, 2021 and 2020, 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 or PRIBOR plus 1.20%.

IMI CZ incurred interest expense on short-term loans amounting to $0.18 million in 2022, $0.02 million in 2021 and $0.01 million in 2020 (see Note 23).

17. **Long-Term Debt**

This account consists of borrowings of the following entities:

	2022	2021
Parent Company	**$146,182,491**	$148,715,628
VTS and IMI CZ	**4,231,041**	2,768,032
	150,413,532	151,483,660
Less current portion:		
Parent Company	**1,500,000**	300,000
VTS and IMI CZ	**1,548,254**	1,505,008
	3,048,254	1,805,008
Noncurrent portion	**$147,365,278**	$149,678,652

Parent Company
The long-term debts of the Parent Company were obtained from Philippine banks. The long-term debts have terms of three to five years, with principal payments payable annually, and remaining balance payable in full at maturity. These are subject to annual interest rate of 3.45% to 3.80% in 2022 and 2021, respectively. From the total long-term debts of the Parent Company, $116.89 million and $119.20 million was payable to BPI as of December 31, 2022 and 2021, respectively (see Note 31).

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 consolidated financial statements;

As of December 31, 2022 and 2021, 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 $4.93 million in 2022, $2.96 million in 2021, and $2.36 million in 2020 (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 and IMI CZ loan has interest rates ranging from 0.80% to 2.31% per annum.

VTS and IMI CZ incurred interest expense on its long-term debt amounting to $0.14 million, $0.04 million and $0.06 million in 2022, 2021 and 2020, respectively (see Note 23).

18. Other Current Liabilities

This account consists of provision for onerous contracts amounting to $1.03 million in 2022 (nil in 2021) (see Notes 3, 4 and 22) which arises by obtaining the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received under it. In determining the provision, the Group considers the entire remaining commitment period under the contract, including the remaining revenue to be recognized for unsatisfied, or partially unsatisfied, performance obligations and the remaining costs to fulfil those performance obligations.

19. Equity

Capital Stock
This account consists of:

	2022		2021		2020	
	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	**2,192,778,323**	**$42,705,563**	2,191,315,287	$42,674,930	2,191,273,522	$42,674,027
Issuances from ESOWN	**647,051**	**13,661**	1,463,036	30,633	41,765	903
At end of year*	**2,193,425,374**	**$42,719,224**	2,192,778,323	$42,705,563	2,191,315,287	$42,674,930

* *Out of the total issued shares, 15,892,124 shares or $1.01 million as of December 31, 2022, 2021 and 2020 pertain to treasury shares.*

As of December 31, 2022, 2021 and 2020, there were 284, 283 and 288 registered common stockholders, respectively.

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

Details of this account follow:

	2022		2021		2020	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**31,238,565**	**$708,788**	32,951,281	$744,823	33,308,281	$752,560
Issuances during the year - ESOWN	**(647,051)**	**(13,661)**	(1,463,036)	(30,633)	(41,765)	(903)
Forfeitures during the year - ESOWN	**(122,944)**	**(2,673)**	(249,680)	(5,402)	(315,235)	(6,834)
At end of year	**30,468,570**	**$692,454**	31,238,565	$708,788	32,951,281	$744,823

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-in capital of $15.33 million is coming from the reversal of put option liability upon termination in accordance with the amendment in the shareholders' agreement. Mark-to-market gain (loss) were previously recognized amounting to $1.63 million in 2021 (see note 24).

Subscriptions Receivable

Details of this account follow:

	2022	2021	2020
At beginning of year	**$2,701,935**	$2,888,800	$2,955,581
Forfeitures during the year	**(45,486)**	(44,286)	(71,804)
Refund/(collections) during the year	**(36,254)**	(142,579)	5,023
At end of year (Note 28)	**$2,620,195**	$2,701,935	$2,888,800

Dividends

2022

No dividend payment was declared to common shareholders.

2021

IMI Singapore (IMI SG) paid dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI SG) amounting to $1.52 million in March 2021. In August 2021, IMI SG redeemed in full the remaining RCPS from ACI SG and paid the accrued dividends amounting to $2.15 million as of redemption date. No dividend payment was declared to common shareholders.

2020
IMI SG paid dividends on the redeemable cumulative preferred stocks (RCPS) to ACI SG 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.

Retained Earnings
Accumulated net earnings of the subsidiaries amounting to $176.87 million and $186.98 million as of December 31, 2022 and 2021, 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 the Revised Securities Regulation Code Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2022 amounted to $5.12 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 ₱75.00 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, 2022, 2021 and 2020 follows:

	2022	2021	2020
EU and MX	**($8,405,817)**	($12,785,609)	$14,970,268
VIA and STI	**(9,738,945)**	(11,847,140)	8,330,030
STEL	**(5,196,802)**	1,335,547	3,185,241
Consolidation and eliminations	**(10,996,363)**	(2,618,629)	2,667,047
	($34,337,927)	($25,915,831)	$29,152,586
Attributable to:			
Equity holders of the Parent	**($23,803,135)**	($29,003,117)	$26,820,695
Non-controlling interest	**(10,534,792)**	3,087,286	2,331,891
	($34,337,927)	($25,915,831)	$29,152,586

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.

In August 2021, the Board approved the full redemption of the outstanding RCPS amounting to $70.0 million and paid the dividends that have accrued as of redemption date amounting to $2.15 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, 2022 and 2021.

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.

	2022	2021
Loans payable	**$192,659,599**	$165,772,031
Long-term bank borrowings	**150,413,532**	151,483,660
Total bank debt	**343,073,131**	317,255,691
Less cash and cash equivalents	**115,824,555**	159,787,623
Net bank debt	**$227,248,576**	$157,468,068
Total Equity	**$415,283,856**	$461,713,244
Debt-to-equity ratio	**0.83:1**	0.69:1
Net debt-to-equity ratio	**0.55:1**	0.3:1

The Group is not subject to externally-imposed capital requirements.

20. Cost of Sales

This account consists of:

	2022	2021	2020
Direct, indirect and other material-related costs (Note 8)	**$1,043,619,962**	$932,394,674	$796,036,703
Direct labor, salaries, wages and employee benefits (Note 27)	**175,021,942**	188,179,409	165,020,873
Depreciation and amortization (Notes 10, 12 and 30)	**34,250,332**	46,431,467	43,435,464
Facilities costs and others (Note 22)	**45,716,660**	42,766,262	35,010,668
	$1,298,608,896	$1,209,771,812	$1,039,503,708

21. Operating Expenses

This account consists of:

	2022	2021	2020
Salaries, wages and employee benefits (Note 27)	**$58,804,816**	$61,950,473	$50,543,361
Depreciation and amortization (Notes 10, 12 and 30)	**7,606,067**	11,891,409	11,997,105

(Forward)

	2022	2021	2020
Facilities costs and others (Note 22)	**$41,339,423**	$34,639,830	$29,919,927
	$107,750,306	$108,481,712	$92,460,393

22. Facilities Costs and Others - Net

This account consists of:

	Cost of Sales			Operating Expenses		
	2022	2021	2020	**2022**	2021	2020
Utilities	**$23,465,974**	$19,098,985	$16,944,219	**$2,145,489**	$1,692,556	$1,479,229
Outsourced activities	**10,509,065**	9,737,817	7,968,725	**14,694,883**	14,206,768	11,184,209
Repairs and maintenance	**6,171,663**	6,220,292	6,203,813	**908,797**	1,495,487	781,950
Technology-related	**1,654,064**	2,524,353	710,862	**4,843,938**	2,073,278	4,224,730
Insurance	**1,427,143**	2,347,400	673,733	**4,883,416**	5,292,394	2,823,246
Government-related	**1,156,872**	1,577,684	1,795,352	**3,011,828**	3,342,392	3,028,921
Travel and transportation	**808,041**	524,157	934,445	**2,914,180**	1,234,769	2,247,563
Postal and communication	**245,808**	511,576	301,012	**546,688**	476,510	431,548
Promotional materials, representation and entertainment	**156,194**	71,283	117,674	**1,121,341**	907,893	637,995
Staff house	**74,309**	29,943	15,083	**83,799**	244,971	272,056
Membership fees	**19,752**	55,591	4,839	**229,669**	201,195	143,575
Provision (reversal of provision) for inventory obsolescence (Note 8)	**–**	–	–	**2,367,099**	211,766	(291,526)
Provision for ECLs (Note 6)	**–**	–	–	**585,488**	2,010,852	574,495
Provision for onerous contracts (Notes 4 and 18)	**–**	–	–	**1,034,073**	–	–
Others – net	**27,775**	67,181	(659,089)	**1,968,735**	1,248,999	2,381,936
	$45,716,660	$42,766,262	$35,010,668	**$41,339,423**	$34,639,830	$29,919,927

Others include sales commission, donations, small tools and instruments, spare parts, materials, office supplies, and copying expenses. In 2020, the amount is net of the 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:

	2022	2021	2020
Interest expense on loans (Notes 16 and 17)	**$13,076,061**	$8,433,898	$8,411,717
Interest on leases (Note 30)	**932,077**	1,349,772	1,644,189
Bank charges	**578,565**	731,254	320,526
Others	**69,026**	38,743	46,201
	$14,655,729	$10,553,667	$10,422,633

Others include interest on employee housing and car loans in 2022, 2021, and 2020.

24. Miscellaneous Income - Net

Miscellaneous income (loss) - net consists of:

	2022	2021	2020
Financial subsidies	**$2,599,524**	$2,817,097	$6,288,982
Other income from customers	**1,260,832**	445,611	404,813
Gain on insurance claims	**415,795**	458,016	61,260

(Forward)

	2022	2021	2020
Sale of materials and scrap (Note 8)	**$26,916**	$96,459	$36,332
Mark-to-market gain on put options (Note 19)	**–**	1,627,806	6,068,906
Loss on lease modifications	**–**	(159,630)	–
Reversal (provision) of impairment on property, plant and equipment (Notes 4 and 10)	**(361,185)**	1,612,065	(2,620,779)
Reversal (provision) of impairment loss on product development cost (Notes 4 and 12)	**(1,604,842)**	636,456	(4,693,985)
Gain (loss) on sale and retirement of property, plant and equipment – net (Note 10)	**(2,355,745)**	438,498	657,101
Other income (expense) – net	**457,808**	224,404	(679,701)
	$439,103	$8,196,782	$5,522,929

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 $3.13 million and $2.84 million in 2022 and 2021, respectively.

Loss on retirement of property, plant and equipment pertains to assets retired in 2022 due to end of life of business.

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, 2022, there are three remaining project activities with ITH which will expire in 2023 and 2027. 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.

The Company is allowed to continue to avail the incentives provided in the implementing Rules and Regulations of RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives Act (CREATE Law). Registered Business Enterprises (RBEs) currently availing of the 5% tax on gross income earned prior to the effectivity of CREATE Law shall be allowed to continue availing the tax incentive for ten years. The Special Corporate Income Tax (SCIT) shall be equivalent to a tax rate of 5% based on the gross income earned (GIE), in lieu of all national and local taxes.

For projects as Ecozone Export Enterprise under Supplemental Agreements with PEZA dated 09 December 2019 which were granted an ITH prior to the effectivity of the Act and that are entitled to the 5% tax on gross income earned incentive after the ITH are allowed to use the ITH for the period specified in the terms and conditions of its registration and thereafter, avail of the 5% tax on gross income earned incentive, subject to the 10 year limit for both incentives.

IMICD, IMISZ and STJX

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.

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 (from 2020 to 2022) as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of

15% (2021: 15%) 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% (2021: 15%) on its taxable income as reported in the financial statement.

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 2022, 2021 and 2020. 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 AG and GmbH are subject to corporate income tax and trade taxes in Germany. For the years ended December 31, 2022, 2021 and 2020, 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 16.35% in 2022 and 2021 and 16.1% in 2020. Overall tax rate for Germany is 32.17% in 2022, 32.17% for 2021 and 31.9% for 2020.

For VIA's subsidiaries, VIA LLC (USA) a tax rate of 23.75% in 2022, 2021 and 2020, for VIA Suzhou (China) a tax rate of 25% for 2022, 2021 and 2020 and for VTS (Japan) a tax rate of 34.1% 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, 2022 and 2021, 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:

	2022	2021
Deferred tax assets:		
Lease liabilities	**$4,324,978**	$5,256,986
Net operating loss carry-over	**749,310**	1,373,015
Allowance for inventory obsolescence	**348,052**	449,365
Allowance for doubtful accounts	**139,500**	127,951
Fair value adjustment on property, plant and equipment arising from business combination	**–**	192,011
Others	**1,598,268**	1,481,796
	$7,160,108	$8,881,124

	2022	2021
Deferred tax liabilities:		
Right-of-use asset	**$4,205,842**	$5,040,049
Fair value adjustment on property, plant and equipment arising from business combination	**1,573,339**	1,557,898
Contract assets	**244,816**	390,699
Unrealized foreign exchange gain on monetary assets - net	**32,171**	16,460
Others	**60,699**	486
	$6,116,867	$7,005,592

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, 2022			
	Deferred Tax Assets	**Deferred Tax Liabilities**	**Total Deferred Tax Assets - net**	**Total Deferred Tax Liabilities - net**
Parent Company	**$–**	**($167,151)**	**$–**	**($167,151)**
PSI	**408,823**	**(409,744)**	**–**	**(921)**
IMI BG	**741,963**	**(794,223)**	**–**	**(52,260)**
IMI CZ	**233,175**	**(49,182)**	**183,993**	**–**
IMI MX	**544,339**	**(404,234)**	**140,105**	**–**
VIA and STI	**4,054,916**	**(3,364,541)**	**690,375**	**–**
STEL	**987,197**	**(41,443)**	**987,197**	**(41,443)**
Serbia	**144,095**	**–**	**144,095**	**–**
Consolidation	**45,600**	**(886,349)**	**3,096**	**(843,845)**
	$7,160,108	**($6,116,867)**	**$2,148,861**	**($1,105,620)**

	December 31, 2021			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	$–	($17,388)	$–	($17,388)
PSI	389,567	(397,206)	–	(7,639)
IMI BG	690,184	(866,002)	–	(175,818)
IMI CZ	279,983	(44,044)	235,939	–
IMI MX	805,391	(628,432)	176,959	–
VIA and STI	5,236,270	(3,918,084)	1,318,186	–
STEL	1,339,430	(219,559)	1,119,871	–
Serbia	80,628	–	80,628	–
Consolidation	59,671	(914,877)	2,165	(857,371)
	$8,881,124	($7,005,592)	$2,933,748	($1,058,216)

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, 2022 and 2021, the temporary differences for which no deferred tax assets have been recognized are as follows:

	2022	2021
Net operating loss carry-over	**$80,551,989**	$56,940,984
Accumulated impairment losses on property, plant and equipment	**2,819,266**	4,352,991
Excess of cost over NRV of inventories	**417,786**	608,995
Provisions	**567,139**	252,172
Allowance for doubtful accounts	**34,733**	60,130
	$84,390,913	$62,215,272

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, 2022 and 2021, 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, 2022, the entities operating in the Philippines has incurred NOLCO before and after taxable year 2021 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
2019	2020 to 2022	$15,757,987	$15,757,987	$–
2022	2023 to 2025	23,764,143	–	23,764,143
		$39,522,130	$15,757,987	$23,764,143

As of December 31, 2022, the entities operating in the Philippines has incurred NOLCO in taxable years 2021 and 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
2021	2022 to 2026	$14,809,729	$–	$14,809,729
2020	2021 to 2025	8,618,730	37,136	8,581,594
		$23,428,459	$31,136	$23,391,323

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
2022	$20,017,201	$–	$20,017,201
2021	16,526,567	598,961	15,927,606
2020	26,610,973	–	26,610,973
2019	20,958,420	127,041	20,831,379
2018 and prior	29,505,307	1,177,868	28,327,439
	$113,618,468	$1,903,870	$111,714,598

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:

	2022	2021	2020
Statutory income tax	**(25.00%)**	(25.00%)	(30.00%)
Tax effects of:			
Nondeductible expenses and movement in unrecognized deferred taxes	**12.39%**	34.29%	(277.93%)
Income subject to minimum corporate income tax	**0.244%**	0.129%	7.48%
Income subject to gross income tax	**23.63%**	12.50%	100.57%
Difference in tax jurisdiction	**(82.47%)**	(59.51%)	(140.61%)
Interest income subjected to final tax	**0.029%**	0.002%	0.40%
Provision for income tax	**(71.18%)**	(37.59%)	(340.09%)

26. **Loss per Share**

The following table presents information necessary to calculate EPS on net loss attributable to equity holders of the Parent Company:

	2022	2021	2020
Net loss attributable to equity holders of Parent Company	**($6,756,929)**	($10,564,571)	($3,455,073)
Weighted average number of common shares outstanding	**2,208,004,253**	2,208,146,264	2,208,592,993
Basic and diluted EPS	**($0.003)**	($0.005)	($0.002)

As of December 31, 2022, 2021 and 2020, the Group has no dilutive potential common shares.

27. **Personnel Costs**

Details of salaries, wages, and employee benefits follow:

	2022	2021	2020
Salaries, wages and benefits	**$199,313,442**	$217,544,067	$189,771,833
Government related contributions	**10,654,788**	10,271,628	9,509,438
Retirement expense under defined contribution plans	**8,161,495**	8,714,491	7,239,590
Net retirement expense under defined benefit plans	**2,218,249**	2,286,783	2,093,381
Others	**13,478,784**	11,312,913	6,949,992
	$233,826,758	$250,129,882	$215,564,234

Others include expenses such as subcontracting costs, 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:

	2022	2021	2020
Cost of sales (Note 20)	**$175,021,942**	$188,179,409	$165,020,873
Operating expenses (Note 21)	**58,804,816**	61,950,473	50,543,361
	$233,826,758	$250,129,882	$215,564,234

<u>Defined Benefit Plans</u>
The Parent Company, IMI BG, IMI Serbia, STIPH and PSi have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2022.

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, STIPH and PSi meet the minimum retirement benefit specified under R.A. No. 7641, *Retirement Pay Law*, while IMI BG and IMI Serbia are in accordance with the labour legislation and the Collective Labour Contract.

The Group has net retirement liabilities attributable to the following:

	2022	2021
Parent Company	**$4,225,271**	$7,522,461
IMI BG	**1,910,386**	2,116,806
PSi	**(225,090)**	(255,318)
STI	**856,149**	657,257
IMI Serbia	**20,946**	14,336
	$6,787,662	$10,055,542

Parent Company, IMI BG, IMI Sebia, STI and PSi

Changes in net retirement liabilities of the Parent Company, IMI BG, IMI Serbia, STI and PSi's defined benefit plans are as follows:

	2022													
		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	**$24,662,688**	**$1,861,195**	**$1,048,689**	**$–**	**$2,909,884**	**($2,262,643)**	**$–**	**$79,571**	**$–**	**($3,648,842)**	**($3,569,271)**	**$–**	**($1,824,288)**	**19,916,370**
Fair value of plan assets	**(14,607,146)**	**–**	**(691,635)**	**–**	**(691,635)**	**–**	**931,270**	**–**	**–**	**–**	**931,270**	**–**	**1,238,803**	**(13,128,708)**
Net retirement liabilities	**$10,055,542**	**$1,861,195**	**$357,054**	**$–**	**$2,218,249**	**($2,262,643)**	**$931,270**	**$79,571**	**$–**	**($3,648,842)**	**($2,638,001)**	**$–**	**($585,485)**	**$6,787,662**

	2021													
		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	$24,482,798	$2,022,461	$805,933	$–	$2,828,394	($2,106,873)	$–	$683,260	$–	($526,208)	$157,052	$–	($698,683)	$24,662,688
Fair value of plan assets	(15,127,143)	–	(541,611)	–	(541,611)	–	164,967	–	–	–	$164,967	–	896,641	(14,607,146)
Net retirement liabilities	$9,355,655	$2,022,461	$264,322	$–	$2,286,783	($2,106,873)	$164,967	$683,260	$–	($526,208)	$322,019	$–	$197,958	$10,055,542

The maximum economic benefit available is a contribution of expected refunds from the plans and reductions in future contributions.

The net retirement asset and net retirement liabilities as of December 31, 2022 and 2021 follows:

	2022	2021
Net pension liabilities	**$7,012,752**	$10,310,860
Net pension asset	**225,090**	255,318
	$6,787,662	$10,055,542

The net pension asset is included in “Other Noncurrent Assets” (see Note 14).

The distribution of the plan assets as of December 31, 2022 and 2021 follows:

	2022	2021
Government securities	**$6,898,768**	$8,192,686
Equities	**999,271**	3,022,254
Corporate bonds	**947,265**	336,525
Trust funds	**2,627,167**	1,464,318
Mutual funds	**602,953**	1,128,367
Investment properties	**1,003,732**	458,085
Cash and cash equivalents	**1,865**	34
Others	**47,687**	4,877
	$13,128,708	$14,607,146

The plan assets include corporate bonds and deposit instruments of related parties, primarily AC, Ayala Land, Inc. (ALI), AC Energy (ACEN) and Bank of the Philippine Islands (BPI). As of December 31, 2022 and 2021, the fair value of these plan assets amounted to $2.93 million and $1.75 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 $2.39 million to the defined benefit plans for 2023.

The actual return (loss) of plan assets amounted to $0.93 million, $0.16 million and ($0.08) million in 2022, 2021 and 2020, respectively.

The average duration of net retirement liabilities ranges from 9.11 to 18.33 years as of December 31, 2022 and 13.33 to 21.58 years as of December 31, 2021.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Less than one year	**$2,444,184**	$2,642,288
More than one year to five years	**9,400,759**	9,537,002
More than five years to ten years	**11,327,781**	12,755,104
More than ten years to fifteen years	**13,982,186**	14,839,813
More than fifteen years	**46,836,131**	52,527,932
	$83,991,041	$92,302,139

Principal actuarial assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2022	2021	2020
Discount rate	**1.80% - 7.35%**	0.34% - 5.19%	0.34% - 3.89%
Salary increase rate	**4.00% - 7.50%**	3.00% - 6.50%	3.00% - 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:

	Increase/Decrease in	Effect on Net Retirement Liability	
Actuarial Assumption	Actuarial Assumption	2022	2021
Discount rate	+1%	**($1,245,286)**	($1,733,998)
	-1%	**1,359,093**	1,946,531
Salary increase rate	+1%	**1,497,069**	2,085,812
	-1%	**(1,386,536)**	(1,887,743)

The mortality rate in 2022 and 2021 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 2022 and 2021. IMI Serbia used the 2012 table of mortality published by the Statistical Office of the Republic of Serbia for 2022 and 2021.

The net retirement expense of the Parent Company, IMI BG, Serbia, STIPH and PSi under the defined benefit plans is allocated as follows:

	2022	2021	2020
Cost of sales	**$1,400,104**	$1,541,183	$1,481,625
Operating expenses	**818,145**	745,600	611,756
	$2,218,249	$2,286,783	$2,093,381

Defined Contribution Plans
The Parent Company's subsidiaries, excluding PSi, STIPH, 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:

	2022	2021	2020
Cost of sales	**$7,162,887**	$6,942,099	$6,024,351
Operating expenses	**998,608**	1,772,392	1,215,239
	$8,161,495	$8,714,491	$7,239,590

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 2022, 2021 and 2020 follow:

	2022		2021		2020	
	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	**137,127,271**	**₱6.61**	137,376,951	₱6.61	137,692,186	₱6.62
Forfeitures	**(122,944)**	**13.56**	(249,680)	8.19	(315,235)	10.49
At end of year	**137,004,327**	**₱6.60**	137,127,271	₱6.61	$137,376,951	₱6.61

The balance of the subscriptions receivable amounted to $2.62 million, $2.70 million and $2.89 million as of December 31, 2022, 2021 and 2020, respectively (see Note 19).

There is no share option expense recognized in 2022, 2021 and 2020.

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, 2022, 2021 and 2020:

December 31, 2022	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	$269,655,708	$6,557,402	$283,932,415	$352,300,670	$150,534,635	$297,588,382	$48,447,300	$–	$1,409,016,512
Intersegment	50,125,736	–	23,772,053	4,542,223	459,663	–	5,483,354	(84,383,029)	–
Total revenue from contracts with customers	$319,781,444	$6,557,402	$307,704,468	$356,842,893	$150,994,298	$297,588,382	$53,930,654	($84,383,029)	$1,409,016,512
Segment interest income	$1,591,268	$1,212	$1,465,437	$547,284	$–	$434,907	$4,654,960	($8,027,167)	$667,901
Segment interest expense	$9,841,723	$747,502	$1,930,219	$1,318,245	$1,847,183	$4,730,946	$1,125,913	($6,886,002)	$14,655,729
Segment profit (loss) before income tax	$5,580,360	$92,994	$8,990,932	$10,476,172	($5,177,489)	($23,061,688)	($111,857)	($5,763,853)	($8,974,429)
Segment provision for income tax	(2,227,731)	(91,326)	(859,601)	(1,106,508)	(36,854)	(2,057,119)	38,277	(47,061)	(6,387,923)
Segment profit (loss) after income tax	$3,352,629	$1,668	$8,131,331	$9,369,664	($5,214,343)	($25,118,807)	($73,580)	($5,810,914)	($15,362,352)
Net income (loss) attributable to the equity holders of the Parent Company	$3,352,629	$1,668	$8,131,331	$9,369,664	($5,214,343)	($16,513,384)	($73,580)	($5,810,914)	($6,756,929)

December 31, 2021	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	$233,428,675	$13,714,787	$258,277,936	$305,717,889	$133,832,494	$296,024,668	$59,593,749	$–	$1,300,590,198
Intersegment	50,581,813	–	31,365,369	4,998,599	1,049,769	–	5,282,467	($93,278,017)	–
Total revenue from contracts with customers	$284,010,488	$13,714,787	$289,643,305	$310,716,488	$134,882,263	$296,024,668	$64,876,216	($93,278,017)	$1,300,590,198
Segment interest income	$950,758	$652	$1,270,905	$513,146	$–	$–	$4,846,479	($7,281,401)	$300,539
Segment interest expense	$6,266,701	$773,815	$2,261,917	$1,129,139	$1,548,283	$3,527,386	$984,016	($5,937,590)	$10,553,667
Segment profit (loss) before income tax	$2,046,952	($2,293,748)	$5,718,922	$14,566,566	($4,182,872)	($23,451,345)	($511,591)	($6,214,354)	($14,321,470)
Segment provision for income tax	(1,615,774)	(117,135)	(744,376)	(1,294,576)	24,985	(1,846,231)	(1,670)	210,728	(5,384,049)
Segment profit (loss) after income tax	$431,178	($2,410,883)	$4,974,546	$13,271,990	($4,157,887)	($25,297,576)	($513,261)	($6,003,626)	($19,705,519)
Net income (loss) attributable to the equity holders of the Parent Company	$431,178	($2,410,883)	$4,974,546	$13,271,990	($4,157,887)	($16,610,400)	$513,261	($5,549,854)	($10,564,571)

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)

The following table presents segment assets of the Group’s geographical segments as of December 31, 2022 and 2021:

	Philippines		**China**	**Europe**	**Mexico**	**Germany /UK**	**USA/ Japan/ Singapore**	**Consolidation and Eliminations**	**Total**
	Parent Company	**PSi**							
2022	**$612,148,519**	**$5,162,866**	**$228,514,351**	**$295,338,592**	**$105,924,441**	**$261,134,473**	**$433,447,826**	**(837,786,675)**	**$1,103,884,393**
2021	$557,686,549	$7,453,751	$235,414,802	$279,320,752	$88,313,045	$302,454,497	$396,993,354	($744,462,066)	$1,123,174,684

Investments in subsidiaries and intersegment receivables amounting to $462.90 million and $408.22 million as of December 31, 2022, respectively, and 462.90 million and $314.81 million as of December 31, 2021, 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, 2022 and 2021.

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:

	2022	2021
Manufacturing of goods	**$1,405,402,031**	$1,296,622,159
Non-recurring engineering services	**3,614,481**	3,968,039
Revenue from contracts with customers	**$1,409,016,512**	$1,300,590,198

The following table presents revenue from contracts with customers per timing of revenue recognition for each reportable segment:

	2022		
	Revenue recognized over time	**Revenue recognized at point in time**	**Total**
Philippines			
Parent Company	**$269,655,708**	**$–**	**$269,655,708**
PSi	**6,557,402**	**–**	**6,557,402**
China	**283,932,415**	**–**	**283,932,415**
Europe	**350,367,766**	**1,932,904**	**352,300,670**
Mexico	**149,067,584**	**1,467,051**	**150,534,635**
Germany/UK	**297,588,382**	**–**	**297,588,382**
USA/Japan/Singapore	**46,966,878**	**1,480,422**	**48,447,300**
Revenue from contracts with customers	**$1,404,136,135**	**$4,880,377**	**$1,409,016,512**

	2021		
	Revenue recognized over time	Revenue recognized at point in time	Total
Philippines			
Parent Company	$233,428,675	$–	$233,428,675
PSi	13,714,787	–	13,714,787
China	258,277,936	–	258,277,936
Europe	304,726,379	991,510	305,717,889
Mexico	131,038,818	2,793,676	133,832,494
Germany/UK	80,771,701	215,252,967	296,024,668
USA/Japan/Singapore	58,253,959	1,339,790	59,593,749
Revenue from contracts with customers	$1,080,212,255	$220,377,943	$1,300,590,198

The following table presents revenues from external customers based on customer's nationality:

	2022	2021	2020
Europe	**$940,205,928**	$775,010,938	$675,265,274
America	**175,174,834**	184,955,706	164,835,520
Japan	**70,436,636**	77,943,575	73,620,703
Rest of Asia/Others	**223,199,114**	262,679,979	222,119,096
	$1,409,016,512	$1,300,590,198	$1,135,840,593

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 10.68%, 8.97% and 8.34% of the Group's total revenue in 2022, 2021 and 2020, respectively.

The following table presents revenues per market segment:

	2022	2021	2020
Automotive	**$748,133,702**	$648,027,420	$521,070,692
Industrial	**476,146,759**	413,898,749	355,463,462
Consumer	**71,740,418**	82,371,007	85,591,512
Telecommunication	**37,895,276**	52,342,497	64,928,610
Aerospace/defense	**39,953,992**	54,329,773	47,317,163
Medical	**23,005,325**	28,798,655	38,013,836
Multiple market/others	**12,141,040**	20,822,097	23,455,318
	$1,409,016,512	$1,300,590,198	$1,135,840,593

The following table presents noncurrent assets based on their physical location:

	2022	2021
Europe*	**$190,694,116**	$209,819,840
America**	**30,502,194**	34,222,815
Rest of Asia/Others	**85,551,938**	102,742,958
	$306,748,248	$346,785,613

**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:

	2022	2021	2020
Europe*	**$15,815,549**	$23,211,315	$21,591,738
America**	**6,871,681**	7,215,748	6,417,245
Rest of Asia/Others	**19,169,169**	27,895,813	27,423,586
	$41,856,399	$58,322,876	$55,432,569

**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:

	2022	2021
As at January 1, 2022	**$28,457,787**	$32,660,720
Additions	**1,099,695**	8,681,878
Amortization expense	**(9,134,302)**	(10,875,975)
Loss on lease modifications	**–**	(358,337)
Cumulative translation adjustment	**(1,156,832)**	(1,650,499)
As at December 31, 2022	**$19,266,348**	$28,457,787

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the period:

	2022	2021
As at January 1, 2022	**$31,220,799**	$35,413,260
Additions	**1,156,394**	8,150,592
Interest expense on lease liabilities	**932,077**	1,349,772
Rental payments	**(11,571,267)**	(11,900,875)
Waived rentals	**(56,698)**	(350,411)
Gain on lease modifications	**–**	(198,707)
Cumulative translation adjustment	**(1,743,639)**	(1,242,832)
As at December 31, 2022	**$19,937,666**	$31,220,799
Current	**$7,067,675**	$8,418,492
Noncurrent	**$12,869,991**	$22,802,307

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

	2022	2021	2020
Amortization expense of right-of-use assets (Notes 20 and 21)	**$9,134,302**	$10,875,975	$9,395,254
Interest expense on lease liabilities (Note 23)	**932,077**	1,349,772	1,644,189
Expense related to short-term leases and low-value assets	**619,764**	1,265,975	1,695,689
	$10,686,143	$13,491,722	$12,735,132

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 $0.06 million and $0.35 million in 2022 and 2021, respectively.

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, 2022 and 2021 follow:

	2022	2021
Within one year	**$5,660,158**	$10,268,012
After one year but not more than two years	**5,283,763**	6,390,640
After two years but not more than three years	**3,093,442**	5,596,679
After three years but not more than four years	**1,493,346**	2,755,780
After four years but not more than five years	**1,028,240**	1,484,687
More than five years	**4,202,209**	5,582,471
	$20,761,158	32,078,269

Lease Commitments

Parent Company

In 2018, the Parent Company entered into a lease agreement for the use of a warehouse building located in Laguna. The non-cancellable lease is for a period of five years from September 1, 2018 to August 31, 2023.

The Parent Company entered into an amended lease contract with AREIT INC., formerly owned by 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 lease contract which expired 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 of five percent beginning January 1, 2024 until the end of the lease term.

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, 2021 to December 31, 2025.

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, 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, the contract was extended up to May 2023. In 2022, IMI SZ entered a two-year lease agreement effective July 1, 2022 to June 30, 2024, for a dormitory located in Pingshan.

In 2017, STJX extended its existing lease agreement up to 2027 with Jiaxing Economic Development Zone Investment and Development Group Co., Ltd to use as its manufacturing facility located in He Ping Street, Jiaxing.

On November 2020, IMI CD entered a five-year lease agreement effective 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. In September 2022, IMI CD entered a three-year non-cancellable lease, effective October 1, 2022 to September 30, 2025, located at Xindu district, Chengdu City to serve as their external warehouse.

IMI BG

IMI BG have lease agreements related to office and warehouse building rent with 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 expired in 2022 and were no longer renewed. PSi transferred its operations and office in Laguna Technopark Inc., Binan, Laguna.

VIA Group
VIA Group has lease contracts for various items of office, plant and vehicles used in its operations. Leases of office and plant have lease terms between 3 and 18 years, while motor vehicles generally have lease terms of 3 years. VIA's obligations under its leases are secured by the lessor's title to the leased assets. For certain leases, VIA is restricted from entering into any sub-lease agreements. There are several lease contracts that include extension and termination options. VIA Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. VIA Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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 a two-year lease of office premises which matured in 2012 with automatic renewal 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 and an option to extend the lease up to two years.

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, 2022, 2021 and 2020, 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, 2022 and 2021, the Group maintains current and savings accounts and short-term investments with BPI amounting to \$2.17 million and \$1.42 million, respectively.

  Total interest income earned from investments with BPI amounted to \$0.003 million, \$0.001 million and \$0.01 million for the years ended December 31, 2022, 2021 and 2020, respectively.

  The Group has an outstanding short term and long-term loans from BPI amounting to \$177.59 million and \$137.40 million as of December 31, 2022 and 2021, respectively.

  Total interest accrued for the loan payable to BPI amounted to \$5.78 million, \$1.36 million and \$1.02 million for the years ended December 31, 2022, 2021 and 2020, respectively.

- Outstanding balances of the Group's related party transactions with its affiliates follow:

	Receivables		Payables	
	2022	2021	**2022**	2021
KTM Asia Motor Manufacturing Inc. (KAMMI)	**\$2,444,570**	\$413,754	**\$–**	\$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**85,745**	23,130	**–**	–
AC Industrials Technology Inc. (AC Industrials)		11,813	**–**	–
BPI	**–**	–	**10,458**	21,138
Innove Communication, Inc. (ICI)	**–**	–	**7,383**	6,460
AG Legal	**–**	–	**–**	19,959
Globe Telecom, Inc. (GTI)	**–**	–	**1,117**	1,880
	\$2,530,315	\$448,697	**\$18,958**	\$49,437

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 pertain to employee related transactions.
iv. Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.
v. Payable to AGLegal relates to legal and regulatory assistance services.
vi. 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		
	2022	2021	2020	**2022**	2021	2020
KAMMI	**$5,012,496**	$1,511,811	$1,040,797	**$–**	$–	$–
MSTPI	**135,821**	882,121	857,807	**–**	–	–
AC Industrials	**–**	49,868	42,801	**–**	–	–
BPI	**2,999**	1,396	3,851	**38,914**	–	–
AREIT	**–**	–	–	**1,444,719**	1,512,012	1,407,557
Laguna Water (LAWC)	**$–**	$–	$–	**$1,071,846**	$1,035,751	$961,519
AC	**–**	–	–	**536,818**	641,891	676,738
AG Legal	**–**	–	–	**57,730**	113,269	172,011
ICI	**–**	–	–	**310,287**	185,239	135,011
GTI	**–**	–	–	**117,306**	160,840	103,492
	$5,151,316	$2,445,196	$1,945,256	**$3,577,620**	$3,649,002	$3,456,328

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 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. Administrative services charged by AC related to certain transactions.
ii. Rental expense from the lease contract between the Parent Company and AREIT (Formerly TLI).
iii. Water allocation charged by LAWC.
iv. Building rental, leased lines, internet connections and ATM connections with ICI.
v. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
vi. Billings for cellphone charges and WiFi connections with GTI.
vii. Staff house rent expenses paid with BPI.

- Revenue, income and expenses eliminated at the Group level follow:

i. Intercompany revenues and income mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore, trade related transactions from certain customers and interest income of the Parent Company, IMI Singapore and STSN for loans granted to Psi, IMI MX, STI and IMI CZ.
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 and trade related transactions from certain customers.
iii. Dividend income of the Parent Company was declared by IMI Singapore amounting to $4.57 million and $5.33 million in 2022 and 2021, respectively.

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:

	2022	2021
Short-term employee benefits	**$6,450,787**	$7,776,881
Post-employment benefits	**724,073**	885,630
	$7,174,860	$8,662,511

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 and short-term investments, receivables, accounts payables and accrued expenses, contract liabilities, current portion of lease liabilities, loans payable, current portion of long-term debt and other current liabilities 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, 2022 and 2021:

	Carrying Amounts		Fair Values	
	2022	2021	**2022**	2021
Financial assets:				
Financial assets at FVOCI	**$1,829,432**	$1,364,733	**$1,829,432**	$1,364,733
Financial liabilities:				
Noncurrent portion of long-term debt	**$147,365,278**	$149,678,652	**$136,209,707**	$156,652,805
	$147,365,278	$149,678,652	**$136,209,707**	$156,652,805

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.

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 2022 and 2021 ranged from 1.83% to 4.30% and from 1.67% to 2.33%, respectively.

Fair Value Hierarchy
The following tables provide the fair value hierarchy of the Group's assets and liabilities:

	December 31, 2022			
	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	**$–**	**$1,829,432**	**$–**	**$1,829,432**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$136,209,707**	**$136,209,707**
	$–	**$–**	**$136,209,707**	**$$136,209,707**

	December 31, 2021 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	$–	$1,364,733	$–	$1,364,733
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$156,652,805	$156,652,805
	$–	$–	$156,652,805	$156,652,805

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.

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 and short-term investments, 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 to its short-term and 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, 2022 and 2021. 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	**2022**	2021
+100	**($2,143,904)**	($2,034,055)
-100	**2,143,904**	2,034,055

The following table shows the information about the Group's debt as of December 31, 2022 and 2021 that are exposed to interest rate risk presented by maturity profile:

	2022	2021
Within one year	**$67,025,099**	$53,726,876
One to five years	**147,365,278**	149,678,652
	$214,390,377	$203,405,528

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:

	2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Accounts payable and accrued expenses:					
Trade payables	$–	$212,112,883	$–	$–	$212,112,883
Employee-related accruals and contributions	–	22,078,493	–	–	22,078,493
Accrued expenses*	–	37,704,785	–	–	37,704,785
Nontrade payables	–	21,215,024	–	–	21,215,024
Accrued interest payable	–	1,646,532	–	–	1,646,532
Due to related parties	–	18,958	–	–	18,958
Contract liabilities	–	7,406,803	–	–	7,406,803
Other current liabilities	–	992	1,034,209	–	1,035,201
Loans payable	–	116,182,727	78,031,609	–	194,214,336
Current portion of lease liabilities		–	5,660,158	–	5,660,158
Current portion of long-term debt	–	–	9,485,852	–	9,485,852
Noncurrent portion of lease liabilities	–	–	–	15,101,000	15,101,000
Noncurrent portion of long-term debt**	–	–	–	147,137,895	147,137,895
	$–	$418,367,197	$94,211,828	$162,238,895	$674,817,920

** Excluding statutory payables.*
*** Including future interest payments.*

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Trade payables	$–	$205,358,544	$–	$–	$205,358,544
Employee-related accruals and contributions	–	26,818,339	–	–	26,818,339
Accrued expenses*	–	30,082,743	–	–	30,082,743
Nontrade payables	–	17,978,918	–	–	17,978,918
Accrued interest payable	–	1,530,999	–	–	1,530,999
Due to related parties	–	49,437	–	–	49,437
Others	–	–	–	–	–
Contract liabilities	–	4,741,058	–	–	4,741,058
Loans payable	–	139,550,289	26,705,907	–	166,256,196
Current portion of lease liabilities	–	–	10,268,012	–	10,268,012
Current portion of long-term debt	–	–	10,669,016	–	10,669,016
Noncurrent portion of lease liabilities	–	–	–	21,810,257	21,810,257
Noncurrent portion of long-term debt**	–	–	–	162,600,949	162,600,949
	$–	$426,110,327	$47,642,935	$184,411,206	$658,164,468

** 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, 2022 and 2021, as follows:

	2022		2021	
Financial Institution / Currency	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
USD	**132,000,000**	**9,300,000**	132,000,000	68,800,000
PHP	**300,000,000**	**300,000,000**	300,000,000	300,000,000
Foreign:				
USD	**99,000,000**	**71,600,000**	95,000,000	54,700,000
JPY	**800,000,000**	**518,830,000**	600,000,000	392,580,000
Singapore Dollar (SGD)	**21,000,000**	**16,742,770**	32,000,000	11,048,180
EUR	**8,657,435**	**5,666,843**	10,751,130	8,073,420
GBP	**5,000,000**	**2,159,680**	5,000,000	928,808
CZK	**50,000,000**	**–**	50,000,000	20,000,000

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 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, 2022 and 2021 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 19% and 15% of trade receivables relating to three major customers as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the aging analysis of receivables, contract assets and miscellaneous deposits follows:

	2022						
			Days Past Due				
	Total	**Current**	**<30 Days**	**30-60 Days**	**60-90 Days**	**90-120 Days**	**>120 Days**
Receivables:							
Trade	**$283,795,011**	**$212,103,423**	**$39,344,922**	**$11,431,696**	**$8,588,534**	**$2,101,894**	**$10,224,542**
Nontrade	**7,529,001**	**6,375,444**	**725,781**	**79,284**	**156,299**	**129,190**	**63,003**
Receivable from employees	**310,056**	**268,359**	**41,697**	**–**	**–**	**–**	**–**
Due from related parties	**2,530,315**	**145,578**	**427,885**	**476,974**	**296,265**	**417,857**	**765,756**
Others	**822,810**	**822,810**	**–**	**–**	**–**	**–**	**–**
Contract assets	**67,138,029**	**67,138,029**	**–**	**–**	**–**	**–**	**–**
Miscellaneous deposits	**3,156,449**	**3,156,449**	**–**	**–**	**–**	**–**	**–**
	$365,281,671	**$290,010,092**	**$40,540,285**	**$11,987,954**	**$9,041,098**	**$2,648,941**	**$11,053,301**
Expected credit loss		**$–**	**$–**	**$–**	**$–**	**$–**	**$3,347,129**
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**30%**

	2021						
			Days Past Due				
	Total	Current	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days
Receivables:							
Trade	$273,946,003	$226,547,603	$20,981,539	$9,810,700	$3,967,686	$3,094,040	$9,544,435
Nontrade	6,882,895	3,392,916	930,147	1,534,301	196,653	62,591	766,287
Receivable from insurance	1,078,869	–	–	–	–	–	1,078,869
Receivable from employees	471,930	426,306	17,407	–	–	–	28,217
Due from related parties	448,697	179,229	142,720	113,010	–	–	13,738
Others	957,732	957,732	–	–	–	–	–
Contract assets	52,481,010	52,481,010	–	–	–	–	–
Miscellaneous deposits	3,565,133	3,565,133	–	–	–	–	–
	$339,832,269	$287,549,929	$22,071,813	$11,458,011	$4,164,339	$3,156,631	$11,431,546
Expected credit loss		$–	$–	$–	$–	$–	$4,743,755
Expected credit loss rate		0%	0%	0%	0%	0%	41%

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. Given the loss patterns of customers and the Group's credit policy, the expected credit loss recognized for the period ended December 31, 2022 and 2021 represents specifically identified impaired financial assets.

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2022 and 2021:

	December 31, 2022					
	Neither Past Due nor Impaired				**Past Due or Individually Impaired**	**Total**
	Minimal Risk	**Average Risk**	**Fairly High Risk**	**High Risk**		
Cash and cash equivalents and short-term investments	**$124,324,165**	**$–**	**$–**	**$–**	**$–**	**$124,324,165**
Receivables:						
Trade	**85,280,871**	**93,012,305**	**10,507,911**	**23,302,336**	**71,691,588**	**283,795,011**
Nontrade	**60,277**	**6,014,111**	**225,921**	**75,135**	**1,153,557**	**7,529,001**
Receivable from employees	**–**	**310,056**	**–**	**–**	**–**	**310,056**
Due from related parties	**–**	**127,582**	**4,963**	**13,033**	**2,384,737**	**2,530,315**
Others	**–**	**822,810**	**–**	**–**	**–**	**822,810**
Financial assets at FVOCI	**1,829,432**	**–**	**–**	**–**	**–**	**1,829,432**
Miscellaneous deposits	**3,156,449**	**–**	**–**	**–**	**–**	**3,156,449**
	$214,651,194	**$100,286,864**	**$10,738,795**	**$23,390,504**	**$75,229,882**	**$424,297,239**

	December 31, 2021					
	Neither Past Due nor Impaired				Past Due or Individually Impaired	Total
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		
Cash and cash equivalents	$159,787,623	$–	$–	$–	$–	$159,787,623
Receivables:						
Trade	76,533,171	124,464,123	6,319,867	19,230,442	47,398,400	273,946,003
Nontrade	259,236	2,457,095	423,809	252,776	3,489,979	6,882,895
Receivable from insurance	–	–	–	–	1,078,869	1,078,869
Receivable from employees	–	426,306	–	–	45,624	471,930
Due from related parties	–	179,229	–	–	269,468	448,697
Others	–	957,732	–	–	–	957,732
Financial assets at FVOCI	1,364,733	–	–	–	–	1,364,733
Miscellaneous deposits	3,565,133	–	–	–	–	3,565,133
	$241,509,896	$128,484,485	$6,743,676	$19,483,218	$52,282,340	$450,257,204

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 2022 and 2021, 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 48% and 60% of the Group's sales for the years ended December 31, 2022 and 2021, respectively, and 53**%** and 59% of costs for the years ended December 31, 2022 and 2021, 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)

	2022		2021	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$255,404**	**RMB1,778,784**	$1,430,875	RMB9,122,569
Receivables	**13,244,212**	**92,240,641**	26,590,585	169,528,751
Accounts payable and accrued expenses	**(14,606,522)**	**(101,728,582)**	(22,221,964)	(141,676,532)
Net foreign currency-denominated assets (liabilities)	**($1,106,906)**	**(RMB7,709,157)**	$5,799,496	RMB36,974,788

Philippine Peso (₱)

	2022		2021	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,044,085**	**₱58,212,959**	$2,180,945	₱111,226,035
Receivables	**1,249,406**	**69,660,655**	1,089,585	55,567,745
Miscellaneous deposits	**649,932**	**36,236,942**	742,866	37,885,442
Accounts payable and accrued expenses	**(10,348,754)**	**(576,994,759)**	(14,357,793)	(732,233,101)
Net retirement liabilities	**(4,313,259)**	**(240,485,773)**	(7,848,905)	(400,286,302)
Net foreign currency-denominated liabilities	**($11,718,590)**	**(₱653,369,976)**	($18,193,302)	(₱927,840,181)

Euro (€)

	2022		2021	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$3,081,643**	**€2,899,005**	$3,111,612	€2,752,421
Receivables	**15,552,641**	**14,630,894**	11,282,795	9,980,358
Accounts payable and accrued expenses	**(17,664,812)**	**(16,617,885)**	(16,688,592)	(14,762,134)
Net foreign currency-denominated assets (liabilities)	**$969,472**	**€912,014**	($2,294,185)	(€2,029,355)

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, 2022 and 2021 follows:

	2022			
	In USD	**In EUR**	**In RMB**	**In GBP**
Cash and cash equivalents	**$49,310,604**	**€44,058,395**	**RMB7,834,990**	**£1,122,183**
Receivables	**27,715,193**	**15,359,324**	**23,266,044**	**6,681,848**
Accounts payable and accrued expenses	**(56,242,289)**	**(20,222,625)**	**(133,058,500)**	**(12,986,272)**
Net foreign currency-denominated assets (liabilities)	**$20,783,508**	**€39,195,094**	**(RMB101,957,466)**	**(£5,182,241)**

**The USD-denominated monetary assets and liabilities are translated using EUR0.9407 for $1, RMB6.9646 for $1 and GBP0.8303 for $1.*

	2021			
	In USD	In EUR	In RMB	In GBP
Cash and cash equivalents	$55,571,188	€47,859,680	RMB2,183,511	£831,670
Receivables	32,140,106	16,215,011	40,804,493	5,485,194
Accounts payable and accrued expenses	(52,860,710)	(16,775,566)	(169,237,401)	(5,442,398)
Net foreign currency-denominated assets (liabilities)	$34,850,584	€47,299,125	(RMB126,249,397)	£874,466

**The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for $1, RMB6.5249 for $1 and GBP0.74041 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, 2022 and 2021. 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	**2022**	2021
RMB	+1%	**$10,595**	$18,373
	-1%	**(10,595)**	(18,373)
PHP	+1%	**110,305**	57,488
	-1%	**(110,305)**	(57,488)
EUR	+1%	**6,365**	9,602
	-1%	**(6,365)**	(9,602)
USD*	+1%	**98,736**	285,786
	-1%	**(98,391)**	(287,262)

**The USD-denominated monetary assets and liabilities are translated using EUR0.9407 for $1, RMB6.9646 for $1 and GBP0.8303 for $1.*

34. Contingencies

As of December 31, 2022, the Group is a party to legal proceedings arising in the ordinary course of its operations. Certain employees have filed illegal dismissal cases before the National Labor Relations Commission against IMI when the latter terminated their services due to violation of company rules and regulations such as acts of dishonesty, and excessive unauthorized absences. These cases are at various stages including appeal.

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 following table shows the reconciliation of liabilities arising from financing activities:

		Cash Flows		Non-cash Changes								
	2021	Availment/ Collection	Settlement/ Payment	Reclass	Addition	Declaration	Forfeitures	Accretion of interest expense	Lease modification	Waived rentals	Foreign currency translation	2022
Loans payable (Note 16)	$165,772,031	$53,445,670	($23,499,829)	$–	$–	$–		$–	$–	–	($3,058,273)	$192,659,599
Current portion of long-term debt												
(Note 17)	1,805,008	–	(1,855,198)	3,248,072	–	–		–	–	–	(149,628)	3,048,254
Long-term debt (Note 17)	149,678,652	3,249,410	(2,233,137)	(3,248,072)	–	–		–	–	–	(81,575)	147,365,278
Lease liabilities (Note 30)	31,220,799	–	(11,571,267)	–	1,156,394	–		932,077	–	(56,698)	(1,743,639)	19,937,666
Other noncurrent liabilities	5,047,260	1,318,426	–	–	–	–		–	–	–	(891,736)	5,473,950
Subscriptions receivable	(2,701,935)	45,486	–	–	–	–	36,254	–	–		–	(2,620,195)
	$350,821,815	$58,058,992	($39,159,431)	$–	$1,156,394	$–	$36,254	$932,077	$–	($56,698)	($5,924,851)	$365,864,552

		Cash Flows		Non-cash Changes								
	2020	Availment/ Collection	Settlement/ Payment	Reclass	Addition	Declaration	Forfeitures	Accretion of interest expense	Lease modification	Waived rentals	Foreign currency translation	2021
Dividends payable (Note 19)	$–	$–	($3,668,889)	$–	$–	$3,668,889	$–	$–	$–	$–	$–	$–
Loans payable (Note 16)	206,490,427	21,012,227	(59,700,000)	–	–	–	–	–	–	–	(2,030,623)	165,772,031
Current portion of long-term debt												
(Note 17)	2,109,394	–	(2,042,863)	1,938,473	–	–	–	–	–	–	(199,996)	1,805,008
Long-term debt (Note 17)	32,210,531	119,562,891		(1,938,473)	–	–	–	–	–	–	(156,297)	149,678,652
Lease liabilities (Note 30)	35,413,260	–	(11,900,875)	–	8,150,592	–	–	1,349,772	(198,707)	(350,411)	(1,242,832)	31,220,799
Other noncurrent liabilities	5,263,259	–	(215,999)	–	–	–	–	–	–	–	–	5,047,260
Derivative liabilities	88,361	–	(88,361)	–	–	–	–	–	–	–	–	–
Capital stock – Preferred	70,000,000	–	(70,000,000)	–	–	–	–	–	–	–	–	–
Subscriptions receivable	(2,888,800)	142,579	–	–	–	–	44,286	–	–	–	–	(2,701,935)
	$348,686,432	$140,717,697	($147,616,987)	$–	$8,150,592	$3,668,889	$44,286	$1,349,772	($198,707)	($350,411)	($3,629,748)	$350,821,815

Most of the loans are from existing revolving credit lines.

SGV
Building a better
working world

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**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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

We have audited the parent company financial statements of Integrated Micro-Electronics, Inc. (the "Parent Company") for the year ended December 31, 2022, on which we have rendered the attached report dated March 16, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has two hundred eighty-eight (284) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

EXHIBIT 2

Supplementary Schedules

SyCip Gorres Velayo & Co.
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**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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the 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
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule A. Financial Assets
December 31, 2022

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, 2022
(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*	471,930	10,312,981	(10,474,855)	-	310,056	-	310,056
Total	**471,930**	**10,312,981**	**(10,474,855)**	**-**	**310,056**	**-**	**310,056**

* 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, 2022
(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	1,162,445	8,060,229	5,757,031	-	3,465,643	3,465,643
STI	711	55,496	53,939	-	2,269	2,269
IMI International (Singapore) Pte Ltd.	10,400,507	68,480,700	39,620,667	-	39,260,540	39,260,540
STEL Group	3,304,687	8,096,860	6,815,007	-	4,586,541	4,586,541
PSi Technologies Inc.	912,206	1,423	1,423	-	912,206	912,206
IMI USA	284	6,808	-	-	7,092	7,092
IMI Japan	29,957	-	-	-	29,957	29,957
Accounts receivable -nontrade	-				-	-
IMI Cooperatief Subsidiaries	6,140,826	17,689,263	18,733,676	-	5,096,413	5,096,413
STEL Group	605,047	4,499,918	4,631,449	-	473,517	473,517
PSi Technologies Inc.	4,031,284	5,633,894	5,801,950	-	3,863,228	3,863,228
STI	6,265	69,535	4,408	-	71,392	71,392
IMI International (Singapore) Pte Ltd.	3,728,727	2,930,576	3,822,282	-	2,837,021	2,837,021
IMI International ROHQ	1,409,261	444,162	1,853,423	-	-	-
IMI USA	65,107	39,299	1,222	-	103,184	103,184
IMI Japan	1,000,461	2,279	-	-	1,002,740	1,002,740
Due From						
IMI Cooperatief Subsidiaries	1,260,352	14,136,195	9,976,307	-	5,420,240	5,420,240
IMI International (Singapore) Pte Ltd.	89,512,948	19,749,854	10,387,590	-	98,875,212	98,875,212
STEL Group	3,200,002	25,065,947	4,565,949	-	23,700,000	23,700,000
IMI USA	250,000	-	-	-	250,000	250,000
IMI Japan	823	-	-	-	823	823
STI	1,982	-	211	-	1,771	1,771
Total	**127,023,881**	**174,962,439**	**112,026,533**	**-**	**189,959,787**	**189,959,787**

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule D. Long-Term Debt
December 31, 2022
(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)	146,182,491	1,500,000	144,682,491	Please see Note 17 of the Audited Financial Statement
Long-term debt from Czech and Japan Bank	2,768,032	1,548,254	2,682,788	
Total	**148,950,523**	**3,048,254**	**147,365,278**	

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule E. Indebtedness to Related Parties
December 31, 2022
(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.	2,643,628	5,862,050
PSi Technologies Inc.	6,020	6,278
IMI USA	261,727	15,132
IMI Cooperatief Subsidiaries	6,418	18,280
Accounts Payable - Nontrade		
Speedy-Tech Electronics Ltd.	35,557	30,103
IMI USA	25,696	-
IMI Cooperatief Subsidiaries	23,800	4,650
Due To		
Speedy-Tech Electronics Ltd.	1,655,462	897,131
IMI International (Singapore) Pte Ltd.	-	36,585
IMI International ROHQ	10,185	-
PSi Technologies Inc.	103,450	103,750
IMI Japan	442,363	447,889
IMI USA	145,767	138,975
IMI Cooperatief Subsidiaries	251,145	59,535
Total	**5,611,218**	**7,620,358**

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

Integrated Micro-Electronics, Inc. and Subsidiaries
Schedule F. Guarantees of Securities of Other Issuers
December 31, 2022
(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 G. Capital Stock
December 31, 2022

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	2,223,893,944				
Less: Treasury Shares		(15,892,224)				
Common shares	**2,250,000,000**	**2,208,001,720**	30,468,570		42,314,321	2,135,218,829

INTEGRATED MICRO-ELECTRONICS INC. AND SUBSIDIARIES
FINANCIAL RATIOS
December 31, 2022

Ratios	Formula	Dec 31, 2022	Dec 31, 2021
(i) Current ratio	Current assets / Current Liabilities	**1.51**	1.59
(ii) Quick / Acid ratio	Current assets less inventories, contract assets and other current assets/Current liabilities	**0.81**	0.93
(iii) Solvency ratio	Total Assets / Total Liabilities	**1.60**	1.70
(iv) Debt ratio	Total Debt / Total Assets	**0.31**	0.28
(v) Debt-to-Equity ratio	Bank debts (loans and trust receipts payable and long-term debt) / Total Equity	**0.83**	0.69
(vi) Assets-to-Equity ratio	Total Assets / Total Equity	**2.66**	2.43
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**0.34**	(0.39)
(viii) Profitability ratios			
GP margin	Gross Profit / Revenues	**7.8%**	7.0%
Net profit margin	Net Income after Tax / Revenues	**-0.5%**	-0.8%
EBITDA margin	EBITDA / Revenues	**3.3%**	3.6%
Return on assets	Net Income after Tax / Total Asset	**-0.6%**	-0.9%
Return on equity	Net Income after Tax / Average equity attributable to parent	**-1.7%**	-2.5%

	(in US$'000) Dec 31, 2022	Dec 31, 2021
Current Assets	776,846	752,325
Current Liabilities	514,773	472,564
Total Assets	1,103,884	1,123,175
Bank Debts	343,073	317,256
Total Liabilities	688,601	661,461
Total Equity	415,284	461,713
Average equity Attributable to parent	390,954	426,147
Revenues	1,409,017	1,300,590
Gross Profit	110,408	90,818
Net income attributable to equity holders of the parent	(6,757)	(10,565)
Earnings before interest and taxes	5,013	(4,068)
Interest expense	14,656	10,554
EBITDA	47,099	46,358

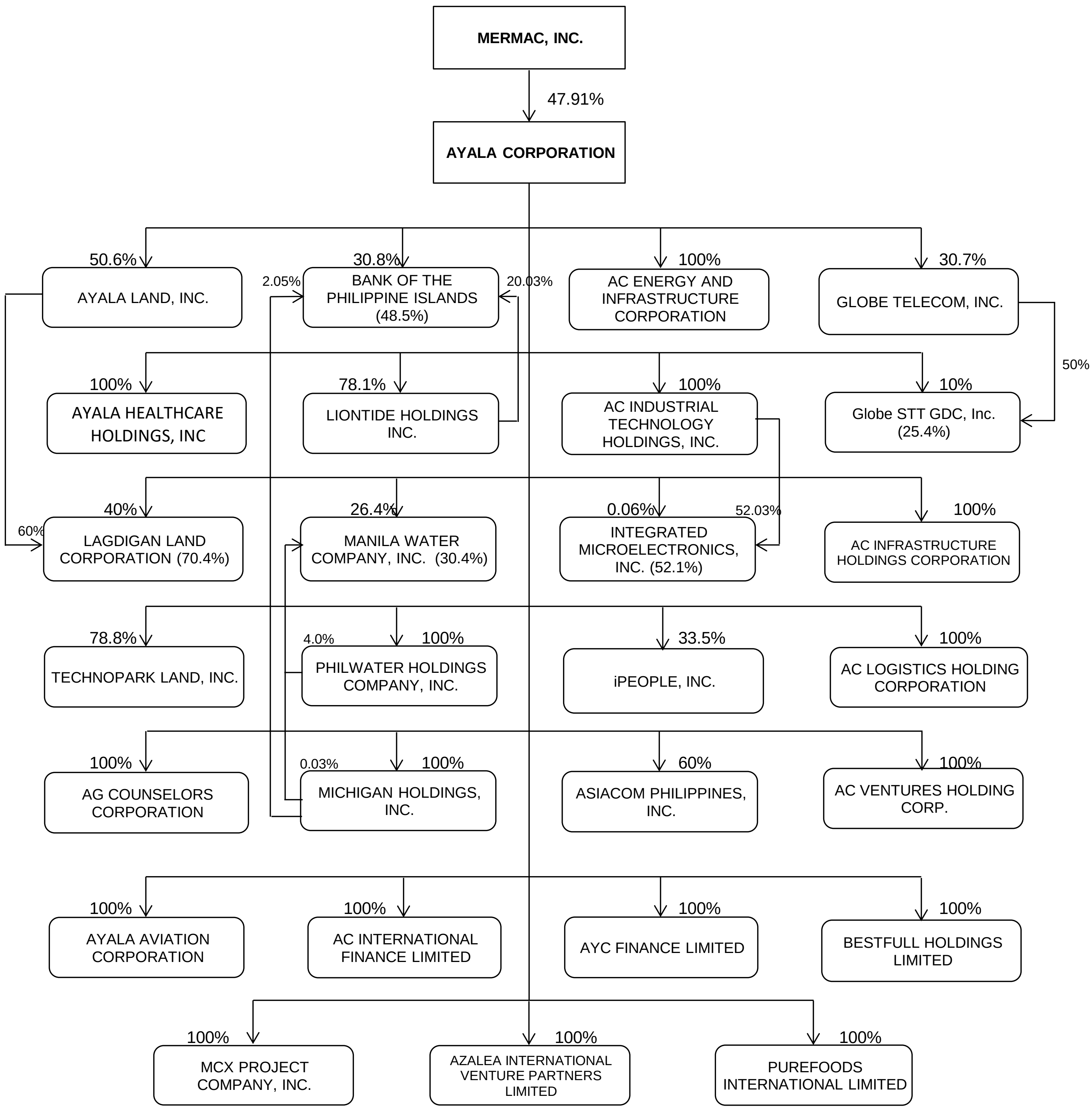
INTEGRATED MICRO-ELECTRONICS, INC
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022
(in U.S. Dollars)

Unappropriated retained earnings, beginning		**$2,064,949**
Add: Net loss actually earned/realized during the year	3,352,628	
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)	(297,423)	
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	(297,423)	3,055,205
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		**5,120,154**
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		**$5,120,154**

AYALA CORPORATION AND SUBSIDIARIES

Map of Relationships of the Companies within the Group

As of December 31, 2022

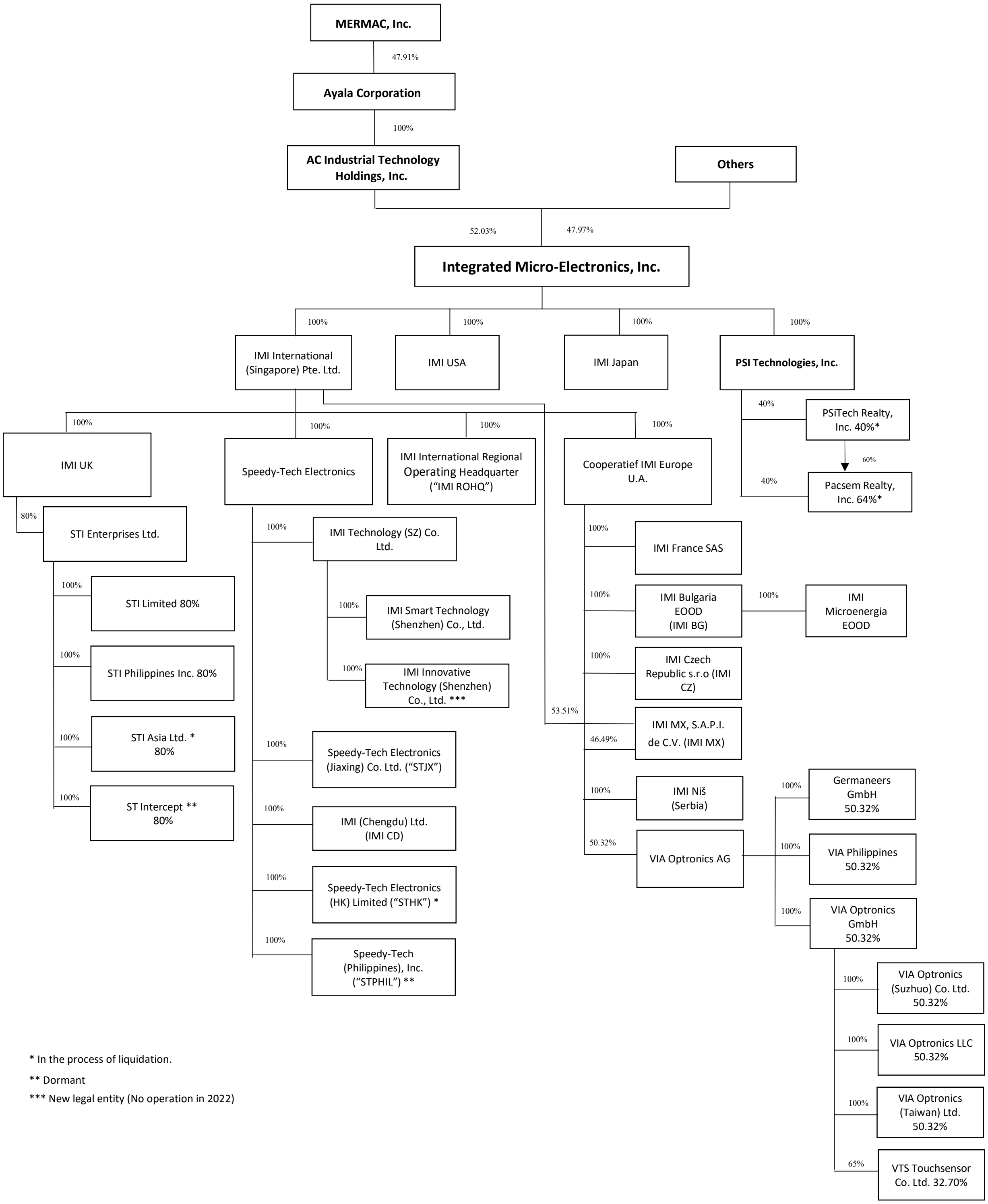


Legend:

% 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 31, 2022



* In the process of liquidation.

** Dormant

*** New legal entity (No operation in 2022)

EXHIBIT 3

2022 Audited Annual Financial Statements, IMI International (Singapore) Pte Ltd

Company Registration No. 200502337G

IMI International (Singapore) Pte. Ltd.

Annual Financial Statements
31 December 2022

Building a better
working world

IMI International (Singapore) Pte. Ltd.

Index

The directors hereby 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 2022.

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 2022 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 1967, 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	419,182	446,098

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.		
<u>Ordinary shares of 1 Peso each</u>		
Arthur R. Tan	1,955,452	1,955,452
<u>Employee Stock Ownership Plan</u>		
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
30 March 2023

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 2022, 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 1967 (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 2022 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.

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 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.

- 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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2023

IMI International (Singapore) Pte. Ltd.

Statement of comprehensive income
For the financial year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Revenue	4	46,967	58,683
Cost of sales		(43,705)	(56,529)
Gross profit		3,262	2,154
Other operating (expense)/income	5	(1,957)	25,508
Administrative expenses		(6,616)	(5,814)
Finance costs	6	(1,099)	(951)
(Loss)/profit before taxation	7	(6,410)	20,897
Income tax credit	9	–	–
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year attributable to owner of the Company		(6,410)	20,897

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

IMI International (Singapore) Pte. Ltd.

Balance sheet
As at 31 December 2022

	Note	2022 $'000	2021 $'000
Non-current assets			
Motor vehicles	10	–	43
Investment in subsidiaries	11	215,765	227,520
		215,765	227,563
Current assets			
Trade and other receivables	12	196,961	153,450
Cash and cash equivalents	13	3,137	10,200
		200,098	163,650
Total assets		415,863	391,213
Current liability			
Trade and other payables	14	149,716	108,478
Net current assets		50,382	55,172
Non-current liability			
Loan from immediate holding company	14	–	5,611
Total liabilities		149,716	114,089
Net assets		266,147	277,124
Equity attributable to owner of the Company			
Share capital	15a	104,839	104,839
Redeemable preference shares	15b	119,119	119,119
Reserves	16	42,189	53,166
Total equity		266,147	277,124

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

IMI International (Singapore) Pte. Ltd.

Statement of changes in equity
For the financial year ended 31 December 2022

	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 2021	104,839	149,119	5,524	35,744	295,226
Profit for the year, representing total comprehensive income for the year	–	–	–	20,897	20,897
Redemption of redeemable preference shares (Note 15b)	–	(30,000)	–	–	(30,000)
Distribution to owners					
Dividends on ordinary shares (Note 22)	–	–	–	(5,000)	(5,000)
Dividends on Class B redeemable cumulative preference shares (Note 22)	–	–	–	(3,999)	(3,999)
At 31 December 2021 and 1 January 2022	104,839	119,119	5,524	47,642	277,124
Loss for the year, representing total comprehensive loss for the year	–	–	–	(6,410)	(6,410)
Distribution to owners					
Dividends on ordinary shares (Note 22)	–	–	–	(2,000)	(2,000)
Dividends on Class B redeemable cumulative preference shares (Note 22)	–	–	–	(2,567)	(2,567)
At 31 December 2022	104,839	119,119	5,524	36,665	266,147

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 2022

	Note	2022 $'000	2021 $'000
Operating activities			
(Loss)/profit before tax		(6,410)	20,897
Adjustments for:			
Depreciation of motor vehicles	10	13	55
Finance costs	6	1,099	951
Interest income	5	(4,655)	(2,033)
Unrealised exchange loss/(gain), net	5	4,115	(59)
Dividend income	5	(9,500)	(23,400)
Impairment loss on investment in a subsidiary	11	11,755	–
Operating cash flows before changes in working capital		(3,583)	(3,589)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(29,283)	6,867
Increase in trade and other payables		27,206	163
Cash flows (used in)/generated from operations		(5,660)	3,441
Finance costs paid		(10)	(10)
Net cash flows (used in)/generated from operating activities		(5,670)	3,431
Investing activities			
Interest received from bank deposits	5	7	1
Proceeds from sale of motor vehicles		30	–
Dividend received from subsidiaries	5	9,500	23,400
(Increase)/decrease in loan to subsidiaries		(11,269)	16,526
Increase in amount due from subsidiaries, net		(2,361)	(2,030)
Net cash flows (used in)/generated from investing activities		(4,093)	37,897
Financing activities			
(Decrease)/increase in amount due to immediate holding company (non-trade), net	14	(2,078)	437
Increase/(decrease) in amount due to related companies (non-trade)	14	345	(1,464)
Increase in loan from immediate holding company	14	9,000	–
Redemption of preference shares	15b	–	(30,000)
Dividends on preference shares	22	(2,567)	(3,999)
Dividends on ordinary shares	22	(2,000)	(5,000)
Net cash flows generated from/(used in) financing activities		2,700	(40,026)
Net (decrease)/increase in cash and cash equivalents		(7,063)	1,302
Cash and cash equivalents at beginning of year		10,200	8,898
Cash and cash equivalents at end of year	13	3,137	10,200

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 1 Harbourfront Avenue #14-07, Keppel Bay Tower, Singapore 098632 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 Singapore Financial Reporting Standards No. 110, Consolidated Financial Statements, 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. Summary of significant accounting policies (cont'd)

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 2022. The adoption of these standards did not have any effect on the financial performance or position of the Company.

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 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to FRS 8: *Definition of Accounting Estimates*	1 January 2023
Amendments to FRS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
FRS 117 Insurance Contracts	1 January 2023
Amendments to FRS 1: *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to FRS 1: *Non-current Liabilities with Covenants*	1 January 2024
Amendments to FRS 116: *Lease Liability in a Sale and Leaseback*	1 January 2024
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 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 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 Company; 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 Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, 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.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Company's accounting policies, management has not made any significant judgement that have significant effect on the amounts recognised in the financial statements.

3.2 *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. The Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

Impairment of investment in subsidiaries

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amount of investment in subsidiaries as at the end of the reporting period is disclosed in Note 11 to the financial statements.

4. Revenue

	2022 $'000	2021 $'000
Major revenue stream		
Manufacturing services	46,967	58,683
Timing of transfer of goods or services		
At a point in time	46,967	58,683

5. Other operating (expense)/income

	2022 $'000	2021 $'000
Unrealised exchange (loss)/gain, net	(4,115)	59
Realised exchange gain, net	65	16
Miscellaneous expense	(307)	–
Impairment loss on investment in a subsidiary	(11,755)	–
Interest income from:		
- Loans to subsidiaries and a related party	4,648	2,032
- Bank deposits	7	1
Dividend income from subsidiaries	9,500	23,400
	(1,957)	25,508

6. Finance costs

	2022 $'000	2021 $'000
Interest expense on loan from immediate holding company	1,089	941
Bank charges	10	10
	1,099	951

7. (Loss)/profit before tax

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

	2022 $'000	2021 $'000
Administrative expenses incurred on behalf of the Company by its subsidiaries	2,152	1,444
Employee benefits expense (Note 8)	4,092	3,975
Depreciation of motor vehicles (Note 10)	13	55
Inventories recognised as an expense in cost of sales	43,705	56,529

8. Employee benefits expense

	2022 $'000	2021 $'000
Wages, salaries and bonuses	4,061	3,939
Central Provident Fund/pension contributions	31	36
	4,092	3,975

9. Income tax credit

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 25%. 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
- The compensation of the employees of the Headquarters is subject to the regular income tax rates in accordance with the Tax Reform for Acceleration and Inclusion ("TRAIN") law.

Relationship between tax credit and accounting (loss)/profit

A reconciliation between the tax credit and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 are as follows:

	2022 $'000	2021 $'000
(Loss)/profit before tax	(6,410)	20,897
Tax expense at the applicable statutory tax rate of 17% (2021: 17%)	(1,090)	3,552
Adjustments:		
Tax effect of expenses not deductible for tax purposes	3,588	575
Income not subject to tax	(2,453)	(4,801)
Deferred tax assets not recognised	–	691
Utilisation of unrecognised deferred tax assets	(122)	–
Effect of differences in tax rates in other country where Company operates	77	(17)
Tax credit recognised in profit or loss	–	–

9. Income tax credit (cont'd)

Relationship between tax credit and accounting (loss)/profit (cont'd)

At the balance sheet date, the Company has unused tax losses of approximately US$2,116,000 (2021: US$3,056,000) 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 2021	364
Disposals	(168)
At 31 December 2021 and 1 January 2022	196
Disposals	(189)
At 31 December 2022	7
Accumulated depreciation	
At 1 January 2021	266
Charge for the year	55
Disposals	(168)
At 31 December 2021 and 1 January 2022	153
Charge for the year	13
Disposals	(159)
At 31 December 2022	7
Net carrying amount	
At 31 December 2021	43
At 31 December 2022	–

11. Investment in subsidiaries

	2022 $'000	**2021** $'000
Unquoted equity shares, at cost		
At 1 January	227,520	197,520
Capitalisation of loan	–	30,000
Impairment loss	(11,755)	–
At 31 December	215,765	227,520

11. Investment in subsidiaries (cont'd)

In 2021, the Company approved to capitalise the existing loan given to IMI Mexico, S.A.P.I de C.V. into share capital of IMI Mexico, S.A.P.I de C.V., amounting to $30,000,000. Subsequent to the capitalisation of loan, the total investment in IMI Mexico, S.A.P.I de C.V is amounting to $30,000,003.

In 2022, the Company carried out a review of the recoverable amount of the investment in IMI Mexico, S.A.P.I de C.V. as there were indicators of impairment. The recoverable amount based on its value in use calculation is lower than the cost of investment. Therefore, impairment loss of US$11,754,903 was made for the year representing the write-down of the investment to the recoverable amount was recognised in "other operating expenses" line item of profit or loss.

The recoverable amount based on its value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

The key assumptions used to extrapolate the cash flow projections beyond the five-year period are as follows:

	2022
Terminal growth rate	1%
Discount rate	13.5%

Details of subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	**Effective equity interest held by the Company**	
			2022	**2021**
			%	%
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
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	54	54

11. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Company 2022 %	2021 %
Held through STEL (cont'd):				
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
I (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
IMI Innovative Technology (Shenzhen) Co., Ltd. ("IMIIT") ®	People's Republic of China	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	100	–
Speedy-Tech Electronics Inc.*	United States of America	Marketing, liaison and support services (dormant)	100	100
Held through Cooperatief:				
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

11. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Company 2022 %	2021 %
Held through Cooperatief (cont'd):				
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	46	46
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 AG ©	Germany	Holding company of VIA Optronics Group	50	50
VIA Optronics GmbH ©	Germany	Manufactures enhanced display solutions and provides optical bonding solutions	50	50
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou) ©	People's Republic of China	Manufactures enhanced display solutions and provides optical bonding solutions	50	50
VIA Optronics LLC (VIA LLC) ©	USA	Manufactures enhanced display solutions and provides optical bonding solutions	50	50
VTS-Touchsensor Co., Ltd. ("VTS") ©	Japan	Provides optical bonding solutions	50	50
VIA Optronics Taiwan Ltd. ©	Taiwan	Sales Office	50	50
VIA Optronics (Philippines), Inc. ©	Philippines	Design and Development of Camera Solutions	50	50
Germaneers GmbH	Germany	Provides solutions for high-end original equipment manufacturers	50	50

11. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Effective equity interest held by the Company 2022 %	2021 %
Held through IMI UK :				
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.
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® New legal entity and no operation in the financial year ended 31 Dec 2022.
^ In the process of liquidation

12. Trade and other receivables

	2022 $'000	2021 $'000
Trade receivables:		
- Third parties	39,072	9,403
- Immediate holding company	–	385
	39,072	9,788
Other receivables:		
Deposits	3	3
Due from subsidiaries (non-trade)	18,327	20,091
Due from immediate holding company (non-trade)	99	10
Loan to subsidiaries	110,625	95,445
Loan to a related company	28,678	27,941
Sales tax receivables, net	157	172
Total trade and other receivables	196,961	153,450
Less: Sales tax receivables, net	(157)	(172)
Add: Cash and cash equivalents (Note 13)	3,137	10,200
Total financial assets carried at amortised cost	199,941	163,478

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.

Amounts due from immediate holding company (trade and non-trade) 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) and amounts due from immediate holding company (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 3.1% to 8.3% (2021: 3.0% to 4.0%) per annum, repayable in 2023 and to be settled in cash.

Loan to a related company is unsecured, with an interest rate ranging from 2.70% to 3.86% (2021: 2.70% to 3.86%) per annum, repayable in 2023 or until such time the Borrower has sufficient cash available to pay.

Expected credit loss

The Company has not recognised any allowance for expected credit losses of trade receivables computed following assessments on recoverability as at 31 December 2022 and 2021.

12. Trade and other receivables (cont'd)

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

	2022 $'000	**2021** $'000
British Pound	34,749	37,439
Singapore Dollar	3	3

13. Cash and cash equivalents

	2022 $'000	**2021** $'000
Cash and bank balances	3,137	10,200

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:

	2022 $'000	**2021** $'000
Singapore Dollar	137	11
Philippine Peso	54	225

14. Trade and other payables

	2022	2021
	$'000	$'000
Current		
Trade payables:		
- Immediate holding company	39,219	12,305
- Subsidiaries	2,696	3,722
	41,915	16,027
Other payables:		
Other payables	1,297	133
Accrued operating expenses	325	191
Due to immediate holding company (non-trade)	61,742	63,731
Due to subsidiaries (non-trade)	379	403
Due to related companies (non-trade)	474	110
Loan from immediate holding company	43,584	27,883
Total trade and other payable	149,716	108,478
Non-current		
Loan from immediate holding company	–	5,611
Total financial liabilities carried at amortised cost	149,716	114,089

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 8.26% (2021: 2.70% to 3.86%) per annum, repayable in 2023 and to be settled in cash.

Non- current loan from immediate holding company is unsecured, with an interest rate ranging from Nil (2021:4.02%) per annum, repayable in Nil (2021:2023) and to be settled in cash.

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

14. Trade and other payables (cont'd)

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

	2022 $'000	2021 $'000
Singapore Dollar	1,150	1,154
Philippine Peso	–	1
Japanese Yen	253	202
Euro	379	403

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

			Non-cash change		
	1 January 2022 $'000	**Cash flows** $'000	**Accretion of interest** $'000	**Foreign exchange** $'000	**31 December 2022** $'000
Amount due to immediate holding company (non-trade), net	63,721	(2,078)	–	–	61,643
Amount due to related companies (non-trade)	110	345	–	19	474
Loan from immediate holding company (current and non-current)	33,494	9,000	1,089	1	43,584

			Non-cash change		
	1 January 2021 $'000	**Cash flows** $'000	**Accretion of interest** $'000	**Foreign exchange** $'000	**31 December 2021** $'000
Amount due to immediate holding company (non-trade), net	63,284	437	–	–	63,721
Amount due to related companies (non-trade)	1,582	(1,464)	–	(8)	110
Loan from immediate holding company (current and non-current)	32,569	–	941	(16)	33,494

15. Share capital

	2022		2021	
	No. of Shares '000	$'000	**No. of Shares** '000	$'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.

16. Redeemable preference shares

	2022		2021	
	No. of Shares '000	$'000	**No. of Shares** '000	$'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	55,300	40,000	96,613	70,000
Redemption of preference shares	–	–	(41,313)	(30,000)
At 31 December	55,300	40,000	55,300	40,000

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.

In 2020, the Company redeemed 41,313,000 shares equivalent to US$30,000,000 (2020: 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 2021, IMI purchased the remaining Class B of RCPS 55,300,000 shares equivalent to US$ 40,000,000 from AC Industrials (Singapore) Pte. Ltd.

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.

17. 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.

18. 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:

	2022 $'000	**2021** $'000
Purchase from immediate holding company	(38,800)	(46,138)
Purchase from subsidiaries	(7,060)	(10,528)
Rental of office premises from a subsidiary	(31)	(31)

(b) ***Compensation of key management personnel***

	2022 $'000	**2021** $'000
Short-term employee benefits	1,027	934
Pension and post-employment medical benefits	31	35
Total compensation entitled to key management personnel	1,058	969
Comprise amounts entitled to:		
• Directors of the Company	633	512
• Other key management personnel	425	457
	1,058	969

19. Commitments

Lease commitments

The Company has no lease contracts that have not yet commenced as at 31 December 2022.

20. 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 Philippine Peso ("PHP"), Singapore Dollar ("SGD"), 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, SGD, JPY, GBP and EUR exchange rates (against USD), with all other variables held constant, of the Company's (loss)/profit before tax.

		2022 $'000 **Loss before tax decrease/ (increase)**	**2021** $'000 **Profit before tax increase/ (decrease)**
PHP	– strengthened 1% (2021: 1%)	1	1
	– weakened 1% (2021: 1%)	(1)	(1)
SGD	– strengthened 1% (2021: 1%)	10	11
	– weakened 1% (2021: 1%)	(10)	(11)
JPY	– strengthened 1% (2021: 1%)	3	2
	– weakened 1% (2021: 1%)	(3)	(2)
GBP	– strengthened 1% (2021: 1%)	347	374
	– weakened 1% (2021: 1%)	(347)	(374)
EUR	– strengthened 1% (2021: 1%)	4	4
	– weakened 1% (2021: 1%)	(4)	(4)

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

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.

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

2022	**One year or less**	**One to five years**	**Total**
	$'000	$'000	$'000
Financial liabilities:			
Trade and other payables (excluding loans)	106,132	–	106,132
Loans from immediate holding company	43,584	–	43,584
Total undiscounted financial liabilities	149,716	–	149,716
2021			
Financial liabilities:			
Trade and other payables (excluding loans)	80,595	–	80,595
Loans from immediate holding company	27,883	5,611	33,494
Total undiscounted financial liabilities	108,478	5,611	114,089

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.

20. 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 $'000	**> 30 days past due** $'000	**> 60 days past due** $'000	**> 90 days past due** $'000	**Total** $'000
2022					
Carrying amount	4,136	1,862	1,516	416	7,930
2021					
Carrying amount	1,685	197	1	8	1,891

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.

20. 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.

21. 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.

21. 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 (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.

22. 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 2022 and 31 December 2021.

	2022	**2021**
	$'000	$'000
Trade and other payables (Note 14)	149,716	114,089
Less: Cash and cash equivalents (Note 13)	(3,137)	(10,200)
Net debt	146,579	103,889
Equity attributable to equity holder of the Company	266,147	277,124
Total capital	266,147	277,124
Capital and net debt	412,726	381,013
Gearing ratio	36%	27%

23. Dividends

	2022 $'000	2021 $'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
- Interim exempt (one-tier) dividend for 2022: 1.46 cents (2021: 3.64 cents) per share	2,000	5,000
Dividend on Class B redeemable preference shares		
- Interim exempt (one-tier) dividend for 2021: 1.57 cents per share	–	1,520
- Interim exempt (one-tier) dividend for 2021: 0.75 cents per share	–	722
- Interim exempt (one-tier) dividend for 2022: 4.64 cents (2021: 3.18 cents) per share	2,567	1,757
	2,567	3,999
	4,567	8,999

24. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 30 March 2023.

EXHIBIT 4

2022 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 2022

Building a better
working world

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The directors hereby 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 2022.

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 2022 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 1967, 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	419,182	446,098

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
Held through Philippine Central Depository, Inc. (PCD)		
Mary Ann Natividad	623,101	553,101

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
30 March 2023

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 2022, 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 1967 (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 2022 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.

- 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.

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.

- 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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 March 2023

Speedy-Tech Electronics Ltd. and its subsidiaries

Statements of comprehensive income
For the financial year ended 31 December 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Revenue	4	307,704	289,937	77,230	65,408
Cost of sales		(278,632)	(263,679)	(73,865)	(61,668)
Gross profit		29,072	26,258	3,365	3,740
Other operating income	5	4,024	3,233	2,738	3,221
Administrative expenses		(56,107)	(21,511)	(38,379)	(4,537)
Finance costs	8	(1,930)	(2,262)	(1,414)	(1,592)
(Loss)/profit before tax	7	(24,941)	5,718	(33,690)	832
Income tax expense	9	(879)	(744)	(24)	–
(Loss)/profit for the year		(25,820)	4,974	(33,714)	832
Other comprehensive (loss)/income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		(5,193)	1,332	–	–
Other comprehensive (loss)/income for the year, net of tax		(5,193)	1,332	–	–
Total comprehensive (loss)/income for the year attributable to owner of the Company		(31,013)	6,306	(33,714)	832

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 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Non-current assets					
Property, plant and equipment	10	20,737	24,087	66	62
Rights-of-use assets	18	4,744	7,778	1,367	2,047
Intangible asset	11	–	57	–	–
Prepayments	15	349	660	–	–
Deferred charges		5,590	9,540	–	–
Investment in subsidiaries	12	–	–	41,635	41,635
Deferred tax assets	20	946	1,101	–	24
		32,366	43,223	43,068	43,768
Current assets					
Inventories	13	33,355	38,168	661	509
Deferred charges		2,182	832	–	–
Trade and other receivables	14	81,146	118,570	45,228	97,707
Prepayments	15	263	226	14	17
Contract assets	4	10,381	9,705	–	–
Cash and cash equivalents	16	34,824	30,975	10,131	5,107
		162,151	198,476	56,034	103,340
Total assets		194,517	241,699	99,102	147,108
Current liabilities					
Trade and other payables	17	107,010	92,387	46,061	31,197
Tax payable		566	308	–	–
Borrowings	19	6,370	26,083	3,814	22,757
Deferred grants	21	128	132	–	–
		114,074	118,910	49,875	53,954
Net current assets		48,077	79,566	6,159	49,386
Non-current liabilities					
Deferred grants	21	159	331	–	–
Borrowings	19	2,695	4,356	775	1,488
		2,854	4,687	775	1,488
Total liabilities		116,928	123,597	50,650	55,442
Net assets		77,589	118,102	48,452	91,666
Equity attributable to owner of the Company					
Share capital	22	26,872	26,872	26,872	26,872
Reserves	23	50,717	91,230	21,580	64,794
Total equity		77,589	118,102	48,452	91,666
Total equity and liabilities		194,517	241,699	99,102	147,108

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

Speedy-Tech Electronics Ltd. and its subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2022

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 2021	26,872	1,810	247	11,860	743	2,749	3,013	68,002	115,296
Profit for the year	–	–	–	–	–	–	–	4,974	4,974
Other comprehensive income									
Foreign currency translation	–	–	–	–	–	–	1,332	–	1,332
Total comprehensive income for the year	–	–	–	–	–	–	1,332	4,974	6,306
Distributions to owners									
Dividends on ordinary shares (Note 28)	–	–	–	–	–	–	–	(3,500)	(3,500)
Total distributions to owners	–	–	–	–	–	–	–	(3,500)	(3,500)
Others									
Transfer to restricted reserves	–	–	–	1,723	–	–	–	(1,723)	–
Total others	–	–	–	1,723	–	–	–	(1,723)	–
Closing balance as at 31 December 2021	26,872	1,810	247	13,583	743	2,749	4,345	67,753	118,102

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

Speedy-Tech Electronics Ltd. and its subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2022

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 2022	26,872	1,810	247	13,583	743	2,749	4,345	67,753	118,102
Loss for the year	–	–	–	–	–	–	–	(25,820)	(25,820)
Other comprehensive loss									
Foreign currency translation	–	–	–	–	–	–	(5,193)	–	(5,193)
Total comprehensive loss for the year	–	–	–	–	–	–	(5,193)	(25,820)	(31,013)
Distributions to owners									
Dividends on ordinary shares (Note 28)	–	–	–	–	–	–	–	(9,500)	(9,500)
Total distributions to owners	–	–	–	–	–	–	–	(9,500)	(9,500)
Others									
Transfer to restricted reserves	–	–	–	722	–	–	–	(722)	–
Total others				722	–	–	–	(722)	–
Closing balance as at 31 December 2022	26,872	1,810	247	14,305	743	2,749	(848)	31,711	77,589

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

Speedy-Tech Electronics Ltd. and its subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2022

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 2021	26,872	743	2,263	64,456	94,334
Profit for the year, representing total comprehensive income for the year	–	–	–	832	832
Dividends on ordinary shares, representing total distributions to owners (Note 28)	–	–	–	(3,500)	(3,500)
At 31 December 2021	26,872	743	2,263	61,788	91,666
At 1 January 2022	26,872	743	2,263	61,788	91,666
Loss for the year, representing total comprehensive loss for the year	–	–	–	(33,714)	(33,714)
Dividends on ordinary shares, representing total distributions to owners (Note 28)	–	–	–	(9,500)	(9,500)
At 31 December 2022	26,872	743	2,263	18,574	48,452

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 2022

	Note	Group 2022 $'000	Group 2021 $'000
Operating activities			
(Loss)/profit before tax		(24,941)	5,718
Adjustments:			
Depreciation of property, plant and equipment	10	4,984	7,762
Amortisation of intangible assets	11	57	229
Depreciation of right-of-use assets	18	3,841	3,978
Impairment loss on amount due from related companies (non-trade)	14	33,951	–
Lease modification	18	–	(189)
Amortisation of deferred grants	21	(176)	(216)
Gain on disposal of property, plant and equipment	5	(3)	(114)
Write-down/(write back) of inventories, net	13	1,286	(221)
Write off of property, plant and equipment	10	1	–
Finance costs	8	1,930	2,262
Interest income	5	(1,466)	(1,271)
Unrealised exchange loss/(gain)	7	1,403	(28)
Operating cash flows before changes in working capital		20,867	17,910
Changes in working capital:			
Decrease/(increase) in inventories		1,132	(16,061)
Decrease/(increase) in trade and other receivables		3,546	(6,923)
Increase in contract assets		(676)	(1,805)
Increase in prepayments		(37)	(39)
Increase in trade and other payables		715	1,302
Cash flows generated from/(used in) operations		25,547	(5,616)
Interest received	5	1,466	1,271
Finance costs paid		(1,593)	(1,042)
Income taxes paid		(544)	(674)
Deferred charges		–	223
Net cash flows generated from/(used in) operating activities		24,876	(5,838)
Investing activities			
Proceeds from disposal of property, plant and equipment		207	1,298
Net cash outflow on purchase of property, plant and equipment	10	(2,039)	(6)
Proceeds from government grants	21	–	43
Increase in amount due from related companies (non-trade), net		–	(961)
Increase in amount due from related companies (non-trade), net	19	(3,111)	–
Net cash flows (used in)/generated from investing activities		(4,943)	374
Financing activities			
Dividend paid	28	(9,500)	(3,500)
Payment of principal portion of lease liabilities	18	(4,078)	(3,962)
Interest paid on lease liabilities	18	(311)	(497)
Repayment of short-term bank loans	19	(18,000)	(13,400)
Increase in amount due to intermediate holding company (non-trade), net	19	20,476	3,124
Decrease in amount due to immediate holding company (non-trade)	19	(3,318)	(14,144)
Net cash flows used in financing activities		(14,731)	(32,379)
Net increase/(decrease) in cash and cash equivalents		5,202	(37,843)
Effect of exchange rate changes on cash and cash equivalents		(1,353)	1,841
Cash and cash equivalents at beginning of year		30,975	66,977
Cash and cash equivalents at end of year (Note 16)		34,824	30,975

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 1 Harbourfront Avenue #14-07, Keppel Bay Tower, Singapore 098632 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. Related companies refer to the Ayala Corporation group of companies.

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 2022. 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 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to FRS 8: *Definition of Accounting Estimates*	1 January 2023
Amendments to FRS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
FRS 117 Insurance Contracts	1 January 2023
Amendments to FRS 1: *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to FRS 1: *Non-current Liabilities with Covenants*	1 January 2024
Amendments to FRS 116: *Lease Liability in a Sale and Leaseback*	1 January 2024
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 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)*

As lessee (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.

As lessor

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.

2.11 *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.

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

2.11 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Initial recognition and measurement (cont'd)

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

Investments in debt instruments

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.

(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.

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

2.11 *Financial instruments (cont'd)*

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

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).

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. Summary of significant accounting policies (cont'd)

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.

2.17 *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. Summary of significant accounting policies (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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.

(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.

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

2.19 *Revenue (cont'd)*

(a) *Manufacturing services (cont'd)*

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.

(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.

(e) *Dividend income*

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

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

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.

(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.

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

2.20 *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 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.

(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.

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

2.22 *Contingencies (cont'd)*

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.

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.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment when there are indicators of impairment. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

For the year ended 31 December 2022, there is no impairment of property, plant and equipment of the Group. The carrying amount of the property, plant and equipment as at 31 December 2022 is $20,737,000 (2021: $24,087,000).

3. Significant accounting estimates and judgements (cont'd)

(b) *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:

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	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Major revenue stream				
Manufacturing services	305,951	288,859	77,230	65,408
Tooling	1,753	1,078	–	–
	307,704	289,937	77,230	65,408
Timing of transfer of goods or services				
At a point in time	1,753	1,078	–	–
Over time	305,951	288,859	77,230	65,408
	307,704	289,937	77,230	65,408

(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.

4. Revenue (cont'd)

(c) ***Contract assets***

	Group			Company		
	31 December 2022	**31 December 2021**	**1 January 2020**	**31 December 2022**	**31 December 2021**	**1 January 2020**
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables (Note 14)	74,169	81,212	76,388	40,539	57,856	41,169
Contract assets	10,381	9,705	7,900	–	–	–

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Sundry (expense)/income	(49)	60	982	347
Government grants	2,150	1,309	7	77
Provision of test services	430	446	429	446
Interest income from:				
- banks	187	319	–	–
- subsidiaries	–	–	41	279
- related companies	1,279	952	1,279	952
Gain on disposal of property, plant and equipment	3	114	–	–
Gain on trading of materials	24	33	–	–
Dividend income	–	–	–	1,120
	4,024	3,233	2,738	3,221

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 enterprise grants.

6. Employee benefits expense

	Note	Group		Company	
		2022	**2021**	**2022**	**2021**
		$'000	$'000	$'000	$'000
Wages, salaries and bonuses		40,828	43,787	2,327	2,567
Central Provident Fund/pension contributions		4,988	4,515	139	167
Other personnel benefits		3,722	3,677	262	209
	7	49,538	51,979	2,728	2,943

7. (Loss)/profit before tax

(Loss)/profit before tax has been arrived after charging/(crediting) the following:

	Note	Group		Company	
		2022	**2021**	**2022**	**2021**
		$'000	$'000	$'000	$'000
Depreciation of property, plant and equipment	10	4,984	7,762	38	113
Depreciation of right-of-use assets	18	3,841	3,978	680	710
Unrealised exchange loss/(gain), net		1,403	(28)	(329)	32
Realised exchange loss/(gain), net		1,214	(389)	452	7
Employee benefits expense	6	49,538	51,979	2,728	2,943
Impairment loss on amount due from related companies (non-trade)	14	33,951	–	33,951	–
Write-down/(write back) of inventories, net	13	1,286	(221)	–	–
Write off of property, plant and equipment	10	19	–	–	–
Expenses relating to short term & low value lease	18	333	389	14	9
Inventories recognised as an expense in cost of sales	13	213,101	195,262	73,865	61,668

8. Finance costs

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Interest on bank loans	1,300	1,430	1,300	1,430
Interest on lease liabilities	311	497	82	114
Bank charges	319	335	32	48
Total finance costs	1,930	2,262	1,414	1,592

9. Income tax expense

The major components of tax expense for the year ended 31 December 2022 and 2021 are:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Current income tax				
Current year	724	824	–	–
Over-provision in respect of prior years	–	(17)	–	–
	724	807	–	–
Deferred income tax				
Origination and reversal of temporary differences	155	(63)	24	–
	155	(63)	24	–
Income tax expense recognised in profit or loss	879	744	24	–

Relationship between tax expense and accounting (loss)/profit

A reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 is as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
(Loss)/profit before tax	(24,941)	5,719	(33,690)	832
Tax at the domestic rates applicable to (loss)/profits in the countries concerned*	(4,414)	852	(5,727)	142
Adjustments:				
Tax effect of expenses not deductible for tax purposes	6,398	385	5,953	271
Over-provision of current tax in respect of prior years	–	(17)	–	–
Income not subject to tax	(226)	(217)	(226)	(413)
Enhanced tax deductions	(836)	(787)	–	–
Deferred tax asset not recognised	120	729	–	–
Others	(163)	(201)	24	–
Income tax expense recognised in profit or loss	879	744	24	–

*The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

9. Income tax expense (cont'd)

Speedy Tech Electronics (HK) Limited ("STHK")

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

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 (from 2020 to 2022) as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of 15% (2021: 15%) 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% (2021: 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 2021	76,768	625	2,489	4,317	1,541	6,713	4,369	3,103	6,568	106,493
Additions	1,382	1	222	157	104	144	168	74	155	2,407
Disposals	(1,976)	(41)	(89)	(59)	(125)	(127)	–	(679)	(7)	(3,103)
Currency realignment	619	4	7	73	41	12	4	(42)	149	867
At 31 December 2021 and 1 January 2022	76,793	589	2,629	4,488	1,561	6,742	4,541	2,456	6,865	106,664
Additions	2,044	23	152	212	184	239	33	33	151	3,071
Disposals	(3,207)	(34)	(94)	(63)	(105)	(308)	–	–	(142)	(3,953)
Currency realignment	(2,469)	(21)	(25)	(315)	(189)	(42)	(17)	–	(570)	(3,648)
Write offs	(36)	–	(25)	(11)	–	(6)	–	–	–	(78)
At 31 December 2022	73,125	557	2,637	4,311	1,451	6,625	4,557	2,489	6,304	102,056
Accumulated depreciation and impairment loss										
At 1 January 2021	53,511	585	2,071	3,342	1,235	5,660	2,378	2,410	4,700	75,892
Charge for the year	5,213	23	214	369	139	276	939	42	547	7,762
Disposals	(1,483)	(41)	(89)	(59)	(125)	(122)	–	–	–	(1,919)
Currency realignment	536	4	8	83	41	13	4	–	153	842
At 31 December 2021 and 1 January 2022	57,777	571	2,204	3,735	1,290	5,827	3,321	2,452	5,400	82,577
Charge for the year	2,523	10	284	425	184	246	939	5	368	4,984
Disposals	(3,101)	(34)	(93)	(62)	(105)	(304)	–	–	(50)	(3,749)
Currency realignment	(1,469)	(21)	(20)	(261)	(157)	(40)	(13)	–	(435)	(2,416)
Write offs	(35)	–	(25)	(11)	–	(6)	–	–	–	(77)
At 31 December 2022	55,695	526	2,350	3,826	1,212	5,723	4,247	2,457	5,283	81,319
Net carrying amount										
At 31 December 2021	19,016	18	425	753	271	915	1,220	4	1,465	24,087
At 31 December 2022	17,430	31	287	485	239	902	310	32	1,021	20,737

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 2021	387	68	355	623	233	2,456	71	4,193
Additions	42	–	21	–	–	–	–	63
At 31 December 2021 and 1 January 2022	429	68	376	623	233	2,456	71	4,256
Additions	–	–	7	–	–	16	19	42
Write offs	(23)	–	–	–	–	–	–	(23)
At 31 December 2022	406	68	383	623	233	2,472	90	4,275
Accumulated depreciation								
At 1 January 2021	373	63	348	623	191	2,415	68	4,081
Charge for the year	22	3	7	–	37	41	3	113
At 31 December 2021 and 1 January 2022	395	66	355	623	228	2,456	71	4,194
Charge for the year	17	1	12	–	1	4	3	38
Write offs	(23)	–	–	–	–	–	–	(23)
At 31 December 2022	389	67	367	623	229	2,460	74	4,209
Net carrying amount								
At 31 December 2021	34	2	21	–	5	–	–	62
At 31 December 2022	17	1	16	–	4	12	16	66

10. Property, plant and equipment (cont'd)

Net cash outflow on purchase of PPE

	Group	
	2022	**2021**
	$'000	$'000
Current year additions	3,072	2,407
Net decrease in prepayment (Note 15)	(311)	(1,407)
Less: Other payables	(934)	(1,378)
Add: Cash outflow for settlement of payable relating to prior year additions to property, plant and equipment	212	384
Net cash outflow on purchase of property, plant and equipment	2,039	6

11. Intangible asset

	Group	
	2022	**2021**
	$'000	$'000
	Product development costs	
Cost		
At 1 January and 31 December	2,314	2,314
Accumulated amortisation		
At 1 January	2,257	2,028
Amortisation	57	229
At 31 December	2,314	2,257
Net carrying amount	–	57

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 commences upon mass production.

12. Investment in subsidiaries

	Company 2022 $'000	Company 2021 $'000
Unquoted equity shares at cost	41,635	42,284
Less: impairment losses	–	(542)
Investment written off	–	(107)
Carrying amount of investment	41,635	41,635
Movement in impairment losses:		
At 1 January and 31 December	–	542

The Group has the following investments in subsidiaries:

Name	Principal activities	Country of incorporation	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %
Held by the Company				
Speedy Tech Electronics (HK) Limited ("STHK") [(a)]	Procurement, marketing and supply chain services	Hong Kong	100	100
Speedy-Tech (Philippines) Inc. ("STPHIL") [(a)(f)]	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	The Philippines	99.99	99.99
Speedy-Tech Electronics Inc. [(e)]	Marketing, liaison and support services (dormant)	United States of America	100	100
Speedy-Tech Electronics (Jiaxing) Co. Ltd. ("STJX") [(b)]	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") [(c)]	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing and procurement	People's Republic of China	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 2022 %	2021 %
Held by the Company (cont'd)				
IMI Technology (Shenzhen) Co., Ltd. ("IMISZ") [d]	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") [d]	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	People's Republic of China	100	100
IMI Innovative Technology (Shenzhen) Co Ltd. ("IMIIT") [g]	Provision of electronic manufacturing services and manufacture of Power Electronics, marketing, procurement and research and development	People's Republic of China	100	–

(a) Audited by member firms of EY Global in the respective countries.
(b) Audited by Zhejiang Chang Xing Accounting Firm Co., LTD., People's Republic of China.
(c) Audited by Sichuan Wanbang Accounting Firm Co., LTD, People's Republic of China.

The Group has the following investments in subsidiaries (cont'd):

(d) Audited by Shenzhen Junhe Certified Public Accountants LLP, People's Republic of China.
(e) The subsidiary was set up in 1999 with no paid-up capital. No audit is required by the law of its country of incorporation.
(f) This subsidiary is in the process of liquidation.
(g) New legal entity and no operation in the financial year ended 31 Dec 2022.

13. Inventories

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Balance sheet:				
Raw materials	32,019	36,624	489	89
Goods-in-transit	1,216	1,429	172	420
Tools	120	115	–	–
Total inventories at lower of cost and net realisable value	33,355	38,168	661	509
Income statement:				
Inventories recognised as an expense in cost of sales	213,101	195,262	73,863	61,668
Write-down/(write back) of inventories, net	1,286	(221)	–	–

14. Trade and other receivables

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Trade receivables:				
- Third parties	64,950	71,529	8,903	8,378
- Intermediate holding company	5,468	5,143	132	2,001
- Immediate holding company	2,696	3,722	–	–
- Subsidiaries	–	–	30,783	47,269
- Related companies	1,055	818	721	208
Total trade receivables	74,169	81,212	40,539	57,856
Other receivables:				
Other receivables	1,685	1,977	27	6
Deposits	127	127	127	127
Sales tax receivable	1,195	1,719	45	27
Due from intermediate holding company (non-trade)	542	542	–	–
Due from subsidiaries (non-trade)	–	–	1,069	6,698
Due from related companies (non-trade)	37,379	32,993	37,372	32,993
Total trade and other receivables	115,097	118,570	79,179	97,707
Impairment losses	(33,951)	–	(33,951)	–
Net trade and other receivables	81,146	118,570	45,228	97,707
Less: Sales tax receivable	(1,195)	(1,719)	(45)	(27)
Add: Cash and cash equivalents	34,824	30,975	10,131	5,107
Total financial assets carried at amortised cost	114,775	147,826	55,314	102,787

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	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Renminbi	12,686	22,755	–	–

Related party balances

Amount due from intermediate holding company, immediate 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 2.81% p.a. to 5.24% p.a. (2021: 2.65% p.a. to 2.81% 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 3.17% p.a. to 7.56% p.a. (2021: 3.00% p.a. to 3.17% 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 movement in allowance for expected credit losses computed based on lifetime ECL was as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
At 1 January	–	–	–	–
Impairment loss on amount due from related companies (non-trade)	33,951	–	33,951	–
At 31 December	33,951	–	33,951	–

15. Prepayments

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Non-current:				
Prepayments for purchase of property, plant and equipment	349	660	–	–
Current:				
Prepaid operating expenses	263	226	14	17

16. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Cash and bank balances	34,824	30,975	10,131	5,107

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		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Singapore Dollar	649	1,251	649	1,251
Euro	1,385	1,174	438	106
Renminbi	21,221	22,069	–	–

17. Trade and other payables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Trade payables:				
- Third parties	53,536	54,359	4,984	5,663
- Intermediate holding company	4,049	2,608	54	–
- Immediate holding company	269	2,032	269	2,032
- Subsidiaries	–	–	14,765	15,277
- Related companies	179	795	–	–
Total trade payables	58,033	59,794	20,072	22,972
Other payables:				
Other payables	7,514	6,492	43	56
Accrued operating expenses	16,100	17,282	822	933
Due to intermediate holding company (non-trade)	24,378	3,876	24,022	3,526
Due to immediate holding company (non-trade)	–	3,318	–	3,318
Due to subsidiaries (non-trade)	–	–	1,102	392
Due to related companies (non-trade)	–	4	–	–
Sales tax payable	985	1,621	–	–
Total trade and other payables	107,010	92,387	46,061	31,197
Less: Sales tax payable	(985)	(1,621)	–	–
Add: Borrowings (current and non-current)	9,065	30,439	4,589	24,245
Total financial liabilities carried at amortised cost	115,090	121,205	50,650	55,442

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		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Euro	3,208	2,453	117	274
Renminbi	8,803	11,984	–	–

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	**Leasehold building and improve-ments** $'000	**Motor vehicles** $'000	**Total** $'000
At 1 January 2021	535	10,703	53	11,291
Additions	–	–	579	579
Depreciation expense	(135)	(3,582)	(261)	(3,978)
Lease modification	–	(155)	(24)	(179)
Currency alignment	–	65	–	65
At 31 December 2021 and 1 January 2022	400	7,031	347	7,778
Additions	–	1,127	–	1,127
Depreciation expense	(131)	(3,420)	(290)	(3,841)
Lease modification	–	–	(57)	(57)
Currency alignment	–	(263)	–	(263)
At 31 December 2022	269	4,475	–	4,744

Company	**Plant and equipment** $'000	**Leasehold building and improve-ments** $'000	**Total** $'000
At 1 January 2021	535	2,249	2,784
Depreciation expense	(135)	(575)	(710)
Lease modification	–	(27)	(27)
At 1 January 2022	400	1,647	2,047
Depreciation expense	(131)	(549)	(680)
At 31 December 2022	269	1,098	1,367

18. Rights-of-use assets/ leases (cont'd)

As a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
At 1 January	8,339	11,909	2,145	3,005
Additions	1,127	579	–	–
Accretion of interest	311	497	82	114
Payments	(4,389)	(4,459)	(735)	(761)
Lease modification	(57)	(368)	–	(199)
Translation differences	(366)	181	(3)	(14)
At 31 December	4,965	8,339	1,489	2,145
Current	2,270	3,983	714	657
Non-current	2,695	4,356	775	1,488

The following are the amounts recognised in profit or loss:

	Note	Group		Company	
		2022	**2021**	**2022**	**2021**
		$'000	$'000	$'000	$'000
Depreciation of right-of-use assets	7	3,841	3,978	680	710
Interest on lease liabilities	8	311	497	82	114
Expense relating to short-term and low value leases	7	333	389	14	9
Total amounts recognised in profit or loss		4,485	4,864	776	833

The Group had a total cash outflows for leases of $4,722,000 (2021: $4,848,000).

19. Borrowings

	Note	Group		Company	
		2022	**2021**	**2022**	**2021**
		$'000	$'000	$'000	$'000
Current:					
- Short term bank loan		4,100	22,100	3,100	22,100
- Lease liabilities	18	2,270	3,983	714	657
		6,370	26,083	3,814	22,757
Non-current:					
- Lease liabilities	18	2,695	4,356	775	1,488

19. Borrowings (cont'd)

The unsecured United States Dollar denominated short term bank loan of the Group and Company is revolving in nature and bears interest at rates ranging from 3.02% to 7.56% (2021: 3.02% to 3.22%) per annum.

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

	1 January 2022 $'000	Cash flows $'000	Non-cash changes: Translation differences $'000	Non-cash changes: Additions $'000	Non-cash changes: Lease modification $'000	Non-cash changes: Interest accretion $'000	Non-cash changes: Allowance for expected credit losses $'000	31 December 2022 $'000
Group								
Lease liabilities	8,339	(4,389)	(366)	1,127	(57)	311	–	4,965
Short-term bank loan	22,100	(18,000)	–	–	–	–	–	4,100
Amount due to intermediate holding company (non-trade), net	3,334	20,476	–	–	–	26	–	23,836
Amount due to immediate holding company (non-trade)	3,318	(3,318)	–	–	–	–	–	–
Amount due from related companies (non-trade), net	(32,989)	(3,111)	–	–	–	(1,279)	33,951	(3,428)

	1 January 2021 $'000	Cash flows $'000	Non-cash changes: Translation differences $'000	Non-cash changes: Additions $'000	Non-cash changes: Lease modification $'000	Non-cash changes: Interest accretion $'000	Non-cash changes: Allowance for expected credit losses $'000	31 December 2021 $'000
Group								
Lease liabilities	11,909	(4,459)	181	579	(368)	497	–	8,339
Short-term bank loan	35,500	(13,400)	–	–	–	–	–	22,100
Amount due to intermediate holding company (non-trade), net	210	3,124	–	–	–	–	–	3,334
Amount due to immediate holding company (non-trade)	17,462	(14,144)	–	–	–	–	–	3,318
Amount due from related companies (non-trade), net	(32,028)	(961)	–	–	–	–	–	(32,989)

Included in the balance of short-term bank loan is an amount of loan interest payable amounting to $16,000 (2021: $86,000).

20. Deferred taxation

	Balance sheet		Consolidated income statement	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Group				
Deferred tax assets/(liabilities)				
Tax written-down value in excess of net book value of qualifying fixed assets	85	164	79	(83)
Provision for inventory obsolescence	274	117	(157)	138
Provisions	802	921	119	(483)
Unutilised tax losses	53	–	(53)	194
Contract assets	(276)	(125)	151	125
Leases	8	24	16	46
Total deferred tax asset	946	1,101		
Deferred tax expense/(credit)			155	(63)

	Balance sheet		Income statement	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Company				
Deferred tax assets				
Leases	–	24	(24)	–

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $29,528,000 (2021: $25,591,000) 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.

The maximum number of years that the unutilised tax losses could be carried forward in China is 10 years.

The unutilised 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 2027	4,045
2018	31 December 2028	5,407
2019	31 December 2029	5,106
2020	31 December 2030	6,172
2021	31 December 2031	4,861
2022	31 December 2032	3,937

There are no expired unabsorbed tax losses.

21. Deferred Grants

	Group 2022 $'000	Group 2021 $'000
Grants		
At 1 January	1,015	972
Received during the financial year	–	43
At 31 December	1,015	1,015
Accumulated amortisation		
At 1 January	552	337
Amortisation	176	216
Translation differences	–	(1)
At 31 December	728	552
Net carrying amount		
Current	128	132
Non-current	159	331
	287	463

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 2022 '000	2022 $'000	No. of shares 2021 '000	2021 $'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.

(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	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Sales				
- Intermediate holding company	14,217	19,281	519	132
- Immediate holding company	7,060	10,528	4	13
- Subsidiaries	–	–	21,425	28,440
Purchases				
- Intermediate holding company	4,807	2,330	–	427
- Immediate holding company	–	–	–	–
- Subsidiaries	–	–	49,298	33,881
Recovery costs				
- Intermediate holding company	655	733	198	169

(b) ***Compensation of key management personnel***

	Group and Company	
	2022	**2021**
	$'000	$'000
Short-term employee benefits	477	622
Pension and post-employment medical benefits	10	21
Total compensation entitled to key management personnel	487	643
Comprise amounts entitled to:		
Directors of the Company	331	263
Other key management personnel	156	380
	487	643

25. 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.

<u>Sensitivity analysis for interest rate risk</u>

As the end of the reporting period, it is estimated that a general increase/decrease of 75 (2021: 75) basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax by approximately $31,000 (2021: decrease/increase the Group's profit before tax by approximately $166,000).

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 2021.

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”), 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.

25. 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, SGD and EUR exchange rates (against USD), with all other variables held constant, of the Group's (loss)/profit before tax.

	Group	
	2022	**2021**
	$'000	$'000
	Loss before tax decrease/(increase)	Profit before tax Increase/(decrease)
RMB – strengthened 4% (2021: 4%)	116	343
– weakened 4% (2021: 4%)	(116)	(343)
EUR – strengthened 4% (2021: 4%)	170	13
– weakened 4% (2021: 4%)	(170)	(13)
SGD – strengthened 4% (2021: 4%)	30	48
– weakened 4% (2021: 4%)	(30)	(48)

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.

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.

	One year or less	**One to five years**	**Total**
	$'000	$'000	$'000
Group			
2022			
Trade and other payables	107,010	–	107,010
Borrowings	6,535	2,853	9,388
Less: Sales tax payable	(985)	–	(985)
Total undiscounted financial liabilities	112,560	2,853	115,413
2021			
Trade and other payables	92,387	–	92,387
Borrowings	26,098	4,604	30,702
Less: Sales tax payable	(1,621)	–	(1,621)
Total undiscounted financial liabilities	116,864	4,604	121,468

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

Liquidity risk (cont'd)

	One year or less $'000	One to five years $'000	Total $'000
Company			
2022			
Trade and other payables	46,061	–	46,061
Borrowings	3,867	796	4,663
Total undiscounted financial liabilities	49,928	796	50,724
2021			
Trade and other payables	31,197	–	31,197
Borrowings	22,814	1,536	24,350
Total undiscounted financial liabilities	54,011	1,536	55,547

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.

<u>Trade receivables and contract assets</u>

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.

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

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

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's 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
2022					
Carrying amount	3,526	1,155	531	127	5,339

	< 30 days past due $'000	**> 30 days past due** $'000	**> 60 days past due** $'000	**> 90 days past due** $'000	**Total** $'000
2021					
Carrying amount	1,929	512	94	434	2,969

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.

Credit risk concentration profile

At the end of the reporting period, approximately:

- 35% (2021: 34%) of the Group's trade receivables were due from 3 major customers of the Group.

- 41% (2021: 36%) of the Group's trade and other receivables were due from related companies.

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.

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

Credit risk (cont'd)

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).

26. 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.

(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.

27. 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 2022 and 2021.

27. Capital management (cont'd)

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 2022 and 2021.

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.

		Group	
	Note	**2022**	**2021**
		$'000	$'000
Trade and other payables	17	107,010	92,387
Borrowings	19	9,065	30,439
Less: Cash and cash equivalents	16	(34,824)	(30,975)
Net debt		81,251	91,851
Equity attributable to equity holder of the Company		77,589	118,102
Less: Restricted reserves	23(b)	(14,305)	(13,583)
Total capital		63,284	104,519
Capital and net debt		144,535	196,370
Gearing ratio		56%	47%

28. Dividends on ordinary shares

	Group and Company	
	2022	**2021**
	$'000	$'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Interim exempt (one-tier) dividend for 2022: 2.53 cents (2021: 0.93 cents) per share	9,500	3,500

29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 30 March 2023.

EXHIBIT 5

2022 Audited Annual Financial Statements, Cooperatief IMI Europe U.A. and Subsidiaries

Coöperatief IMI Europe U.A. and Subsidiaries

Consolidated Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report

SGV
Building a better working world

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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, 2022 and 2021, 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, 2022 and 2021, 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.

- 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
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 28 and 29)	**$70,103,725**	$98,436,182
Short-term investments (Notes 5, 28 and 29)	**8,499,610**	–
Receivables (Notes 6, 27, 28 and 29)	**121,616,091**	119,910,807
Contract assets (Notes 7, 28 and 29)	**29,820,482**	18,298,984
Inventories (Note 8)	**135,844,969**	122,186,184
Other current assets (Note 9)	**16,210,440**	11,448,020
Total Current Assets	**382,095,317**	370,280,177
Noncurrent Assets		
Property, plant and equipment (Note 10)	**98,518,287**	102,495,900
Goodwill (Notes 2 and 11)	**44,634,622**	47,468,899
Intangible assets (Note 12)	**4,456,976**	7,616,373
Deferred tax assets (Note 23)	**1,148,312**	1,801,456
Right-of-use assets (Notes 26)	**10,319,100**	13,422,292
Other noncurrent assets (Note 13)	**4,589,327**	5,066,013
Total Noncurrent Assets	**163,666,624**	177,870,933
	$545,761,941	$548,151,110
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 14, 28 and 31)	**$142,789,564**	$131,811,407
Contract liabilities (Notes 7, 28 and 29)	**110,059**	6,112
Loans payable (Notes 15, 28 and 29)	**95,659,915**	80,045,496
Current portion of lease liabilities (Notes 26, 28 and 29)	**3,385,460**	913,549
Current portion of long-term debt (Notes 16, 28 and 29)	**1,548,254**	1,505,008
Income tax payable	**675,939**	1,564,079
Total Current Liabilities	**244,169,191**	215,845,651
Noncurrent Liabilities		
Due to related parties (Notes 27, 28 and 29)	**17,770,665**	17,770,665
Noncurrent portion of lease liabilities (Notes 26, 28 and 29)	**6,753,302**	13,474,340
Noncurrent portion of long-term debt (Notes 16, 28 and 29)	**2,682,788**	1,263,024
Deferred tax liabilities (Note 23)	**909,630**	1,033,188
Retirement liability (Note 24)	**1,931,332**	2,131,141
Other noncurrent liabilities (Note 22)	**4,230,251**	3,410,494
Total Noncurrent Liabilities	**34,277,968**	39,082,852
Total Liabilities	**278,447,159**	254,928,503
MEMBERS' EQUITY		
Equity Attributable to the owners of the Parent		
Members' contribution (Note 17)	**105,269,893**	105,269,893
Additional paid-in capital (Note 17)	**36,118,436**	36,118,436
Retained earnings	**116,276,808**	117,511,209
Cumulative translation adjustment (Note 17)	**(34,762,294)**	(23,032,929)
Remeasurement losses on defined benefit plan	**(458,126)**	(835,122)
	222,444,717	235,031,487
Equity Attributable to Non-controlling Interest in a Consolidated Subsidiary	**44,870,065**	58,191,120
Total Members' Equity	**267,314,782**	293,222,607
	$545,761,941	$548,151,110

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)	**$734,418,709**	$656,680,733
COST OF SALES (Notes 18, 21 and 24)	**685,058,829**	606,815,279
GROSS PROFIT	**49,359,880**	49,865,454
OPERATING EXPENSES (Note 20, 21 and 24)	**(51,740,399)**	(57,321,556)
OTHERS - net		
Interest and other financing charges (Note 22)	**(4,425,034)**	(3,207,640)
Foreign exchange losses – net	**732,931**	3,823,453
Interest income (Note 5)	**434,420**	21,344
Miscellaneous income - net (Note 22)	**1,794,001**	7,493,026
	(1,463,682)	8,130,183
INCOME (LOSS) BEFORE INCOME TAX	**(3,844,201)**	674,081
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)		
Current	**3,430,269**	3,731,731
Deferred	**(175,565)**	(1,463,303)
	3,254,704	2,268,428
NET LOSS	**($7,098,905)**	($1,594,347)
Net Loss Attributable to:		
Equity holders of the Parent Company	**($1,234,401)**	$5,044,120
Non-controlling interests	**(5,864,504)**	(6,638,467)
	($7,098,905)	($1,594,347)

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET LOSS	**($7,098,905)**	($1,594,347)
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	**(19,185,916)**	(27,083,033)
Other comprehensive loss not to be reclassified into profit or loss in subsequent periods:		
Remeasurement gain/losses on defined benefit plan (Note 24)	**376,996**	(263,344)
	(18,808,920)	(27,346,377)
TOTAL COMPREHENSIVE INCOME (LOSS)	**($25,907,825)**	($28,940,724)
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the Parent Company	**($12,586,770)**	($22,538,624)
Non-controlling interests	**(13,321,055)**	(6,402,100)
	($25,907,825)	($28,940,724)

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)			
	Members' Contribution (Note 17)	Additional Paid-in Capital (Note 17)	Retained Earnings (Note 2)	Cumulative Translation Adjustment (Note 17)	Remeasurement Losses on Defined Benefit Plans	Attributable to Non-controlling Interests in a Consolidated Subsidiary	Total
Balances at January 1, 2022	**$105,269,893**	**$36,118,436**	**$117,511,209**	**($23,032,929)**	**($835,122)**	**$58,191,120**	**$293,222,607**
Net income (loss)	**–**	**–**	**(1,234,401)**	**–**	**–**	**(5,864,504)**	**(7,098,905)**
Other comprehensive income (loss)	**–**	**–**	**–**	**(11,729,365)**	**376,996**	**(7,456,551)**	**(18,808,920)**
Total comprehensive loss	**–**	**–**	**(1,234,401)**	**(11,729,365)**	**376,996**	**(13,321,055)**	**(25,907,825)**
Balances at December 31, 2022	**$105,269,893**	**$36,118,436**	**$116,276,808**	**($34,762,294)**	**($458,126)**	**$44,870,065**	**$267,314,782**
Balances at January 1, 2021	$75,269,893	$36,118,436	$132,367,089	$4,286,471	($571,778)	$64,593,220	$312,063,331
Members' contribution during the year	30,000,000	–	–	–	–	–	30,000,000
Cash dividends (Note 17)	–	–	(19,900,000)	–	–	–	(19,900,000)
	105,269,893	36,118,436	112,467,089	4,286,471	(571,778)	64,593,220	$322,163,331
Net income (loss)	–	–	5,044,120	–	–	(6,638,467)	(1,594,347)
Other comprehensive loss	–	–	–	(27,319,400)	(263,344)	236,367	(27,346,377)
Total comprehensive loss	–	–	5,044,120	(27,319,400)	(263,344)	(6,402,100)	(28,940,724)
Balances at December 31, 2021	$105,269,893	$36,118,436	$117,511,209	($23,032,929)	($835,122)	$58,191,120	$293,222,607

See accompanying Notes to Consolidated Financial Statements.

COÖPERATIEF IMI EUROPE U.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**($3,844,201)**	$674,081
Adjustments for:		
Depreciation of property, plant and equipment (Note 10)	**13,083,455**	18,096,162
Interest expense on loans (Note 22)	**3,864,228**	2,429,214
Amortization of intangible assets (Note 12)	**3,362,174**	5,525,029
Amortization of right-of-use asset (Note 26)	**2,707,217**	3,556,534
Unrealized foreign exchange loss – net	**732,931**	3,823,453
Interest expense on lease liabilities (Notes 22 and 26)	**305,742**	418,899
Gain on sale of property, plant and equipment (Notes 10 and 22)	**(90,349)**	(273,196)
Interest income (Note 5)	**(434,420)**	(21,344)
Provision (reversal) of Impairment loss on product development cost (Notes 12 and 22)	**–**	(636,456)
Provision (reversal) of Impairment loss on property, plant and equipment (Notes 10 and 22)	**–**	(1,666,284)
Operating income before working capital changes	**19,686,777**	31,926,092
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	**(8,499,610)**	–
Receivables	**(5,282,589)**	3,408,241
Inventories	**(18,659,449)**	(53,088,665)
Contract assets	**(11,521,499)**	(1,929,778)
Other current assets	**(4,762,418)**	(863,674)
Increase (decrease) in:		
Accounts payable and accrued expenses	**6,236,721**	6,978,022
Liability for Onerous Contracts	**5,655**	–
Other noncurrent liabilities	**819,758**	233,060
Retirement liabilities	**53,713**	(33,530)
Net cash used in operations	**(21,922,941)**	(13,370,232)
Income tax paid	**(4,318,410)**	(4,680,327)
Interest paid	**(1,646,532)**	(1,530,999)
Interest received	**434,420**	21,344
Net cash used in operating activities	**(27,453,463)**	(19,560,214)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 10)	**(12,951,447)**	(17,008,248)
Intangible assets (Note 12)	**(74,698)**	(234,922)
Decrease in other noncurrent assets	**476,684**	1,055,310
Acquisition through business combination, net of cash acquired (Note 2)	**–**	(3,018,336)
Proceeds from sale of property, plant and equipment	**263,420**	1,052,513
Net cash used in investing activities	**(12,286,041)**	(18,153,683)
CASH FLOWS FROM FINANCING ACTIVITIES		
Members contribution (Note 16)	**–**	30,000,000
Proceeds from:		
Availment of loans payable and long-term debt (Note 31)	**29,901,094**	19,651,472
Payments of:		
Loans payable (Note 31)	**(8,574,607)**	(34,810,827)
Long-term debt (Note 31)	**(1,555,198)**	(2,042,862)
Lease liabilities (Note 31)	**(3,865,516)**	(4,048,515)
Dividends paid to equity holders of the Parent Company (Note 18)	**–**	(19,900,000)
Net cash provided by (used in) financing activities	**15,905,773**	(11,150,732)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH	**(4,498,726)**	(2,177,649)
NET DECREASE IN CASH	**(23,833,731)**	(48,864,629)
CASH AT BEGINNING OF YEAR	**98,436,182**	149,478,460
CASH AT END OF YEAR (Note 5)	**$70,103,725**	$98,436,182

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 47.91% owned by Mermac, Inc. (the Ultimate Parent Company) and the rest by the public.

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. As a result of this contribution, VIA AG became the holding company for the VIA Group. 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 17).

In 2021, VIA Optronics GmbH (“VIA”) announced the acquisition of Germaneers GmbH (“Germaneers), a high-tech engineering company focusing on automotive system integration and user interfaces (see Note 2). VIA also formed a strategic partnership with SigmaSense, a global leader in touch sensing performance. As part of the strategic partnership, VIA has made a financial investment into SigmaSense and expanded their collaboration to develop new touch solutions for automotive applications, industrial displays and consumer electronics. In December 2021, VIA incorporated a new entity in the Philippines, VIA optronics (Philippines), Inc. (“VIA Philippines”), to provide customized and platform camera solutions, from design and development to process testing and quality control. VIA Philippines was incorporated to facilitate the integration of a camera design and development team that was previously a part of IMI.

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.

The consolidated financial statements as of and for the years ended December 31, 2022 and 2021 were authorized for issue by Coöperatief’s Board of Directors (BOD) on March 16, 2023.

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 2022	2021	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. [c]	**46.49%**	46.49%	Mexico	United States Dollar (USD)
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics AG (VIA) [a]	**50.32%**	50.32%	Germany	EUR
Germaneers GmbH [b]	**100.00%**	100.00%	Germany	EUR
VIA Optronics (Philippines), Inc. [b]	**100.00%**	100.00%	Philippines	PHP
VIA Optronics GmbH (VIA)	**100.00%**	100.00%	Germany	USD
VIA Optronics Suzhou Co. Ltd. (VIA Suzhuo)	**100.00%**	100.00%	China	USD
VIA Optronics LLC (VIA LLC)	**100.00%**	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd	**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 2021*

[c] *IMI Cooperatief’s ownership in IMI Mexico was diluted to 46.49% as a result conversion of intercompany loan with IMI International (Singapore) Pte. Ltd. to equity in March 2021*

Business Combinations

Acquisition of Germaneers GmbH (“Germaneers”)

On May 21, 2021, VIA Optronics GmbH (“VIA”) acquired Germaneers GmbH (“Germaneers”), a high-tech engineering company focusing on automotive system integration and user interfaces for a transaction price of EUR3.06 million ($3.73 million). Germaneers provides solutions for a range of well-known high-end original equipment manufacturers (OEMs).

Germaneers is known for creating innovative and state-of-the-art digital car interiors to achieve the next level of customer experience through human machine interfaces (HMI), sensor and camera solutions.

The control concept according to PFRS 10, *Consolidated Financial Statements*, sets out three elements of control consisting of power over investee, exposure or rights to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of these returns. Based on assessment, VIA has control over Germaneers and needs to consolidate Germaneers in its consolidated financial statements.

In 2021, the purchase price allocation for the acquisition of Germaneers has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and innovative technologies in the automotive sector. The purchase price allocation has been finalized in 2022 and there were no significant changes in the fair value of the identifiable assets and liabilities and the resulting goodwill (see Note 11).

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 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, 2022 and 2021.

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, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- 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 do not 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 cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

  - the incremental costs of fulfilling that contract – direct labour and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts – an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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

Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets dedicated to that used in fulfilling the contract.

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. The Group recorded provision for onerous contracts amounting to $0.006 million in 2022 as an impact of applying the amendments (see Notes 4 and 14).

- Annual Improvements to PFRSs 2020-2022 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 do not 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 do not 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.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact on the Group.

    The Group adopted the amendments beginning January 1, 2022.

Effective beginning on or after January 1, 2023

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

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

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

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. [The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation].

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

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  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

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, 2022 and 2021 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.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative within a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held. On the other hand, an embedded derivative with a financial liability or a non-financial host is separated from the host and accounted for as a separate derivative if: its 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.

Separated 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 modified 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.

<u>Fair Value Measurement</u>
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 28.

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	20 - 30
Building improvements	5
Machineries and facilities equipment (Notes 4 and 10)	3 - 13
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Tools and instruments	2 - 5

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

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

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

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

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statements of income under “Operating expenses” account.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized in profit or loss. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

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

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

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

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

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

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

Intangible Assets

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

Research and development costs

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

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

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

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

The EUL of intangible assets of finite useful life follows:

	Years
Customer relationships	5
Unpatented technology	5
Licenses	2-5
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
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.

Extension Options
Some property leases contain extension options exercisable by the Group up to one year before the end of the noncancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group re-assesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

<u>Impairment of Nonfinancial Assets</u>
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.

<u>Provisions</u>
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.

<u>Equity</u>
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.

<u>Revenue Recognition</u>

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, 2022 and 2021.

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
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 monthly 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 and Japan) 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 obligations. 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. VIA Group has no defined benefit plans.

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 26.

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.

In 2021, the Group has determined that there was a change in functional currency for VIA GmbH and VIA Suzhou, wholly owned subsidiaries of VIA. In prior years, the functional currency of VIA GmbH and VIA Suzhou is Euro and RMB, respectively and both were changed to USD Dollar since majority of its sales and purchases are denominated in this currency.

Onerous contracts - costs of fulfilling a contract
When the Group assessed that it has contracts that are onerous, the present obligation under the contract shall be recognized and measured as a provision. The Group defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The Group applies judgment in assessing loss-making projects and determining commitment period or non-cancellable period of the contract.

Further details are disclosed in Notes 14 and 21.

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 28.

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, goodwill, intangible assets, deferred charges and right-of-use assets are disclosed in Notes 10, 11, 12, 13 and 26, respectively.

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 23.

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.

Onerous contracts - costs of fulfilling a contract
The Group estimates the provision on onerous contract by determining the revenues less unavoidable costs during the commitment period based on financial budgets approved by management. In determining unavoidable costs, the Group excludes other non-directly related costs such as costs of wasted materials, labor inefficiencies and other costs of resources that were not reflected in the pricing of the contract.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting period are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material.

The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted. The Group assessed that the time value of money is not applicable in the determination of the current provision as the committed periods are normally not exceeding one year.

Further details on onerous contracts are disclosed in Notes 14 and 21

5. Cash and Cash Equivalents and Short-Term Investments

Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**$23,477**	$16,010
Cash in banks	**70,080,248**	98,420,172
	$70,103,725	$98,436,182

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 $14,844 and $21,344 in 2022 and 2021, respectively.

Short-term Investments
Short-term investments amounting to $8.5 million as of December 31, 2022 pertain to money market placements made for varying periods of more than three months but less than one year and earn interest ranging from 2.0% to 2.4% per annum in 2022.

Interest income earned from these investments amounted to $0.42 million in 2022.

6. Receivables

This account consists of:

	2022	2021
Trade	**$123,485,599**	$120,985,271
Nontrade	**214,060**	150,066
Due from related parties (Note 27)	**880,745**	1,489,920
Others	**95,027**	417,874
	124,675,431	123,043,131
Less allowance for ECLs	**3,059,340**	3,132,324
	$121,616,091	$119,910,807

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

<u>Nontrade</u>
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.

<u>Allowance for ECLs</u>
Trade receivables with aggregate nominal value of $3.06 million and $3.13 million as of December 31, 2022 and 2021, respectively, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Movements in the allowance for ECLs follow:

	2022	2021
At beginning of year	**$3,132,324**	$1,296,880
Provisions (Note 21)	**592,361**	1,873,087
Written-off	**(540,424)**	–
Foreign currency exchange difference	**(124,921)**	(37,643)
At end of year	**$3,059,340**	$3,132,324

Provisions during the year form part of “Operating expenses” account and are included under “Facilities costs and others” account (see Note 21).

7. Contract Assets

This account consists of:

	2022	2021
Contract assets	**$29,820,482**	$18,298,984
Contract liabilities	**$110,059**	$6,112

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, 2022 and 2021, 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:

	2022	2021
Cost		
Raw materials and supplies	**$126,670,256**	$102,349,081
Work-in-process	**6,067,735**	4,685,272
Finished goods	**5,752,987**	18,257,731
	$138,490,978	125,292,084
Allowance for inventory obsolescence		
Inventory obsolescence	**2,646,009**	3,105,900
	$135,844,969	$122,186,184

The amount of inventories recognized as expense under "Cost of sales" account amounted to $570.35 million in 2022 and $486.42 million in 2021 (see Note 19).

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:

	2022	2021
At beginning of year	**$3,105,900**	$3,490,696
Provisions (reversals) (Note 21)	**(110,510)**	365,538
Write-offs	**–**	(528,248)
Foreign currency exchange difference	**(349,381)**	(222,086)
At end of year	**$2,646,009**	$3,105,900

9. Other Current Assets

This account consists of:

	2022	2021
Input taxes	**$6,022,557**	$2,659,275
Prepayments	**4,758,768**	6,592,420
Tax credits	**3,450,928**	1,131,543
Advances to suppliers	**1,609,171**	845,378
Others	**369,016**	219,404
	$16,210,440	$11,448,020

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.

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.

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:

	2022					
	Buildings and Improvements	**Machinery and Facilities Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At beginning of year	**$50,687,606**	**$120,163,596**	**$7,202,476**	**$845,465**	**$,323,203**	**$181,222,346**
Additions	**42,802**	**3,389,244**	**996,603**	**9,171**	**8,513,627**	**12,951,447**
Disposals/retirement	**(44,164)**	**(1,562,505)**	**(129,965)**	**(44,121)**	**(64,045)**	**(1,844,800)**
Transfers	**708,005**	**4,043,693**	**76,214**	**38,287**	**(4,866,199)**	**–**
Foreign currency exchange difference	**(2,123,747)**	**(5,813,364)**	**(550,816)**	**(75,432)**	**(192,163)**	**(8,755,522)**
At end of year	**49,270,502**	**120,220,664**	**7,594,512**	**773,370**	**5,714,423**	**183,573,471**
Accumulated depreciation						
At beginning of year	**7,417,872**	**67,192,310**	**3,646,917**	**469,347**	**–**	**78,726,446**
Depreciation	**1,795,411**	**10,141,816**	**980,080**	**166,148**	**–**	**13,083,455**
Disposals	**(42,830)**	**(1,472,993)**	**(113,157)**	**(42,749)**	**–**	**(1,671,729)**
Foreign currency exchange difference	**(557,199)**	**(4,147,053)**	**(325,835)**	**(52,901)**	**–**	**(5,082,988)**
At end of year	**8,613,254**	**71,714,080**	**4,188,005**	**539,845**	**–**	**85,055,184**
Net book value	**$40,657,248**	**$48,506,584**	**$3,406,507**	**$233,525**	**$5,714,423**	**$98,518,287**

	2021					
	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At beginning of year	$55,053,632	$113,782,526	$5,849,844	$960,832	$6,017,529	$181,664,363
Additions	83,797	7,745,206	1,453,735	54,730	7,670,780	17,008,248
Acquisition thru business combination	–	–	41,456	–	–	41,456
Disposals/retirement	(1,759,487)	(3,452,971)	(142,525)	(78,675)	(254,415)	(5,688,073)
Transfers	366,096	9,982,891	432,847	11,236	(10,793,070)	–
Foreign currency exchange difference	(3,056,432)	(7,894,056)	(432,881)	(102,658)	(317,621)	(11,803,648)
At end of year	50,687,606	120,163,596	7,202,476	845,465	2,323,203	181,222,346
Accumulated depreciation						
At beginning of year	8,007,695	59,891,479	3,058,947	416,883	–	71,375,004
Depreciation	1,912,365	15,025,824	956,151	201,822	–	18,096,162
Disposals	(3,833)	(1,981,505)	(136,144)	(78,675)	–	(2,200,157)
Foreign currency exchange difference	(2,498,355)	(5,743,488)	(232,037)	(70,683)	–	(8,544,563)
At end of year	7,417,872	67,192,310	3,646,917	469,347	–	78,726,446
Accumulated impairment losses						
At beginning of year	–	1,949,128	–	–	–	1,949,128
Reversal of impairment loss - net (Note 23)	–	(1,666,284)	–	–	–	(1,666,284)
Adjustments	–	(282,844)	–	–	–	(282,844)
At end of year	–	–	–	–	–	–
Net book value	$43,269,734	$52,971,286	$3,555,559	$376,118	$2,323,203	$102,495,900

The Group decided to change the EUL of machineries from 7 to 10 years based on the expected asset utilization and pattern of economic benefits. The change, which was accounted for prospectively effective January 1, 2022, resulted in a decrease in depreciation expense of $2.69 million in 2022. The assets affected will result to a lower depreciation expense annually over its remaining life.

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 $4.87million and $10.79 million as of December 31, 2022 and 2021, respectively.

The Group recognized losses from disposal and retirement of certain property, plant and equipment amounting to $0.09 million in 2022 and $0.27million in 2021 included under “Miscellaneous income – net” account in the consolidated statements of income (see Note 22).

As of December 31, 2022 and 2021, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $42.12 million and $40.92 million, respectively.

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

	2022	2021
Cost of sales (Note 19)	**$12,625,646**	$15,829,581
Operating expenses (Note 20)	**457,809**	2,266,581
	$13,083,455	$18,096,162

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, 2022 and 2021, goodwill acquired through business combinations had been allocated to the following CGUs:

	2022	2021
VIA	**$44,151,674**	$46,955,284
IMI CZ	**482,948**	513,615
	$44,634,622	$47,468,899

Movement in goodwill follows:

	2022	2021
Cost		
At beginning of year	**$47,468,899**	$49,284,453
Additions	**–**	2,098,674
Foreign currency exchange difference	**(2,834,277)**	(3,914,228)
At end of year	**$44,634,622**	$47,468,899

The additional goodwill in 2021 arose from the acquisition of Germaneers.

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:

	2022	2021
VIA	**19.71%**	14.72%
IMI CZ	**13.79%**	11.37%

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 2022 and 2021.

Sensitivity to changes in assumptions
Value in use calculation is sensitive to pre-tax discount rates and inflation rate. With regard to the assessment of value-in-use of VIA and IMI CZ, an increase in the pre-tax discount rate by more than 9.34% and 3.98%, respectively, would result to impairment of goodwill. In addition, an increase in inflation rate affecting overhead and administrative costs by more than 67.87% and 35.54% for VIA and IMI CZ, respectively, would also result to impairment.

12. Intangible Assets

Movements in this account follows:

	December 31, 2022				
	Customer Relationships	Licenses	Intellectual Properties	Product Development costs	Total
Cost					
At beginning of year	$9,164,831	$8,072,810	$13,908,061	$6,330,558	$37,476,260
Additions	–	74,698	–	–	74,698
Foreign currency exchange difference	138,388	(804,194)	(62,104)	–	(727,910)
At end of year	9,303,219	7,343,314	13,845,957	6,330,558	$36,823,048
Accumulated amortization					
At beginning of year	9,036,148	4,824,299	11,268,741	4,730,699	29,859,887
Amortization	374,149	493,264	1,228,649	1,266,112	3,362,174
Foreign currency exchange difference	(107,078)	(773,365)	24,454	–	(855,989)
At end of year	9,303,219	4,544,198	12,521,844	5,996,811	32,366,072
Net book value	$–	$2,799,116	$1,324,113	$333,747	$4,456,976

	December 31, 2021				
	Customer Relationships	Licenses	Intellectual Properties	Product Development costs	Total
Cost					
At beginning of year	$9,330,366	$8,461,914	$14,064,774	$6,330,558	$38,187,612
Additions	–	141,630	93,292	–	234,922
Foreign currency exchange difference	(165,535)	(530,734)	(250,005)	–	(946,274)
At end of year	9,164,831	8,072,810	13,908,061	6,330,558	37,476,260
Accumulated amortization					
At beginning of year	8,568,226	4,587,655	8,658,347	3,284,476	25,098,704
Amortization	605,095	629,335	2,844,376	1,446,223	5,525,029
Foreign currency exchange difference	(137,173)	(392,691)	(233,982)	–	(763,849)
At end of year	9,036,148	4,824,299	11,268,741	4,730,699	29,859,887
Accumulated impairment loss					
At beginning of year	–	–	–	996,679	996,679
Impairment loss for the year	–	–	–	(636,456)	(636,456)
Adjustments	–	–	–	(360,223)	(360,223)
At end of year	–	–	–	–	–
Net book value	$128,683	$3,248,511	$2,639,320	$1,599,859	$7,616,373

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

Intellectual Properties
The Group's intellectual properties (IPs) 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 while VTS's IP relates to the transfer of the seller of the technology relevant to run the business.

As of December 31, 2022 and 2021, the carrying value of VIA and VTS's intellectual properties amounted to $1.32 million and $2.58 million, respectively.

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

Capitalized development costs amounting to $1.00 million were impaired in 2020 due to significant delay in the ramp up of certain projects and declining demand brought by the global automotive downturn. In 2021, the Group recorded impairment reversal for certain assets amounting to $0.64 million as some businesses recovered.

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

	2022	2021
Cost of sales (Note 19)	**$1,293,392**	$1,486,566
Operating expenses (Note 20)	**2,068,782**	4,038,463
	$3,362,174	$5,525,029

13. Other Noncurrent Assets

This account consists of:

	2022	2021
Deferred charges	**$2,951,661**	$3,582,584
Miscellaneous deposits	**1,637,666**	1,483,429
	$4,589,327	$5,066,013

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 of utilities and rent deposits.

14. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Trade	**$94,264,716**	$94,360,026
Nontrade payables	**15,966,391**	11,486,161
Due to related parties (Note 26)	**13,965,089**	11,655,435
Employee-related accruals	**7,233,908**	9,599,513
Taxes payable	**5,483,365**	1,791,297
Accrued tooling expense	**5,097,724**	1,986,293
Accrued expenses	**771,724**	932,682
Provision for Onerous Contract (Note 21)	**5,655**	–
Other Liabilities	**992**	–
	$142,789,564	$131,811,407

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 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.

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.

Provision for Onerous Contract
This account consists of provision for onerous contracts amounting to $5,655 in 2022 (nil in 2021) (see Note 21) which arises by obtaining the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received under it. In determining the provision, the Group considers the entire remaining commitment period under the contract, including the remaining revenue to be recognized for unsatisfied, or partially unsatisfied, performance obligations and the remaining costs to fulfil those performance obligations.

15. **Loans Payable**

This account consists of borrowings of the following entities:

	2022	2021
Intercompany (Note 27)		
IMI MX	**$57,326,339**	$38,572,425
IMI CZ	**3,294,858**	–
Banks:		
VIA and IMI CZ	**35,038,718**	41,473,071
	$95,659,915	$80,045,496

IMI MX
IMI MX has outstanding loans from IMI, STEL and IMI Singapore to fund its working capital requirements. In 2022 and 2021, the loans bear interest rates ranging from and 3.09% to 3.13%, respectively, with terms ranging from 322 to 365 days. Breakdown of the loan from IMI and IMI Singapore follows:

	2022	2021
IMI Singapore	**$19,111,156**	$7,721,462
STEL	**34,015,183**	30,850,963
IMI PH	**4,200,000**	–
	$57,326,339	$38,572,425

In 2022, IMI Singapore, STEL and IMI PH advanced additional loan to IMI Mexico for its expansion and working capital requirements.

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 2021, IMI Singapore converted $30 million of its advances to IMI Mexico to members contribution. In addition, IMI and STEL waived the interest charged in prior years amounting to $2.81 million which was recorded as miscellaneous income in 2021. (see Note 22).

Interest expense incurred on remaining loans amounted to $1.68 million and $1.37 million in 2022 and 2021, respectively (see Note 22).

VIA and IMI CZ
IMI CZ has new outstanding loan from IMI Singapore as of December 31, 2022. The loan in 2022 bear interest rates of 5.97% with terms of 81 days.

Interest expense incurred on these loans amounted to $0.95 million in 2022 (see Note 22).

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 or PRIBOR plus 1.20%. 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 1.82% to 4.0% in 2022 and 0.59% to 4.0% in 2021. VIA has pledged a portion of its trade accounts receivable, up to amounts drawn under the respective loans, in support of the obligations.

VIA and IMI CZ incurred interest expense on short-term loans amounting to $2.09 million in 2022 and $1.00 million in 2021 (see Note 22).

16. Long-Term Debt

This account consists of borrowings of the following entities:

	2022	2021
VTS and IMI CZ	**$4,231,042**	$2,768,032
	4,231,042	2,768,032
Less current portion:		
VIA and IMI CZ	**1,548,254**	1,505,008
	1,548,254	1,505,008
Noncurrent portion	**$2,682,788**	$1,263,024

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 0.80% to 1.60% while the CZ loan bears interest ranging from 1.05% to 2.31% per annum.

VTS and IMI CZ incurred interest expense on its long-term debt amounting to $0.14 million and $0.05 million in 2022 and 2021, respectively (see Note 22).

17. Members' Equity

Members' contribution
Details of the members of the Coöperatief follow:

	Country of Incorporation	2022	2021
IMI Singapore	Singapore	**100%**	100%

The movements in "Members' contribution" account are as follows:

	2022	2021
At beginning of year	**$105,269,893**	$75,269,893
Contributions during the year	**–**	30,000,000
At end of year	**$105,269,893**	$105,269,893

In 2021, IMI Singapore converted of its intercompany receivable from IMI Mexico to equity contribution.

Dividends
IMI Cooperatief paid cash dividends to IMI Singapore amounting to $19.9 million in 2021.

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, 2022 and 2021.

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.

	2022	2021
Loans payable	**$95,659,915**	$80,045,496
Long-term debt	**4,231,042**	2,768,033
Total debt	**99,890,957**	82,813,529
Less cash and cash equivalents	**70,103,725**	98,436,182
Net bank debt (cash)	**29,787,232**	($15,622,653)
Total Member's Equity	**$267,314,782**	$293,222,607
Debt-to-equity ratio	**0.28:1**	0.28:1
Net debt (cash)-to-equity ratio	**0.11:1**	(0.05):1

The Group is not subject to externally imposed capital requirements.

18. 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:

	2022	2021
Manufacturing of goods	**$730,804,228**	$652,712,694
Non-recurring engineering services	**3,614,481**	3,968,039
Revenue from contracts with customers	**$734,418,709**	$656,680,733

The following table presents revenue from contracts with customer per timing of revenue recognition for each reportable segments:

	2022	2021
Revenue recognized:		
Over time	**$500,340,433**	$437,642,580
At point in time	**234,078,276**	219,038,153
Revenue from contracts with customers	**$734,418,709**	$656,680,733

The following table presents revenues from external customers based on customer's nationality:

	2022	2021
Europe	**$526,652,683**	$384,891,618
America	**70,577,043**	58,651,571
Japan	**32,428,315**	40,431,957
Rest of Asia/Others	**104,760,668**	172,705,587
	$734,418,709	$656,680,733

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 16.76%, and 14.47% of the Group's total revenue in 2022 and 2021, respectively.

The following table presents revenues per product type:

	2022	2021
Automotive	**$548,646,991**	$472,810,747
Industrial	**122,234,319**	115,454,807
Consumer	**63,537,399**	68,415,179
	$734,418,709	$656,680,733

19. **Cost of Sales**

This account consists of:

	2022	2021
Direct, indirect and other material-related costs (Note 8)	**$568,725,309**	$486,420,444
Direct labor, salaries, wages and employee benefits (Note 24)	**79,990,077**	84,253,265
Depreciation and Amortization (Note 10,12 and 26)	**16,332,021**	20,142,486
Facilities costs and others (Note 22)	**20,011,422**	15,999,084
	$685,058,829	$606,815,279

20. **Operating Expenses**

This account consists of:

	2022	2021
Salaries, wages and employee benefits (Note 24)	**$28,643,511**	$29,396,978
Depreciation and amortization (Notes 10, 12 and 26)	**2,820,825**	7,035,239
Facilities costs and others (Note 21)	**20,276,063**	20,889,339
	$51,740,399	$57,321,556

21. **Facilities Costs and Others**

This account consists of:

	Cost of Goods Sold and Services		Operating Expenses	
	2022	2021	**2022**	2021
Utilities	**$9,019,137**	$7,039,969	**$1,115,826**	$974,781
Outsourced activities	**5,462,273**	3,504,531	**8,903,595**	7,698,346
Repairs and maintenance	**3,162,640**	3,042,285	**337,484**	341,735
Technology-related	**1,464,473**	2,065,104	**2,520,699**	2,460,471
Insurance	**292,922**	244,779	**3,829,759**	4,738,416
Travel	**381,191**	206,060	**1,442,866**	520,877
Postal and communication	**58,588**	53,685	**76,291**	72,424
Government-related	**142,107**	10,822	**133,464**	248,077
Promotional materials representation and entertainment	**6,859**	8,135	**683,925**	283,903
Provision for (reversal of) inventory obsolescence (Note 8)	–	–	**(110,510)**	365,538
Provision for ECLs (Note 6)	–	–	**592,361**	1,873,087
Provision for Onerous Contract (Note 21)	**–**	–	**5,655**	–
Others	**21,232**	(176,286)	**744,648**	1,311,684
	$20,011,422	$15,999,084	**$20,276,063**	$20,889,339

“Others” include small tools and instruments, copying expenses, office supplies, and other miscellaneous expenses.

22. Others - Net

Interest and Other Financing Charges

This account consists of:

	2022	2021
Interest expense on intercompany loans (Note 15)	**$1,773,087**	$1,373,271
Interest expense on bank loans (Notes 15 and 16)	**2,091,141**	1,055,942
Interest on leases	**305,742**	418,899
Bank charges	**255,064**	359,528
	$4,425,034	$3,207,640

Miscellaneous income - Net

This account consists of:

	2022	2021
Financial subsidies	**$444,186**	$1,965,303
Loss on sale of property, plant and equipment (Note 10)	**(90,349)**	(273,196)
Interest waived	**–**	2,814,072
Reversal of impairment on property, plant and equipment (Note 10)	**–**	1,666,284
Reversal (provision) of impairment loss on product development cost (Note 12)	**–**	636,456
Gain on insurance claims	**412,647**	452,897
Other income	**1,027,517**	231,210
	$1,794,001	$7,493,026

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 $3.13 million and $1.30 million in 2022 and 2021, respectively.

Interest waived pertains to interest accrued on IMI MX’s intercompany loans with IMI Singapore.

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.

23. 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 2022, 2021 and 2020. 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 AG and GmbH are subject to corporate income tax and trade taxes in Germany. For the years ended December 31, 2022, 2021 and 2020, 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 16.35% in 2022 and 2021 and 16.1% in 2020. Overall tax rate for Germany is 32.17% in 2022, 32.17% for 2021 and 31.9% for 2020.

For VIA's subsidiaries, VIA LLC (USA) a tax rate of 23.75% in 2022, 2021 and 2020, for VIA Suzhou (China) a tax rate of 25% for 2022, 2021 and 2020 and for VTS (Japan) a tax rate of 34.1% is applicable.

Deferred Tax
Deferred taxes of the Group relate to the following:

	2022	2021
Deferred tax assets:		
Lease liabilities	**$3,870,556**	$4,714,183
Net operating loss carry-over	**739,053**	1,362,759
Allowance for inventory obsolescence	**348,052**	342,620
Allowance for doubtful accounts	**139,500**	127,951
Others	**611,070**	534,687
	$5,708,231	$7,082,200
Deferred tax liabilities:		
Right of use asset	**$3,774,090**	$4,593,295
Fair value adjustment on property, plant and equipment and intangible assets arising from business combination	**1,573,339**	1,557,898
Contract assets	**122,120**	162,739
	$5,469,549	$6,313,932

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, 2022			
	Deferred Tax Assets	**Deferred Tax Liabilities**	**Total Deferred Tax Assets - net**	**Total Deferred Tax Liabilities -net**
IMI BG	**$741,963**	**($794,223)**	**$–**	**($52,260)**
IMI MX	**544,339**	**(404,234)**	**140,105**	**–**
IMI Serbia	**144,095**	**–**	**144,095**	**–**
VIA and IMI CZ	**4,277,834**	**(3,413,722)**	**864,112**	**–**
Consolidation	**–**	**(857,370)**	**–**	**(857,370)**
	$5,708,231	**(5,469,549)**	**$1,148,312**	**($909,630)**

	December 31, 2021			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets – net	Total Deferred Tax Liabilities - net
IMI BG	$690,184	($866,002)	$–	($175,818)
IMI Serbia	805,392	(628,432)	176,960	–
IMI MX	80,627	–	80,627	–
VIA and IMI CZ	5,505,997	(3,962,128)	1,543,869	–
Consolidation	–	(857,370)	–	(857,370)
	$7,082,200	($6,313,932)	$1,801,456	($1,033,188)

The temporary differences and tax losses for which no deferred tax assets have been recognized follows:

	2022	2021
Net operating loss carry-over	**$39,180,571**	$23,874,501
Excess of cost over NRV of inventories	**417,786**	608,995
Provisions	**567,139**	252,172
Allowance for doubtful accounts	**34,733**	60,130
	$40,200,229	$24,795,798

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, 2022 and 2021, 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
2022	$ 2,669,646	$–	$2,669,646
2021	1,340,605	–	1,340,605
2020	6,567,560	–	6,567,560
2019 and prior	21,600,610	1,304,909	20,295,701
	$32,178,421	1,304,909	$30,873,512

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:

	2022	2021
Statutory income tax	**25%**	25.00%
Tax effects of:		
Difference in tax jurisdiction	**(59.67%)**	361.52%
Nondeductible expenses	**(50.00%)**	(50.00%)
Effective income tax rate	**(84.67%)**	336.52%

24. **Personnel Costs**

Salaries, wages, and employee benefits follow:

	2022	2021
Salaries and benefits	**$98,118,680**	$103,742,696
Retirement expense under defined contribution plans	**3,854,792**	3,913,362
Government related contributions	**5,154,855**	4,338,595
Net retirement expense under defined benefit plans	**376,280**	308,597
Others	**1,128,981**	1,346,993
	$108,633,588	$113,650,243

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:

	2022	2021
Cost of sales (Note 19)	**$79,990,077**	$84,253,265
Operating expenses (Note 20)	**28,643,511**	29,396,978
	$108,633,588	$113,650,243

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, 2022.

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, 2022 and 2021:

Retirement Expense

	2022	2021
Current service cost	**$338,342**	$304,780
Net interest	**37,938**	3,817
	$376,280	$308,597

The retirement expense of the Group is included under "Salaries, wages, and employee benefits" account.

Retirement Liability

	2022	2021
At beginning of year	**$2,131,141**	$1,758,836
Retirement expense	**376,280**	308,597
Actuarial loss	**363,902**	263,344
Separation and benefits paid	**(75,618)**	(57,144)
Foreign currency exchange difference	**(864,373)**	(142,492)
At end of year	**$1,931,332**	$2,131,141

IMI BG expects to contribute $0.25 million to the defined benefit plans for 2022.

The average duration of net retirement liabilities at the end of the balance sheet date is 18.29 years and 19.17 years as of December 31, 2022 and 2021, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Less than one year	**$466,105**	$412,198
More than one year to five years	**945,372**	908,341
More than five years	**18,674,186**	21,578,953
	$20,085,663	$22,899,492

Principal Actuarial Assumptions

The principal actuarial assumptions used to determine retirement benefits are shown below:

	2022	2021
Discount rate	**1.80%**	0.20%
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	**2022**	2021
Discount rate	+1%	**($46,112)**	($56,519)
	-1%	**48,233**	59,344
Salary increase rate	+1%	**70,057**	83,507
	-1%	**(69,597)**	(83,073)

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:

	2022	2021
Cost of sales	**$3,863,420**	$3,967,258
Operating expenses	**367,652**	254,702
	$4,231,072	$4,221,960

25. **Employee Stock Ownership Plan**

IMI has an ESOWN plan, which allows the grantees to purchase IMI's share at a discounted price.

There was no allocation of cost of share-based payments by IMI to the Group in 2022 and 2021.

26. **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:

	2022	2021
As at January 1, 2022	**$13,422,292**	$14,520,676
Additions	**29,107**	3,631,993
Amortization expense	**(2,707,217)**	(3,556,534)
Cumulative translation adjustment	**(425,082)**	(1,173,843)
As at December 31, 2022	**$10,319,100**	$13,422,292

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the period:

	2022	2021
As at January 1, 2022	**$14,387,889**	$15,512,743
Additions	**29,107**	3,563,055
Interest expense on lease liabilities	**305,742**	418,899
Rental payments	**(3,865,516)**	(4,048,515)
Cumulative translation adjustment	**(718,460)**	(1,058,293)
As at December 31, 2022	**$10,138,762**	$14,387,889
Current	**$3,385,460**	$913,549
Noncurrent	**$6,753,302**	$13,474,340

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

	2022	2021
Amortization expense of right-of-use assets	**2,707,217**	$3,556,534
Interest expense on lease liabilities	**305,742**	418,899
Expense related to short-term leases and low-value assets	**413,184**	839,410
	$3,426,143	$4,814,843

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, 2022 and 2021:

	2022	2021
Within one year	**$3,020,840**	$3,005,634
After one year but not more than two years	**2,789,345**	3,008,286
After two years but not more than three years	**1,976,680**	2,784,944
After three years but not more than four years	**993,418**	1,996,740
After four years but not more than five years	**837,659**	993,418
More than five years	**493,730**	1,084,524
	$10,111,672	$12,873,546

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 Group

VIA Group has lease contracts for various items of office, plant and vehicles used in its operations. Leases of office and plant have lease terms between 3 and 18 years, while motor vehicles generally have lease terms of 3 years. VIA's obligations under its leases are secured by the lessor's title to the leased assets. For certain leases, VIA is restricted from entering into any sub-lease agreements. There are several lease contracts that include extension and termination options. VIA Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. VIA Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

27. **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, 2022 and 2021, 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	
	2022	2021	**2022**	2021
IMI:				
Trade	**$–**	$–	**$56,210**	$258,615
Nontrade	**82,099**	281,227	**9,491,280**	8,293,238
Loans	**–**	–	**4,200,000**	–
STEL:				
Nontrade	**178,485**	810,178	**878,433**	960,662
Loans	**–**	–	**34,015,183**	30,850,962
Interest	**–**	–	**3,421,621**	2,142,920
IMI Singapore:				
Nontrade	**398,515**	398,515	–	–
Noncurrent liabilities	**–**	–	**17,770,665**	17,770,665
Loans	**–**	–	**22,406,014**	7,721,463
STI Limited:				
Trade	**204,620**	–	**–**	–
IMI US:				
Trade	**17,026**	–	**117,545**	–
	$880,745	$1,489,920	**$92,356,951**	$67,998,525

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 have a 360-day term subject to interest rate of 8.43% Intercompany loans from IMI Singapore and STEL bear interest rates ranging from 3.13% to 8.26% with terms ranging from 65 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:

	2022	2021
Loans payable (Note 15)	**$60,621,197**	$38,572,425
Due to related parties (Note 14)	**10,543,468**	9,512,515
Accrued interest payable (Note 14)	**3,421,621**	2,142,920
	$74,586,286	$50,227,860

b. Revenue/income and expenses from related parties follow:

	Revenue/Income		Expenses	
	2022	2021	**2022**	2021
STEL	**$635,819**	$1,819,467	**$3,482,258**	$2,228,194
IMI Singapore	**90,827**	2,814,072	**484,552**	421,392
IMI	**87,564**	–	**6,562,502**	2,307,643
IMI US	**24,950**	73,750	**121,032**	42,890
STI	**65,924**	–	**–**	–
	$905,084	$4,707,289	**10,650,344**	5,000,119

These amounts represent intercompany sale of services, purchases of materials, and 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 $2.29 million and $2.78million in 2022 and 2021, respectively.

28. **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 and cash equivalents, short-term investments, 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, 2022 and 2021:

	Carrying Amounts		**Fair Values**	
	2022	2021	**2022**	2021
Financial liabilities				
Noncurrent portion of long-term debt	**$2,682,788**	$1,263,024	**$2,540,075**	$1,378,241
	$2,682,788	$1,263,024	**$2,540,075**	$1,378,241

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 and nil for 2022 and 2021. 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 1.83% and 1.67% in 2022 and 2021.

Fair Value Hierarchy

The following table provides the fair value hierarchy of the inputs to the valuation of the financial liabilities:

	December 31, 2022			
		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Liabilities for which fair values are disclosed:				
Long-term debt	**$2,540,075**	**$–**	**$–**	**$2,540,075**

	December 31, 2021			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities for which fair values are disclosed:				
Long-term debt	$1,378,241	$–	$–	$1,378,241

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.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable, long-term debt and due to related parties, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, short-term investments, receivables, accounts payable and accrued expenses and lease liabilities 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, 2022 and 2021.

	Effect on Income before Tax	
Increase/Decrease in Basis Points	**2022**	2021
+100	**($53,830)**	($43,914)
-100	**$53,830**	43,914

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:

2022

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial liabilities:					
Accounts payable and accrued expenses:					
Trade payables	**$–**	**$94,264,716**	**$–**	**$–**	**$94,264,716**
Due to related parties	**–**	**13,965,089**	**–**	**–**	**13,965,089**
Employee-related accruals and contributions	**–**	**7,233,908**	**–**	**–**	**7,233,908**
Accrued expense*s	**–**	**731,258**	**–**	**–**	**731,258**
Accrued interest payable	**–**	**3,421,621**	**–**	**–**	**3,421,621**
Accrued tooling expense	**–**	**5,097,724**	**–**	**–**	**5,097,724**
Other current liabilities	**–**	**992**	**5,655**	**–**	**6,647**
Loans payable**	**–**	**12,351,600**	**22,915,748**	**60,621,197**	**95,888,545**
Current portion of lease liabilities	**–**	**–**	**3,020,840**	**–**	**3,020,840**
Current portion of long-term debt	**–**	**–**	**1,568,329**	**–**	**1,568,329**
Noncurrent portion of lease liabilities	**–**	**–**	**–**	**7,090,832**	**7,090,832**
Noncurrent portion of long-term debt**	**–**	**–**	**–**	**2,837,895**	**2,837,895**
	$–	**$133,645,287**	**$27,510,572**	**$70,549,924**	**$231,642,462**

**Includes future interest payable*
*** Including future interest payment*

2021

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial liabilities:					
Accounts payable and accrued expenses:					
Trade payables	$–	$94,360,026	$–	$–	$94,360,026
Due to related parties	–	11,655,435	–	–	11,655,435
Employee-related accruals and contributions	–	9,599,513	–	–	9,599,513
Accrued expenses*	–	932,681	–	–	932,681
Accrued interest payable	–	2,142,920	–	–	2,142,920
Accrued tooling expense	–	1,986,293	–	–	1,986,293
Other current liabilities	–	–	–	–	–
Loans payable**	–	20,485,341	21,206,948	38,572,425	80,264,714
Current portion of lease liabilities	–	–	3,005,634	–	3,005,634
Current portion of long-term debt	–	–	1,523,689	–	1,523,689
Noncurrent portion of lease liabilities	–	–	–	9,867,912	9,867,912
Noncurrent portion of long-term debt**	–	–	–	1,303,655	1,303,655
	$–	$139,019,289	$25,736,271	$49,743,992	$214,499,552

**Includes future interest payable*
***Including future interest payment*

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, 2022 and 2021, as follows:

	2022		2021	
Financial Institutions	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
EUR	**18,257,435**	**15,266,843**	20,351,130	15,273,420
CZK	**50,000,000**	**–**	50,000,000	20,000,000
Foreign:				
USD	**35,000,000**	**3,238,127**	30,000,000	2,349,635
JPY	**800,000,000**	**518,830,000**	600,000,000	392,580,000

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, 2022 and 2021 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 26% and 24% of trade receivables relating to three major customers as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the aging analysis of receivables, contract assets and miscellaneous deposits as follows:

	December 31, 2022							
		Neither	**Days Past Due**					
	Total	**Past Due nor Impaired**	**<30 Days**	**30-60 Days**	**60-90 Days**	**90-120 Days**	**>120 Days**	**Specifically Impaired**
Receivables:								
Trade	**$123,485,599**	**$96,146,214**	**$15,421,818**	**$3,639,966**	**$3,344,227**	**$813,102**	**$1,060,932**	**$3,059,340**
Nontrade	**214,060**	**214,060**	–	–	–	–	–	–
Due from related parties	**880,745**	**880,745**	–	–	–	–	–	–
Others	**95,027**	**95,027**	–	–	–	–	–	–
Contract Assets	**29,820,482**	**29,820,482**	–	–	–	–	–	–
Miscellaneous deposits	**1,485,140**	**1,485,140**	–	–	–	–	–	–
	$155,981,053	**$128,641,668**	**$15,421,818**	**$3,639,966**	**$3,344,227**	**$813,102**	**$1,060,932**	**$3,059,340**

	December 31, 2021							
		Neither	Days Past Due					
	Total	Past Due nor Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Specifically Impaired
Receivables:								
Trade	$120,985,271	$101,713,796	$10,751,692	$2,153,668	$953,241	$707,808	$1,572,742	$3,132,324
Nontrade	150,066	150,066	–	–	–	–	–	–
Due from related parties	1,489,920	1,489,920	–	–	–	–	–	–
Others	417,874	417,874	–	–	–	–	–	–
Contract Assets	18,298,984	18,298,984	–	–	–	–	–	–
Miscellaneous deposits	1,483,429	1,483,429	–	–	–	–	–	–
	$142,825,544	$123,554,069	$10,751,692	$2,153,668	$953,241	$707,808	$1,572,742	$3,132,324

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. Given the loss patterns of customers and the Group's credit policy, the expected credit loss recognized for the period ended December 31, 2022 and 2021 represents specifically identified impaired financial assets.

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2022 and 2021:

	December 31, 2022					
	Neither Past Due nor Impaired				**Past Due or**	
	Minimal Risk	**Average Risk**	**Fairly High Risk**	**High Risk**	**Individually Impaired**	**Total**
Cash and cash equivalents and short-term investments	**$78,603,335**	**$–**	**$–**	**$–**	**$–**	**$78,603,335**
Receivables:						
Trade	**56,606,418**	**39,539,796**	**–**	**–**	**27,339,385**	**123,485,599**
Nontrade	**28,475**	**185,585**	**–**	**–**	**–**	**214,060**
Due from related parties	**880,745**	**–**	**–**	**–**	**–**	**880,745**
Others	**93,898**	**1,129**	**–**	**–**	**–**	**95,027**
Miscellaneous deposits	**1,485,140**	**–**	**–**	**–**	**–**	**1,485,140**
	$137,698,011	**$39,726,510**	**$–**	**$–**	**$27,339,385**	**$204,763,906**

	December 31, 2021					
	Neither Past Due nor Impaired				Past Due or Individually Impaired	Total
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		
Cash and cash equivalents	$98,420,172	$–	$–	$–	$–	$98,420,172
Receivables:						
Trade	48,721,074	52,992,722	–	–	19,271,475	120,985,271
Nontrade	8,487	141,579	–	–	–	150,066
Due from related parties	1,489,920	–	–	–	–	1,489,920
Others	88,921	328,953	–	–	–	417,874
Miscellaneous deposits	1,483,429	–	–	–	–	1,483,429
	$150,212,003	$53,463,254	$–	$–	$19,271,475	$222,946,732

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 19% and 25% of the Group's sales for the years ended December 31, 2022 and 2021, respectively, and 39% and 33**%** of costs for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 follows:

	2022		2021	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$46,834,074**	**€44,058,395**	$54,105,368	€47,859,680
Receivables	**16,326,961**	**15,359,324**	18,331,070	16,215,011
Accounts payable and accrued expenses	**(21,496,650)**	**(20,222,625)**	(18,964,778)	(16,775,566)
Net foreign currency-denominated assets	**$41,664,385**	**€39,195,094**	$53,471,660	€47,299,125

**The USD-denominated monetary assets and liabilities are translated using EUR0.9407 for $1 in 2022 and EUR0.8846 for $1 in 2021*

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, 2022 and 2021. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax 2022	2021
USD	+1%	**$271,741**	$222,857
	-1%	**(275,333)**	(224,730)

** The USD-denominated monetary assets and liabilities are translated using EUR0.9407 for $1 in 2022 and EUR0.8846 for $1 in 2021*

30. 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.

31. Notes to Consolidated Statements of Cash Flows

The following table shows the reconciliation of liabilities arising from financing activities:

		Cash Flows			Non-cash changes			
	2021	Availment	Settlement/ Payment	Reclass	Addition	Accretion of interest expense	Foreign currency translation	2022
Loans payable (Note 15)	$80,045,496	$26,651,684	($8,574,607)	$–	$–	$–	($2,462,658)	$95,659,915
Current portion of long-term debt (Note 16)	1,505,008	–	(1,555,198)	1,748,072	–	–	(149,628)	1,548,254
Long-term debt (Note 16)	1,263,024	3,249,410	–	(1,748,072)	–	–	(81,574)	2,682,788
Lease liabilities (Note 26)	14,387,889	–	(3,865,516)	–	29,107	305,742	(718,460)	10,138,762
	$97,201,417	$29,901,094	($13,995,321)	$–	$29,107	$305,742	($3,412,320)	$110,029,719

	2020	Cash Flows: Availment	Cash Flows: Settlement/ Payment	Reclass	Non-cash changes: Addition	Non-cash changes: Accretion of interest expense	Non-cash changes: Foreign currency translation	2021
Members contribution (Note 17)	$75,269,893	$30,000,000	$–	$–	$–	$–	$–	$105,269,893
Dividends payable	–	–	(19,900,000)	–	–	–	–	(19,900,000)
Loans payable (Note 15)	97,878,528	19,008,646	(34,810,827)	–	–	–	(2,030,851)	80,045,496
Current portion of long-term debt (Note 16)	2,109,394	–	(2,042,862)	1,638,474	–	–	(199,998)	1,505,008
Long-term debt (Note 16)	2,414,967	642,826	–	(1,638,474)	–	–	(156,296)	1,263,023
Lease liabilities (Note 26)	15,512,743	–	(4,048,515)	–	3,563,055	418,899	(1,058,293)	14,387,889
	$117,915,632	$49,651,472	($60,802,204)	$–	$3,563,055	$418,899	($2,230,849)	$166,920,397

GENERAL FORM FOR FINANCIAL STATEMENTS

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

Control No.:
Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024
TEL. NO.: 02 756 6840 FAX NO.: (049)5491028
COMPANY TYPE : MANUFACTURING PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	**1,103,884**	**1,123,175**
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	776,846	752,325
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	115,825	159,788
A.1.1.1 On hand	74	56
A.1.1.2 In domestic banks/entities	6,035	19,133
A.1.1.3 In foreign banks/entities	109,716	140,599
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	291,640	279,042
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 +	2,865	826
A.1.2.1.1 Due from customers (trade)		
A.1.2.1.2 Due from related parties	2,530	449
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	335	377
A.1.2.1.3.1 Nontrade		
A.1.2.1.3.2 Receivables from employees & others	335	377
A.1.2.1.4 Allowance for doubtful accounts (**negative entry**)		
A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)	288,775	278,217
A.1.2.2.1 Due from customers (trade)	283,795	273,946
A.1.2.2.2 Nontrade	7,529	6,883
A.1.2.2.3 Receivables from insurance & others	798	2,132
A.1.2.2.4 Allowance for doubtful accounts (**negative entry**)	(3,347)	(4,744)
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	268,497	238,589
A.1.3.1 Raw materials and supplies	267,413	225,928
A.1.3.2 Goods in process (including unfinished goods, growing crops,	7,996	6,946
A.1.3.3 Finished goods	5,984	18,172
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)	(12,896)	(12,458)
A.1.3.6.1 Allowance for inventory obsolesence (**negative entry**)	(12,896)	(12,458)
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)	8,500	-
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 +	-	-
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions	-	-
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	-	-
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024
TEL. NO.: 02 756 6840 FAX NO.: (049)5491028
COMPANY TYPE : MANUFACTURING PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)	-	-
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)	-	-
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities:	8,500	-
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments	8,500	
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Contract Assets	67,138	52,481
A.1.6 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	25,246	22,425
A.1.6.1 Prepayments and advances to suppliers	13,253	15,776
A.1.6.2 Tax credits	3,974	1,669
A.1.6.3 Input taxes	7,650	4,765
A.1.6.4 Others	370	215
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+A.2.8)	146,109	161,967
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement	101,117	101,485
A.2.3 Machinery and equipment (on hand and in transit)	196,843	229,249
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery	2,185	2,398
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	41,659	37,665
A.2.5.1 Property, or equipment used for education purposes		
A.2.5.2 Construction in progress	6,066	3,384
A.2.5.3 Furniture, Fixtures and Equipment	26,306	24,890
A.2.5.4 Tools and Instruments	9,288	9,391
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)		
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.7 Accumulated Depreciation (**negative entry**)	(192,876)	(206,372)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)	(2,819)	(2,458)
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	-	-
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)	-	-
A.3.3.1 Investment in Radar Golf		
A.3.3.2 Investment in Tecknopark Land Inc.		
A.3.3.3		
A.3.3.4		
A.4 Investment Property		
A.5 Biological Assets		
A.6 Intangible Assets (A.6.1 + A.6.2)	141,373	156,360
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)	141,373	156,360
A.6.1.1 Goodwill	136,248	145,434
A.6.1.2 Product Development Cost	334	4,225
A.6.1.3 Intellectual properties	1,324	2,639
A.6.1.4 Licenses	3,468	3,934
A.6.1.5 Customer Relationships	-	129
A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)	-	-
A.6.2.1		
A.6.2.2		
A.6.2.3		
A.6.2.4		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

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GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024
TEL. NO.: 02 756 6840 FAX NO.: (049)5491028
COMPANY TYPE : MANUFACTURING PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	-	-
A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)		
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.1.4		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)		
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.2.4		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4+A.10.5)	39,557	52,522
A.10.1 Pension asset	225	255
A.10.2 Deferred Income Tax	2,149	2,934
A.10.3 Financial assets at FVOCI	1,829	1,365
A.10.4 Noncurrent receivables		
A.10.5 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	35,353	47,968
A.10.4.1 Deferred charges	12,286	15,722
A.10.4.2 Miscellaneous deposits	3,156	3,565
A.10.4.3 Others	644	223
A.10.4.4 Right-of-use assets	19,266	28,458
A.10.5 Allowance for write-down of deferred charges/bad accounts (**negative entry**)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	**688,601**	**661,461**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	514,773	472,564
B.1.1 Trade and Other Payables to Domestic Entities	172,409	123,795
B.1.1.1 Trust receipts and Loans/Notes Payables	150,100	96,700
B.1.1.2 Trade Payables	2,947	1,564
B.1.1.3 Non trade Payables	2,109	2,816
B.1.1.4 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	19	49
B.1.1.3.1 Due to a related party	19	49
B.1.1.3.2		
B.1.1.3.3		
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3 + B.1.1.4.4 + B.1.1.4.5)	17,234	22,666
B.1.1.4.1 Accrued expenses	10,358	12,069
B.1.1.4.2 Employee related payables	5,762	7,587
B.1.1.4.3 Others		
B.1.1.4.4 Taxes and government related payable	944	978
B.1.1.4.5 Current portion of lease liabilities	170	2,032
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)	329,093	339,813
B.1.2.1 Trust receipts and Loans/Notes Payables	42,560	69,072
B.1.2.2 Trade Payables	209,166	203,795
B.1.2.3 Non Trade Payables	19,106	15,163
B.1.2.4 Accrued expenses	28,993	22,839
B.1.2.5 Taxes and government related payable	2,132	2,643
B.1.2.6 Customers' deposits & Advances from customers	3,922	684
B.1.2.7 Employee related payables	16,316	19,231
B.1.2.8 Dividends Payable		
B.1.2.9 Current portion of lease liabilities	6,898	6,386
B.1.2.10 Others		
B.1.3 Contract Liabilities	7,407	4,741
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3)	1,035	-
B.1.4.1 Other financial liabilities	1	
B.1.4.2 Liability for Onerous Contracts	1,034	
B.1.4.3		
B.1.4.4		
B.1.5 Liabilities for Current Tax	1,781	2,410
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	3,048	1,805
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Derivatives liabilities		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year	3,048	1,805
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)	-	-
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

Control No.:
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GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024
TEL. NO.: 02 756 6840 **FAX NO.:** (049)5491028
COMPANY TYPE : MANUFACTURING **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 +	147,365	149,679
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions		
B.2.4 Domestic Private Non-Financial Institutions	144,682	148,416
B.2.5 Foreign Financial Institutions	2,683	1,263
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	26,462	39,219
B.5.1 Deferred Income Tax	1,106	1,058
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)	25,357	38,160
B.5.2.1 Finance lease	12,870	22,802
B.5.2.2 Deferred Revenue		
B.5.2.3 Pension Liability	7,013	10,311
B.5.2.4 Other Long term payables	5,474	5,047
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)	**415,284**	**461,713**
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	0	0
C.1.1 Common shares		
C.1.2 Preferred Shares		0
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)	692	709
C.2.1 Common shares	692	709
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	42,719	42,706
C.3.1 Common shares	42,719	42,706
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	193,797	193,831
C.5 Minority Interest	37,974	57,115
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)	(53,690)	(33,194)
C.6.1 Subscription receivable	(2,620)	(2,702)
C.6.2 Reserve for fluctuation on available for sale - investments	33	(555)
C.6.3 Asset valuation reserve	0	0
C.6.4 Cumulative translation Adjustment	(43,668)	(19,865)
C.6.5 Other Comprehensive Income	(7,434)	(10,072)
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	194,803	201,560
C.8.1 Appropriated		
C.8.2 Unappropriated	194,803	201,560
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (**negative entry**)	(1,013)	(1,013)
D. TOTAL LIABILITIES AND EQUITY (B + C)	**1,103,884**	**1,123,175**

Control No.:	
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GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024

TEL. NO.: 02 756 6840 **FAX NO.:** (049)5491028

COMPANY TYPE : MANUFACTURING **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)	**1,412,040.50**	**1,314,485.72**
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)	1,409,016.51	1,300,590.20
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the		
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	4,733.96	3,945.13
A.3.1 Rental Income from Land and Buildings		
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)	4,733.96	3,945.13
A.3.5.1 Financial subsidies	2,599.52	2,817.10
A.3.5.2 Miscellaneous Income	1,718.64	670.01
A.3.5.3 Gain on insurance claims	415.80	458.02
A.3.5.4 Reversal of contingent consideration		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	(1,709.97)	9,950.40
A.4.1 Interest Income	667.90	300.54
A.4.2 Dividend Income		
A.4.3 Gain / (**Loss**) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)	(2,328.83)	2,162.76
A.4.3.1 Gain/(loss) on sale of fixed assets	(2,355.75)	438.50
A.4.3.2 Mark-to-market gains (loss) from put option		1,627.81
A.4.3.3 Net gain on disposal of a subsidiary		
A.4.3.4 Sale of materials and scrap	26.92	96.46
A.4.4 Other Non-operating Gain / (**Loss**) (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	(49.04)	7,487.09
A.4.4.1 Net foreign exchange gain	1,916.99	5,398.20
A.4.4.2 Reversal (provision) of Impairment loss	(1,966.03)	2,248.52
A.4.4.3 Set up of intellectual property related liability		
A.4.4.4 Other expense		(159.63)
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	**1,298,608.90**	**1,209,771.81**
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	1,298,608.90	1,209,771.81
B.1.1 Direct Material Used	1,043,619.96	932,394.67
B.1.2 Direct Labor	175,021.94	188,179.41
B.1.3 Other Manufacturing Cost / Overhead	79,966.99	89,197.73
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (**negative entry**)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (**negative entry**)		
C. COST OF SALES (C.1 + C.2 + C.3)	**0.00**	**0.00**
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (**negative entry**)		
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)	**0.00**	**0.00**
D.1		
D.2		
D.3		
D.4		
D.5		
D.6		

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GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024

TEL. NO.: 02 756 6840 **FAX NO.:** (049)5491028

COMPANY TYPE : MANUFACTURING **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)		
E.1		
E.2		
E.3		
E.4		
E.5		
E.6		
F. GROSS PROFIT (A - B - C - D - E)	**113,431.606**	**104,713.91**
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	**107,750.306**	**108,481.71**
G.1 Selling or Marketing Expenses		
G.2 Administrative Expenses		
G.3 General Expenses	107,750.306	108,481.712
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	-	-
G.4.1 Interest and bank charges		
G.4.2 Impairment loss on goodwill		
G.4.3		
G.4.4 Foreign exchange losses		
G.4.5 Miscellaneous		
G.4.6		
H. FINANCE COSTS	**14,655.729**	**10,553.667**
I. NET INCOME (LOSS) BEFORE TAX (F - G - H)	**(8,974.43)**	**(14,321.47)**
J. INCOME TAX EXPENSE (negative entry)	**-6,387.923**	**-5,384.049**
K. INCOME AFTER TAX	**(15,362.35)**	**(19,705.52)**
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)	**0.000**	**0.00**
L.1		
L.2		
M. Profit or Loss Attributable to Minority Interest	8,605.423	9,140.948
N. Profit or Loss Attributable to Equity Holders of the Parent	**(6,756.93)**	**(10,564.57)**

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NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, BIÑAN, LAGUNA 4024

TEL. NO.: 02 756 6840 **FAX NO.:** (049)5491028

COMPANY TYPE : MANUFACTURING **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2022 (in US$'000)	2021 (in US$'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) Before Tax and Extraordinary Items	(8,974.43)	(14,321.47)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	27,909.94	40,047.88
Amortization, specify: Interest expense	13,076.06	8,433.90
Others, specify: Amortization of Intangible Assets	4,812.16	7,399.02
Amortization of right-of-use asset	9,134.30	10,875.98
Interest expense on lease liabilities	932.08	1,349.77
Unrealized foreign exchange loss (gain) - net	(8,153.36)	(5,107.96)
Loss (gain) on derivative transactions	42.64	(139.98)
Loss (gain) on sale of property, plant and equipment	2,355.75	(438.50)
Interest income	(667.90)	(300.54)
Mark-to-market loss (gain) on put options		(1,627.81)
Reversal of contingent liability		
Provision (reversal) of impairment loss on product development cos	1,604.84	(636.46)
Provision (reversal) of impairment loss of property, plant and equipi	361.19	(1,612.07)
Gain on insurance claims	(415.80)	(458.02)
Loss on lease modifications		159.63
Reversal of impairment loss on property, plant and equipment		
Operating income before working capital changes	42,017.46	43,623.387
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Loans and receivables	(20,352.97)	(8,642.45)
Inventories	(35,844.29)	(99,550.74)
Other current assets	(3,416.79)	(5,569.76)
Contract assets	(17,280.65)	1,297.54
Short-term investments	(8,499.61)	
Increase (Decrease) in:		
Accounts payables and accrued expenses	10,876.00	33,353.94
Contract liabilities	2,713.07	3,225.96
Liability for Onerous Contracts	1,034.21	
Retirement Liabilities	(1,036.19)	(18.74)
Accrued rent		
Other noncurrent liabilities		
Net cash generated (used) from operations	(29,789.75)	(32,280.86)
Interest paid	(12,960.53)	(7,724.83)
Income tax paid	(6,559.00)	(7,507.16)
Interest received	667.90	300.54
Dividends received		
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	(48,641.37)	(47,212.32)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant, and equipment	(20,683.41)	(30,374.53)
Available-for-sale financial assets		
Intangible assets	(505.35)	(618.13)
Acquisition through business combination, net of cash acquired		(3,018.34)
Capitalized development costs, excluding depreciation		
Proceeds from sale of property, plant and equipment	782.68	2,729.97
Increase in advaces from third party		
Decrease (increase) in other non current assets	1,155.44	(1,269.55)
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(19,250.64)	(32,550.59)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from subsidiary's public offering		
Proceeds from stock rights offering		
Availment of loans	56,695.08	140,575.12
Payments of:		
Loans payable	(23,499.83)	(59,700.00)
Lease liabilities	(11,571.27)	(11,900.88)
Long-term debt	(4,088.34)	(2,042.86)
Dividends paid to preference shareholders of a subsidiary		(3,668.89)
Dividends paid to equity holders of the Parent Company		
Collections (refund) of subscriptions receivable	45.49	142.58
Redemption of preferred shares of a subsidiary to non-controlling interest		(70,000.00)
Acquisition of Treasury Shares		
Settlement of derivatives		(88.36)
Increase in noncurrent liabilities	1,318.43	(216.00)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	18,899.56	(6,899.29)
Effect of changes in foreign exchange rates on cash & cash equivalents	5,029.38	2,094.39
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(43,963.07)	(84,567.80)
Cash and Cash Equivalents		
Beginning of year	159,787.62	244,355.43
End of year	115,824.56	159,787.62

	Control No.:
	Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION:	INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
CURRENT ADDRESS:	NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ BIÑAN, LAGUNA 4024
TEL. NO.:	02 756 6840 loc 5370 — FAX NO.: (049)-5491028
COMPANY TYPE :	MANUFACTURING — PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

(Amount in US$'000)

FINANCIAL DATA	Capital Stock-Common	Capital Stock-Preferred	Subscribed Capital Stock	APIC	Subscriptions Receivable	Treasury Stock	Retained Earnings	Reserved for Fluctuation on AFS Financial Assets	Other Comprehensive Loss	Other Reserves	Cumulative Translation Adjustment	Minority Interest	TOTAL
A Balance, *2020*	42,674.93	-	744.82	193,869.68	(2,888.80)	(1,012.587)	215,793.69	(874.80)	(9,750.21)	-	9,137.77	133,168.24	580,862.73
B Surplus	-	-	(5.40)	(38.88)	186.87	-	-		-	-		-	142.58
B.1 Surplus (Deficit) on Revaluation of Properties													-
B.2 Surplus (Deficit) on Revaluation of Investments													-
B.3 Currency Translation Differences													-
B.4 **Other Surplus (specify)**	-	-	(5.40)	(38.88)	186.87	-	-	-	-	-	-	-	142.58
B.4.1 Forfeitures during the year			(5.40)	(38.88)	44.29								-
B.4.2 Collections from subscriptions					142.58								142.58
B.4.3 Cost of Share based payments													-
B.4.4 Reacquired shares													-
B.4.5 Accretion of subscription receivable													-
B.4.6 Transaction costs on shares issuance													-
B.4.7 Effect of recognition of financial liability arising from put options on business combination													-
C Net Income (Loss) for the Period							(10,564.57)					(9,140.95)	(19,705.52)
D Dividends (negative entry)							(3,668.89)						(3,668.89)
D.1 Reversal of cash dividends declared													-
D.2 Cash Dividend							(3,668.89)						(3,668.89)
E Appropriation for: Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
E.1 Dilution of ownership interest in a subsidiary													-
E.2 Derecognition of put option financial liability													-
F Issuance of Capital Stock	30.63	-	(30.63)	-	-	-	-	-	-	-	-	(70,000.00)	(70,000.00)
F.1 Shares issued during the year	30.63		(30.63)										-
F.2 Redemption of preferred shares												(70,000.00)	(70,000.00)
G Other Comprehensive Income/(Loss)								320.19	(322.02)		(29,003.12)	3,087.29	(25,917.66)
H Balance, *2021*	42,705.56	-	708.79	193,830.80	(2,701.94)	(1,012.59)	201,560.23	(554.61)	(10,072.23)	-	(19,865.35)	57,114.58	461,713.25
I Balance, *2021*	42,705.56	-	708.79	193,830.80	(2,701.94)	(1,012.59)	201,560.23	(554.61)	(10,072.23)	-	(19,865.35)	57,114.58	461,713.25
J Effect of finalization of business combination													-
K Surplus	-	-	(2.67)	(33.58)	81.74	-	-		-	-		-	45.49
K.1 Surplus (Deficit) on Revaluation of Properties													-
K.2 Surplus (Deficit) on Revaluation of Investments													-
K.3 Currency Translation Differences													-
K.4 **Other Surplus (specify)**	-	-	(2.67)	(33.58)	81.74	-	-	-	-	-	-	-	45.49
K.4.1 Forfeitures during the year			(2.67)	(33.58)	36.25								-
K.4.2 Collections from subscriptions					45.49								45.49
K.4.3 Cost of Share based payments													-
K.4.4 Reacquired shares													-
K.4.5 Accretion of subscription receivable													-
K.4.6 Transaction costs on shares issuance													-
K.4.7 Effect of finalization of business combination													-
L Net Income (Loss) for the Period							(6,756.93)					(8,605.42)	(15,362.35)
M Dividends (negative entry)							-						-
L.1 Reversal of cash dividends declared													-
L.2 Cash Dividend													-
N Appropriation for: Acquisition of non-controlling interests										-	-	-	-
M.1 Dilution of ownership interest in a subsidiary													-
M.2 Derecognition of put option financial liability													-
O Issuance of Capital Stock	13.66	-	(13.66)	-	-	-	-	-	-	-	-	-	-
N.1 Shares issued during the year	13.66		(13.66)										-
N.2 Redemption of preferred shares													-
P Other Comprehensive Income/(Loss)								587.40	2,638.00		(23,803.14)	(10,534.79)	(31,112.52)
Q Balance, *2022*	42,719.22	-	692.45	193,797.22	(2,620.20)	(1,012.59)	194,803.30	32.79	(7,434.23)	-	(43,668.48)	37,974.36	415,283.86

Control No.:	
Form Type:	*GFFS (rev. 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CURRENT ADDRESS: NORTH SCIENCE AVE., LAGUNA TECHNOPARK SEPZ, BIÑAN LAGUNA 4024

TEL. NO.: 02 756 6840 loc 5370 **FAX NO.:** (049)-5411028

COMPANY TYPE : MANUFACTURING **PSIC:**

If these are based on consolidated financial statements, please so indicate in the caption.

Table 5. Details of Income and Expenses, by source

(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2022 (in $'000)	2021 (in $'000)
A. REVENUE / INCOME (A.1 + A.2)	**1,412,040.50**	**1,314,485.72**
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)	1,409,016.51	1,300,590.20
A.1.1 Domestic		
A.1.2 Foreign	1,409,016.51	1,300,590.20
A.2 Other Revenue (A.2.1 +A.2.2)	3,023.99	13,895.52
A.2.1 Domestic		
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)	3,023.99	13,895.52
A.2.2.1 Gain (loss) on sale of assets	(2,328.83)	2,162.76
A.2.2.2 Miscellaneous	1,718.64	510.38
A.2.2.3 Forex gain (loss)	1,916.99	5,398.20
A.2.2.4 Financial subsidies	2,599.52	2,817.10
A.2.2.5 Interest Income	667.90	300.54
A.2.2.6 Gain on insurance claims	415.80	458.02
A.2.2.7 Impairment of PPE and Intangibles	(1,966.03)	2,248.52
A.2.2.8 Set up of intellectual property related liability	0.00	0.00
A.2.2.9 Reversal of contingent consideration		0.00
A.2.2.10		
B. EXPENSES (B.1 + B.2)	**1,427,402.85**	**1,334,191.24**
B.1 Domestic		
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)	1,427,402.85	1,334,191.24
B.2.1 Cost of Sales	1,298,608.90	1,209,771.81
B.2.2 Operating Expenses	107,750.31	108,481.71
B.2.3 Other Expenses	-	-
B.2.4 Income Tax	6,387.92	5,384.05
B.2.5 Financing Cost	14,655.73	10,553.67
B.2.6		
B.2.7		
B.2.8		
B.2.9		
B.2.10		

INTEGRATED MICRO-ELECTRONICS, INC. (Parent)

Filed in Securities and Exchange Commission

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						9	4	4	1	9

COMPANY NAME

INTEGRATED MICRO-ELECTRONICS, INC.

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
APFS	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)
284	APRIL/20	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
Ms. Laurice S. Dela Cruz	laurice.delacruz@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*

A member of AC Industrials

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

16 March 2023

Securities and Exchange Commission
Secretariat Building, PICC Complex Pasay City

Attention: **Vicente Graciano P. Felizmenio, Jr.**
Director, Markets & Securities Regulation Department

Gentlemen:

Enclosed herewith is the Integrated Micro-Electronics, Inc.'s (the "Corporation") Statement of Management's Responsibility ("SMR") for Financial Statements for the years ended December 31, 2022, 2021, and 2020.

With respect to the required signatories of the SMR, please be advised that the Corporation's Chief Executive Officer is currently overseas on a business trip. The Corporation's Board of Directors, in its meeting on March 7, 2023, resolved to authorize the Corporation's President, Mr. Jerome S. Tan, to sign the Corporation's Statement of Management Responsibility in lieu of the Chief Executive Officer. Please find attached Secretary's Certificate on said resolution.

We trust that you find the foregoing in order. Thank you.

Very truly yours,

Laurice S. Dela Cruz
Compliance Officer

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

Tel (63 2) 756 6840
Fax (63 49) 544 0322
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 parent company financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 parent company financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the parent company 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.

DELFIN L. LAZARO
Chairman, Board of Directors

JEROME S. TAN
President

LAURICE S. DELA CRUZ
Chief Finance Officer - OIC

SUBSCRIBED AND SWORN to before me this MAR 16 2023 at MAKATI CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Delfin L. Lazaro	P7392634B	August 13, 2021 – DFA Manila
Jerome S. Tan	K1766021H	January 2, 2020 – Singapore
Laurice S. Dela Cruz	P7177471B	July 12, 2021 – DFA Manila

RIZZA ANNE O. SY
Notary Public - Makati City
Appt. No. M-057 until December 31, 2024
Roll of Attorneys No. 64676
Lifetime IBP No. 018509 - 01/04/18 - Bulacan
PTR No. 9566340MM - 01/03/2023 - Makati City
MCLE Compliance No. VIII-0000243 - 08/26/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

RIZZA ANNE O. SY
NOTARY PUBLIC
ROLL NO. 64676
MAKATI CITY, PHILIPPINES

Doc. No. 268;
Page No. 55;
Book No. XVII;
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

A member of AC Industrials

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

Tel (63 2) 756 6840
Fax (63 49) 544 0322
www.global-imi.com

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SECRETARY'S CERTIFICATE

I, **ROSARIO CARMELA G. AUSTRIA**, of legal age, being the duly elected, qualified and incumbent Assistant Corporate Secretary of **INTEGRATED MICRO-ELECTRONICS, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, after having been duly sworn in accordance with law, do hereby certify that at the regular meeting of the Board of Directors held on 7 March 2023, at which meeting a quorum existed and acted throughout, the Board approved the following resolution:

Resolution No. B-06-2023

> **RESOLVED**, to approve the delegation to the President, Jerome S. Tan, of the authority to sign the Corporation's Statement of Management Responsibility and Annual Report (17-A) in lieu of the Chief Executive Officer, Arthur R. Tan.

IN WITNESS WHEREOF, I have signed this Certificate this MAR 2 2 2023 at Makati City.

ROSARIO CARMELA G. AUSTRIA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 2 2 2023 at Makati City, the affiant exhibited to me, as competent evidence of identity, her Passport with No. P8820775A issued on 19 September 2018 by the DFA Manila.

Doc. No. 296;
Page No. 61;
Book No. XXXVIII;
Series of 2023.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

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

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. M-079 until December 31, 2023
Roll of Attorneys No. 58335
IBP No. 264594 – 01/03/2023– Makati City
PTR No. 9566341MM– 01/03/2023 – Makati City
MCLE Compliance No. VII – 0020268 - 06/20/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Integrated Micro-Electronics, Inc. (the "Parent Company"), which comprise the parent company balance sheets as at December 31, 2022 and 2021, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company 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 parent company 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.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Parent 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 Parent 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 parent company 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 Parent Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Integrated Micro-Electronics, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

INTEGRATED MICRO-ELECTRONICS, INC.
PARENT COMPANY BALANCE SHEETS

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 30 and 31)	**$3,701,712**	$14,966,654
Receivables (Notes 5, 29, 30 and 31)	**245,911,348**	185,515,602
Contract assets (Notes 6, 30 and 31)	**17,115,125**	13,607,490
Inventories (Note 7)	**77,259,803**	62,958,335
Other current assets (Note 8)	**3,077,506**	5,229,110
Total Current Assets	**347,065,494**	282,277,191
Noncurrent Assets		
Investments in and advances to subsidiaries (Note 9)	**235,385,168**	235,385,168
Property, plant and equipment (Note 10)	**25,179,259**	32,174,174
Right-of-use assets (Note 28)	**270,473**	1,834,080
Financial assets at FVOCI (Notes 12, 30 and 31)	**1,829,432**	1,364,733
Goodwill and other noncurrent assets (Note 11)	**2,418,693**	4,651,315
Total Noncurrent Assets	**265,083,025**	275,409,470
	$612,148,519	$557,686,661
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 30 and 31)	**$74,831,002**	$72,531,532
Contract liabilities (Notes 6, 30 and 31)	**3,185,845**	3,208,248
Loans payable (Notes 14, 30 and 31)	**150,100,000**	96,700,000
Current portion of long-term debt (Notes 15, 30 and 31)	**1,500,000**	300,000
Current portion of lease liabilities (Notes 28, 30 and 31)	**210,592**	1,762,601
Income tax payable	**474,369**	462,597
Total Current Liabilities	**230,301,808**	174,964,978
Noncurrent Liabilities		
Long-term debt (Notes 15, 29, 30 and 31)	**144,682,491**	148,415,628
Net retirement liability (Note 26)	**4,225,271**	7,522,461
Noncurrent portion of lease liabilities (Notes 28, 30 and 31)	**87,988**	326,444
Deferred tax liabilities (Note 25)	**153,627**	17,388
Other long-term liabilities	**6,931**	3,294
Total Noncurrent Liabilities	**149,156,308**	156,285,215
Total Liabilities	**379,458,116**	331,250,193
EQUITY		
Capital stock - common (Note 16)	**42,719,224**	42,705,563
Subscribed capital stock (Note 16)	**692,454**	708,788
Additional paid-in capital (Note 16)	**182,110,339**	182,143,920
Subscriptions receivable (Note 16)	**(2,620,195)**	(2,701,935)
Retained earnings (Note 16)	**17,936,724**	14,584,032
Treasury stock (Note 16)	**(1,012,588)**	(1,012,588)
Reserve for fluctuation on financial assets at FVOCI (Note 12)	**32,794**	(554,610)
Remeasurement losses on defined benefit plans	**(7,168,349)**	(9,436,702)
Total Equity	**232,690,403**	226,436,468
	$612,148,519	$557,686,661

See accompanying Notes to Parent Company Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 18)	**$319,781,444**	$284,010,488	$238,992,131
COST OF SALES (Notes 19, 21 and 26)	**287,691,156**	268,772,638	225,160,699
GROSS PROFIT	**32,090,288**	15,237,850	13,831,432
OPERATING EXPENSES (Notes 20, 21 and 26)	**20,809,701**	14,511,668	15,732,527
OTHERS - Net			
Interest expense and bank charges (Note 22)	**(9,841,722)**	(6,266,700)	(6,031,447)
Miscellaneous income (expense) - net (Note 23)	**(3,868,822)**	437,849	(4,569,161)
Foreign exchange gains (losses) - net	**1,852,198**	868,236	(992,725)
Interest income (Note 24)	**1,591,268**	950,758	1,172,755
Dividend income (Note 9)	**4,566,915**	5,330,607	3,500,000
	(5,700,163)	1,320,750	(6,920,578)
INCOME (LOSS) BEFORE INCOME TAX	**5,580,424**	2,046,932	(8,821,673)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	**2,092,827**	1,705,525	1,564,556
Deferred	**134,905**	(89,749)	61,274
	2,227,732	1,615,776	1,625,830
NET INCOME (LOSS)	**$3,352,692**	$431,156	($10,447,503)
Earnings (Loss) Per Share (Note 17)			
Basic and diluted	**$0.00152**	$0.00020	($0.00473)

See accompanying Notes to Parent Company Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
NET INCOME (LOSS)	**$3,352,692**	$431,156	($10,447,503)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive loss not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plan (Note 26)	**2,268,353**	(144,947)	805,684
Fair value changes on financial assets at FVOCI - net of tax (Note 12)	**587,404**	320,194	(138,993)
	2,855,757	175,247	666,691
TOTAL COMPREHENSIVE INCOME (LOSS)	**$6,208,449**	$606,403	($9,780,812)

See accompanying Notes to Parent Company Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	December 31, 2022								
							Other Comprehensive Income (Loss)		
	Capital Stock - Common (Note 16)	**Subscribed Capital Stock** (Note 16)	**Additional Paid-in Capital** (Note 16)	**Subscriptions Receivable** (Note 16)	**Retained Earnings** (Note 16)	**Treasury Stock** (Note 16)	**Reserve for Fluctuation on Financial assets at FVOCI** (Note 12)	**Remeasurement Losses on Defined Benefit Plan** (Note 26)	**Total**
Balances at January 1, 2022	**$42,705,563**	**$708,788**	**$182,143,920**	**($2,701,935)**	**$14,584,032**	**($1,012,588)**	**($554,610)**	**($9,436,702)**	**$226,436,468**
Issued shares during the year	**13,661**	**(13,661)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Forfeitures during the year	**–**	**(2,673)**	**(33,581)**	**36,254**	**–**	**–**	**–**	**–**	**–**
Collections on subscriptions	**–**	**–**	**–**	**45,486**	**–**	**–**	**–**	**–**	**45,486**
	42,719,224	**692,454**	**182,110,339**	**(2,620,195)**	**14,584,032**	**(1,012,588)**	**(554,610)**	**(9,436,702)**	**226,481,954**
Net income	**–**	**–**	**–**	**–**	**3,352,692**	**–**	**–**	**–**	**3,352,692**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**587,404**	**2,268,353**	**2,855,757**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**3,352,692**	**–**	**587,404**	**2,268,353**	**6,208,449**
Balances at December 31, 2022	**$42,719,224**	**$692,454**	**$182,110,339**	**($2,620,195)**	**$17,936,724**	**($1,012,588)**	**$32,794**	**($7,168,349)**	**$232,690,403**

	December 31, 2021								
							Other Comprehensive Income (Loss)		
	Capital Stock - Common (Note 16)	Subscribed Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Subscriptions Receivable (Note 16)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Reserve for Fluctuation on Financial assets at FVOCI (Note 12)	Remeasurement Losses on Defined Benefit Plan (Note 26)	Total
Balances at January 1, 2021	$42,674,930	$744,823	$182,182,804	($2,888,800)	$14,152,876	($1,012,588)	($874,804)	($9,291,755)	$225,687,486
Issued shares during the year	30,633	(30,633)	–	–	–	–	–	–	–
Forfeitures during the year	–	(5,402)	(38,884)	44,286	–	–	–	–	–
Collections on subscriptions	–	–	–	142,579	–	–	–	–	142,579
	42,705,563	708,788	182,143,920	(2,701,935)	14,152,876	(1,012,588)	(874,804)	(9,291,755)	225,830,065
Net loss	–	–	–	–	431,156	–	–	–	431,156
Other comprehensive income	–	–	–	–	–	–	320,194	(144,947)	175,247
Total comprehensive income	–	–	–	–	431,156	–	320,194	(144,947)	606,403
Balances at December 31, 2021	$42,705,563	$708,788	$182,143,920	($2,701,935)	$14,584,032	($1,012,588)	($554,610)	($9,436,702)	$226,436,468

	December 31, 2020								
							Other Comprehensive Income (Loss)		
	Capital Stock - Common (Note 16)	Subscribed Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Subscriptions Receivable (Note 16)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Reserve for Fluctuation on Financial assets at FVOCI (Note 12)	Remeasurement Losses on Defined Benefit Plan (Note 26)	Total
Balances at January 1, 2020	$42,674,027	$752,560	$182,247,774	($2,955,581)	$24,600,379	($1,012,588)	($735,811)	($10,097,439)	$235,473,321
Issued shares during the year	903	(903)	–	–	–	–	–	–	–
Forfeitures during the year	–	(6,834)	(64,970)	71,804	–	–	–	–	–
Collections on subscriptions	–	–	–	(5,023)	–	–	–	–	(5,023)
	42,674,930	744,823	182,182,804	(2,888,800)	24,600,379	(1,012,588)	(735,811)	(10,097,439)	235,468,298
Net Loss	–	–	–	–	(10,447,503)	–	–	–	(10,447,503)
Other comprehensive income	–	–	–	–	–	–	(138,993)	805,684	666,691
Total comprehensive income	–	–	–	–	(10,447,503)	–	(138,993)	805,684	(9,780,812)
Balances at December 31, 2020	$42,674,930	$744,823	$182,182,804	($2,888,800)	$14,152,876	($1,012,588)	($874,804)	($9,291,755)	$225,687,486

See accompanying Notes to Parent Company Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**$5,580,424**	$2,046,932	(8,821,673)
Adjustments for:			
Depreciation of property, plant and equipment (Note 10)	**7,233,908**	11,277,993	10,848,148
Interest expense on loans (Note 22)	**9,679,533**	5,956,261	5,585,730
Impairment loss on product development cost (Note 11)	**1,604,842**	–	3,697,306
Amortization of intangible assets (Note 11)	**1,179,647**	2,990,735	2,199,406
Amortization of right-of-use assets (Note 28)	**1,563,607**	1,563,698	1,555,409
Unrealized foreign exchange (gains) losses – net	**(297,423)**	(947,678)	985,000
Impairment of property, plant and equipment (Note 10)	**361,185**	–	671,651
Interest expense on lease liabilities (Note 22 and 28)	**103,892**	254,326	404,209
Gain on insurance claims	**(2,316)**	(4,454)	(60,965)
Loss (gain) on derivative transactions	**(3,763)**	–	–
Loss (gain) on sale and retirement of property, plant and equipment (Note 10)	**2,342,781**	(66,388)	(312,045)
Interest income (Note 24)	**(1,591,268)**	(950,758)	(1,172,755)
Dividend income (Note 9)	**(4,566,915)**	(5,330,607)	(3,500,000)
Operating income before working capital changes	**23,188,134**	16,790,060	12,079,421
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(16,328,118)**	(15,686,021)	412,812
Inventories	**(14,220,056)**	(34,251,601)	13,152
Other current assets	**2,155,369**	(2,293,270)	(609,282)
Contract assets	**(3,507,634)**	(1,253,228)	(731,508)
Increase (decrease) in:			
Accounts payable and accrued expenses	**2,930,685**	15,585,682	(2,965,065)
Contract liabilities	**(22,403)**	2,816,663	(2,926,174)
Retirement liability	**(1,448,076)**	123,953	509,447
Net cash generated from (used for) operations	**(7,252,099)**	(18,167,762)	5,782,803
Interest paid	**(9,497,123)**	(5,296,929)	(5,956,254)
Income tax paid	**(2,081,055)**	(2,009,878)	(1,292,530)
Interest received	**31,790**	4,661	1,150,244
Net cash used in operating activities	**(18,798,487)**	(25,469,908)	(315,737)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	**4,566,915**	5,330,607	3,500,000
Proceeds from sale and retirement of property, plant and equipment	**366,953**	(13,229)	643,439
Decrease (increase) in:			
Advances to related parties	**(42,580,000)**	–	12,391,692
Other noncurrent assets	**(170,639)**	1,856,115	(22,441)
Acquisitions of:			
Property, plant and equipment (Note 10)	**(3,310,026)**	(7,202,805)	(3,339,513)
Computer software	**(381,228)**	(4,225,953)	(904)
Additional investment in a subsidiary (Note 9)	**–**	(40,000,000)	–
Net cash provided by (used in) investing activities	**(41,508,025)**	(44,255,265)	13,172,273

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans payable and long-term debt (Note 33)	**($8,733,137)**	($113,173,175)	($217,035,000)
Payments of lease liabilities (Note 28 and 33)	**(1,870,779)**	(1,860,775)	(1,767,494)
Collections (refund) of subscriptions receivable (Note 16)	**45,486**	142,579	(5,023)
Availments of loans payable and long-term-debt (Note 33)	**59,600,000**	185,793,239	181,995,564
Net cash provided by (used in) financing activities	**49,041,570**	70,901,868	(36,811,953)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(11,264,942)**	1,176,695	(23,955,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,966,654**	13,789,959	37,745,376
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**$3,701,712**	$14,966,654	$13,789,959

See accompanying Notes to Parent Company Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Integrated Micro-Electronics, Inc. (the Parent Company or IMI), 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 Japa n) 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 47.91% owned by Mermac, Inc.(Ultimate Parent Company) and the rest by the public.

The registered office address of the Parent Company is 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, 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.

The parent company financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were endorsed for approval by the Audit Committee and authorized for issue by the Board of Directors (BOD) on March 16, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The parent company financial statements have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI). The parent company financial statements are presented in United States Dollar (USD), which is the functional currency of the Parent Company, and all values are rounded to the nearest dollar, unless otherwise indicated.

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

Statement of Compliance
The financial statements of the Parent Company, which are prepared for submission to the Philippine Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR), are in compliance with Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which can be obtained from the Parent Company's registered address.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the parent company 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, 2022. The Parent Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- 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 does not have a material impact on the Parent Company.

- 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 cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

  - the incremental costs of fulfilling that contract –direct labour and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts – an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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

Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets dedicated to that used in fulfilling the contract.

The Parent Company 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. The Parent Company recorded provision for onerous contracts amounting to $1.03 million in 2022 as an impact of applying the amendments (see Notes 4 and 13).

- Annual Improvements to PFRSs 2020-2022 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 do not have a material impact on the Parent Company.

  - 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 Parent Company applied 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 do not have a material impact on the Parent Company.

  - 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.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments do not have an impact on the Parent Company.

    The Parent Company adopted the amendments beginning January 1, 2022.

Effective beginning on or after January 1, 2023

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

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

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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

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

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning on or after January 1, 2024

- 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 Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  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, *Business Combinations*. 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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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 parent company financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

<u>Current versus Noncurrent Classification</u>
The Parent Company presents assets and liabilities in the 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 Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient, the Parent Company 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 Parent Company 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 Parent Company'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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company 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 Parent Company as of December 31, 2022 and 2021 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 Parent Company. The Parent Company 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 Parent Company'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 Parent Company 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 parent company statement of income when the right of payment has been established, except when the Parent Company 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 Parent Company elected to classify irrevocably its investments in club shares and 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 balance sheet at fair value with net changes in fair value recognized in the parent company statement of income.

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative within a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at fair value depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held. On the other hand, an embedded derivative with a financial liability or a non-financial host is separated from the host and accounted for as a separate derivative if: its 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.

Separated 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 modified 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 balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company 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 Parent Company 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 Parent Company could be required to repay.

Impairment of financial assets
The Parent Company 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 Parent 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.

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 Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent 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.

For nontrade and intercompany receivables, the Parent Company uses the general approach in applying the ECL model, where the Parent Company intends to determine if significant increase in credit risk is evident at each reporting date, beginning the initial recognition of the asset and if the loan is already credit impaired. The Parent Company has established an ECL computation which represents the weighted average of the credit losses based on the risks of a default occurring.

The Parent Company considers a financial asset in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. 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:

Loans and borrowings

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 Parent Company's accounts payable and accrued expenses (excluding advances from customers, advances from third party, statutory payables and taxes payables), loans and trust receipts payable and long-term debt.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 the parent company statement of income.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 Parent Company measures its financial assets at FVOCI at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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 Parent Company.

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 Parent Company 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 Parent Company's 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 parent company financial statements on a recurring basis, the Parent Company 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 Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

<u>Investment in Subsidiaries</u>
A subsidiary is an entity over which the Parent Company 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 Parent Company controls an investee if and only if the Parent Company 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 Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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; and
(c) The Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment in subsidiaries are accounted for using the cost method, less accumulated impairment, if any. Under this method, an investment is recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date.

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 plant and 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
Building improvements	5
Machineries and facilities equipment (Notes 3 and 10)	10
Furniture, fixtures and office equipment	3 – 5
Transportation equipment	3 – 5
Tools and instruments	2

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 Parent Company incurs in connection with the borrowing of funds.

Goodwill
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 in a business combination. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. The Parent Company 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 Parent Company'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 Parent Company 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 Parent Company 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.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company 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
Product development cost	5
Computer software	3

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

The Parent Company 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.

Parent Company as Lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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.

Extension Options
Some property leases contain extension options exercisable by the Parent Company up to one year before the end of the noncancellable contract period. Where practicable, the Parent Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Parent Company and not by the lessors. The Parent Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Parent Company re-assesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Impairment of Nonfinancial Assets
The Parent Company assesses, at each balance sheet date, whether there is an indication that an asset is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent Company 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 group 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 Parent Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Parent Company's CGU to which the individual assets are allocated. These budgets and forecast calculations generally covered a period of five years.

For 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 Parent Company 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.

Goodwill is tested for impairment annually as of September 30 and when circumstances indicate that the carrying amount is impaired.

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 and Onerous Contracts
Provisions are recognized when the Parent 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 a reliable estimate can be made of the amount of the obligation.

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

Many contracts (for example, some routine purchase orders) can be cancelled without paying compensation to the other party, and therefore there is no obligation. Other contracts establish both rights and obligations for each of the contracting parties. Where events make such a contract onerous, the contract falls within the scope of PAS 37 and a liability exists which is recognized. Executory contracts that are not onerous fall outside the scope of PAS 37.

PAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

(a) the incremental costs of fulfilling that contract – for example, direct labour and materials; and
(b) an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

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 attached to the share to determine whether it exhibits the fundamental characteristic of a financial liability.
A preference share redeemable only at the option of the Parent Company 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 the "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against "Retained earnings" account.

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

Retained earnings and dividend on capital stock
Retained earnings represent net accumulated earnings of the Parent Company, less dividends declared. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the 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 the "Additional paid-in capital" account to the extent of the specific or average additional paid-in capital when the shares were issued and to the "Retained earnings" account for the remaining balance.

<u>Revenue Recognition</u>

a) Revenue from contracts with customers
The Parent Company 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 Parent Company expects to be entitled in exchange for those goods or services. The Parent 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.

Manufacturing of goods
The Parent Company provides manufacturing services in accordance with the customer's specifications. The Parent 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 Parent Company procures the materials and provides the assembly services to the customer. In a consignment contract, the Parent Company 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 Parent Company and the Parent Company has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Parent Company'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 Parent Company performs.

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 Parent Company 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 Parent Company 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 and warranties). In determining the transaction price, the Parent Company 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 Parent Company 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 Parent Company's contracts with its customers are short-term in nature. Using the practical expedient in PFRS 15, the Parent Company 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 Parent Company does not have significant separate performance obligations wherein the transaction price needs to be allocated as of December 31, 2022 and 2021.

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 Parent Company 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 Parent Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Company 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 Parent Company performs under the contract.

c) Cost to obtain a contract
The Parent Company pays sales commission to its employees for each contract that they obtain. The Parent Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Parent Company to immediately expense sales commissions (included under operating expenses) because the amortization period of the asset that the Parent Company 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 Parent Company 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 Parent Company 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.

Foreign Currency Transactions

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.

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.

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 and unused tax credits, 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 and unused tax credits 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 parent company financial statements as the ITH status of the Parent Company 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.

<u>Earnings per Share (EPS)</u>
Basic EPS is computed by dividing net income by the weighted average number of common share outstanding and adjusted to give retrospective 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.

<u>Retirement and Other Employee Benefits</u>
Defined benefit plan
The Parent Company maintains a defined benefit plan covering substantially all its employees and IMI International Regional Operating Headquarters (IMI ROHQ)'s employees. The Parent Company allocates the retirement expense to IMI ROHQ according to the Parent Company's best estimate based on the prevailing basic pay of the employees. The plan is a funded, noncontributory retirement plan administered by the Board of Trustees.

The cost of providing benefits under the defined benefit plan 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. An actuarial valuation is 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 liability is the change during the period in net retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to net retirement liability. Net interest on net retirement liability 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 liability) 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 liability is 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 Parent Company, nor can they be paid directly to the Parent Company. 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).

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 Parent Company 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 Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company’s shares at a discounted price. The Parent Company recognizes employee benefit expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. The Parent Company recognizes the granted option to the employees of its subsidiaries as investment. 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 parent company financial statements. These are disclosed in the parent company financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company 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 Parent Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements:

Determining the lease term of contracts with renewal and termination options – Parent Company as lessee
The Parent Company 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 Parent Company has several lease contracts that include extension and termination options. The Parent Company 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 Parent Company 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 Parent Company's leases consist mainly of land, production facilities and warehouses and office buildings (land and buildings). The Parent Company 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 – Parent Company as lessee (Prior to adoption of PFRS 16)
The Parent Company has entered into contracts with various lease contracts for office spaces and land. The Parent Company has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Further details are disclosed in Note 28.

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 Parent Company provides services or manufacture goods for the customers. The Parent Company 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 Parent Company assessed that revenue from manufacturing of goods shall be recognized over time. For turnkey contracts, revenue is recognized over time since the products created have no alternative use and the Parent Company has right to payment for performance completed to

date including the related profit margin, in case of termination for reasons other than the Parent Company's failure to perform as promised. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Parent Company performs.

- Determining the method to measure of progress for revenue recognized over time
  The Parent Company 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 Parent Company 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 Parent Company. 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,* 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 Parent Company and each customer. Moreover, management is able to demonstrate that the projects are in the advanced stage of development.

Further details are disclosed in Note 11.

Onerous contracts – costs of fulfilling a contract
When the Parent Company assessed that it has contracts that are onerous, the present obligation under the contract shall be recognized and measured as a provision. The Parent Company defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The Parent Company applies judgment in assessing loss-making projects and determining commitment period or non-cancellable period of the contract.

Further details are disclosed in Notes 13 and 21.

Contingencies
The Parent Company 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 Parent Company currently does not believe that these proceedings will have a material effect on the Parent Company'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 32.

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 are discussed below. The Parent Company based its estimates and assumptions on parameters available when the parent company 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 Parent Company. Such changes are reflected in the assumptions when they occur.

Estimated Useful Lives (EUL) of Property, Plant, and Equipment (PPE)
The Parent Company estimates the useful lives of its PPE based on expected usage, wear and tear, and technological or commercial obsolescence. The Parent Company reviews the EUL of PPE annually. If the result of the review indicates that the PPE will continue to be used for a period longer or shorter than the existing policy and practice, the EUL is revised. The change in EUL is accounted for prospectively (no restatement of prior periods) and applied to existing assets at the time of change and to future assets to be acquired in future periods. An increase in the EUL of PPE will result in lower depreciation since the carrying values of the PPE will be depreciated over the extended remaining lives.

In 2022, the Parent Company has concluded its assessment that most of its production machineries and equipment were historically being used in operations for about ten (10) years which is beyond the EUL of seven (7) years. The review also disclosed that the repairs being incurred for these production machineries and equipment, after seven (7) years, remain to be low or not more than 50% of the annual depreciation. Because of this, the Group changed the EUL of production machineries and equipment from seven (7) to ten (10) years (see Note 10).

Lease commitments – Parent Company as lessee

Leases – Estimating the incremental borrowing rate
The Parent Company 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 Parent Company 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 Parent Company '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 Parent Company 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).

Provision for expected credit losses of trade receivables and contract assets
The Parent Company 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 Parent Company's historical observed default rates. The Parent Company 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 Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Parent Company 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 Parent Company 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 5.

Estimating NRV of inventories
Inventories are valued at the lower of cost and NRV. This requires the Parent Company 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 7.

Depreciation and amortization
The Parent Company 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 of 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 Parent Company 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 11, respectively.

Evaluation of impairment of nonfinancial assets
The Parent Company reviews investment in subsidiaries, property, plant and equipment, goodwill and intangible assets for impairment of value. Impairment for goodwill is assessed at least annually. This 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 Parent 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 Parent Company 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 Parent Company is required to make estimates and assumptions that may affect property, plant and equipment, and intangible assets. 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 CGU and also to choose a suitable discount rate in order to calculate the present value of cash flows.

Further details on investments in subsidiaries, property, plant and equipment and intangible assets are disclosed in Notes 9, 10 and 11, respectively.

Taxes
The Parent Company has exposures to the tax rules and regulations in the Philippines and significant judgment is involved in determining the provision for these tax exposures. The Parent Company recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such difference will impact profit or loss in the period in which such determination is made.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses and unused tax credits, 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 and unused tax credits 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 the defined benefit plan and other long-term employee benefits as well as the present value of defined benefit obligation are determined using an actuarial valuation. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, turnover rate, mortality rate, salary increase rate, and future retirement increase. 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 rate and future retirement increase are based on expected future inflation rates.

The Parent Company 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 Parent Company'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 26.

Onerous contracts – costs of fulfilling a contract
The Parent Company estimates the provision on onerous contract by determining the revenues less unavoidable costs during the commitment period based on financial budgets approved by management. In determining unavoidable costs, the Parent Company excludes other non-directly related costs such as costs of wasted materials, labor inefficiencies and other costs of resources that were not reflected in the pricing of the contract.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting period are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material.

The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted. The Parent Company assessed that the time value of money is not applicable in the determination of the current provision as the committed periods are normally not exceeding one year.

Further details on onerous contracts are disclosed in Notes 13 and 21.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**$30,725**	$19,500
Cash in banks	**3,670,987**	9,447,154
Cash equivalents	**–**	5,500,000
	$3,701,712	$14,966,654

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents have maturities of varying periods of up to three months and earn interest at the respective cash equivalents rates.

Interest income earned from cash in banks and cash equivalents amounted to $0.002 million in 2022, $0.005 million in 2021, and $0.06 million in 2020 (see Note 24).

5. Receivables

This account consists of:

	2022	2021
Accounts receivable:		
Third parties	**$41,806,791**	$53,766,327
Related parties (Note 29)	**125,124,982**	93,609,737
Loans to subsidiaries (Note 29)	**78,810,336**	37,869,999
Receivable from employees	**56,809**	186,497
Receivable from insurance	**–**	1,072,815
Others	**159,733**	166,258
	245,958,651	186,671,633
Less allowance for ECLs	**47,303**	1,156,031
	$245,911,348	$185,515,602

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 45 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 40 days from invoice date.

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

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 which was fully impaired as of December 31, 2022 and 2021.

On October 20, 2022, IMI received the Supreme Court's Resolution dated March 16, 2022 denying its motion for reconsideration with finality. The full amount was written-off in the consolidated balance sheets as at December 31, 2022.

Others
Others include maternity and sickness benefit receivable from the Social Security System.

Allowance for ECLs
Trade receivables, nontrade receivables, receivables from insurance (nil in 2022) and receivable from employees with aggregate nominal value of $0.05 million and $1.16 million as of December 31, 2022 and 2021, respectively, were individually assessed to be impaired and fully provided with allowance for ECLs.

Movements in the allowance for ECLs follows:

	December 31, 2022				
	Trade	**Nontrade**	**Receivable from Insurance**	**Receivable from Employees**	**Total**
At beginning of year	**$22,282**	**$16,349**	**$1,117,057**	**$343**	**$1,156,031**
Provisions (Note 21)	**7,084**	**1,245**	**–**	**–**	**8,329**
Write-off	**–**	**–**	**(1,117,057)**	**–**	**(1,117,057)**
At end of year	**$29,366**	**$17,594**	**$–**	**$343**	**$47,303**

	December 31, 2021				
	Trade	Nontrade	Receivable from Insurance	Receivable from Employees	Total
At beginning of year	$26,657	$100,666	$1,117,057	$343	$1,244,723
Reversals (Note 21)	(4,375)	(84,317)	–	–	(88,692)
At end of year	$22,282	$16,349	$1,117,057	$343	$1,156,031

Provisions during the year form part of “Operating expenses” account and are included under “Facilities costs and others” (see Note 21).

6. Contract Balances

	2022	2021
Contract assets	**$17,115,125**	$13,607,490
Contract liabilities	**3,185,845**	3,208,248

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, 2022 and 2021, the Parent Company did not recognize a provision for expected credit losses on contracts assets.

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

The Parent Company 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.

7. Inventories

This account consists of:

	2022	2021
Raw materials and supplies	**$80,610,961**	$66,116,236
Less allowance for:		
Inventory obsolescence	**3,056,655**	3,005,998
Decline in value of inventories	**294,503**	151,903
	3,351,158	3,157,901
	$77,259,803	$62,958,335

The cost of the inventories carried at NRV amounted to $27.60 million and $23.66 million as of December 31, 2022 and 2021, respectively. The amount of inventories recognized as an expense under "Cost of sales" account amounted to $234.43 million in 2022, $204.64 million in 2021, $167.17 million in 2020 (see Note 19).

Movements in the allowance for inventory obsolescence follows:

	2022	2021
At the beginning of year	**$3,005,998**	$4,655,998
Provisions (reversals) (Note 21)	**80,134**	(1,650,000)
Write-off	**(29,477)**	–
At end of year	**$3,056,655**	$3,005,998

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

	2022	2021
At the beginning of year	**$151,903**	$80,403
Provisions (Note 21)	**142,600**	71,500
At end of year	**$294,503**	$151,903

8. Other Current Assets

This account consists of:

	2022	2021
Advances to suppliers	**$1,648,187**	$3,903,721
Prepayments	**583,025**	518,242
Tax credits	**420,919**	420,672
Input taxes	**425,375**	386,475
	$3,077,506	$5,229,110

Advances to suppliers represent advance payments made to suppliers for direct materials.

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 Parent Company recalls any of its products.

Tax credits are amounts withheld from income tax payments of the Parent Company within the year.

Input taxes are amounts expected to be applied against output tax within 12 months from the balance sheet date. Input taxes are recognized when an entity in the Parent Company purchases goods or services from a supplier or vendor.

9. Investments in and Advances to Subsidiaries

This account consists of:

	2022				
	IMI Singapore	**IMI USA**	**IMI Japan**	**PSi**	**Total**
Equity investments:					
At the beginning of year	**$229,481,543**	**$2,751,206**	**$149,686**	**$3,002,733**	**$235,385,168**
Additional investment in a subsidiary	**–**	**–**	**–**		**–**
At end of year	**$229,481,543**	**$2,751,206**	**$149,686**	**$3,002,733**	**$235,385,168**

	2021				
	IMI Singapore	IMI USA	IMI Japan	PSi	Total
Equity investments:					
At the beginning of year	$189,481,543	$2,751,206	$149,686	$3,002,733	$195,385,168
Additional investment in a subsidiary	40,000,000	–	–	–	40,000,000
At end of year	$229,481,543	$2,751,206	$149,686	$3,002,733	$235,385,168

In August 2021, the Parent Company made equity investment to IMI Singapore amounting to $40.00 million. The funding was used to redeem in full the remaining RCPS from ACI SG. The Parent Company received dividends from IMI Singapore amounting to $4.57 million and $5.33 million in 2022 and 2021, respectively.

The Parent Company's voting rights on its investment in subsidiaries is proportionate to its ownership interest which is 100% for all its direct subsidiary.

10. Property, Plant and Equipment

Movements in this account are as follows:

	2022						
	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	**$42,865,798**	**$93,799,610**	**$11,535,757**	**$1,300,804**	**$2,606,400**	**$598,500**	**$152,706,869**
Additions	**460,203**	**2,048,524**	**384,001**	**264,632**	**88,257**	**64,409**	**3,310,026**
Disposals		**(6,214,019)**	**(126,064)**	**(151,521)**	**(23,892)**	**–**	**(6,515,496)**
Reclassification	**487,671**	**84,702**	**–**	**25,157**	**970**	**(598,500)**	**–**
At end of year	**43,813,672**	**89,718,817**	**11,793,694**	**1,439,072**	**2,671,735**	**64,409**	**149,501,399**
Accumulated depreciation							
At beginning of year	**37,206,237**	**66,949,984**	**10,967,449**	**770,884**	**2,464,790**	**–**	**118,359,344**
Depreciation	**2,190,554**	**4,322,332**	**350,807**	**261,256**	**108,959**	**–**	**7,233,908**
Disposals/retirement	**–**	**(3,508,923)**	**(125,219)**	**(151,521)**	**(19,985)**	**–**	**(3,805,648)**
At end of year	**39,396,791**	**67,763,393**	**11,193,037**	**880,619**	**2,553,764**	**–**	**121,787,604**
Accumulated impairment losses							
At beginning of year	**736,565**	**1,424,560**	**12,226**	**–**	**–**	**–**	**2,173,351**
Impairment loss (Notes 3 and 23)	**–**	**361,185**	**–**	**–**	**–**	**–**	**361,185**
At end of year	**736,565**	**1,785,745**	**12,226**	**–**	**–**	**–**	**2,534,536**
Net book value	**$3,680,316**	**$20,169,679**	**$588,431**	**$558,453**	**$117,971**	**$64,409**	**$25,179,259**

	2021						
	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	$42,229,100	$89,738,924	$11,376,388	$1,239,479	$2,652,091	$218,863	$147,454,845
Additions	634,420	5,601,898	302,451	240,560	135,759	443,499	7,358,587
Disposals	(30,002)	(1,572,794)	(143,082)	(179,235)	(181,450)	–	(2,106,563)
Reclassification	32,280	31,582	–	–	–	(63,862)	–
At end of year	42,865,798	93,799,610	11,535,757	1,300,804	2,606,400	598,500	152,706,869
Accumulated depreciation							
At beginning of year	33,879,696	61,362,820	10,685,138	733,926	2,450,170	–	109,111,750
Depreciation	3,353,530	7,087,190	425,011	216,193	196,069	–	11,277,993
Disposals/retirement	(26,989)	(1,500,026)	(142,700)	(179,235)	(181,449)	–	(2,030,399)
At end of year	37,206,237	66,949,984	10,967,449	770,884	2,464,790	–	118,359,344
Accumulated impairment losses	736,565	1,424,560	12,226	–	–	–	2,173,351
Net book value	$4,922,996	$25,425,066	$556,082	$529,920	$141,610	$598,500	$32,174,174

In 2022 and 2021, provision for impairment of certain assets was recognized by the Parent Company amounting to $0.36 million and $2.17 million, respectively, due to declining customer demand (nil in 2021).

Construction in progress pertains to the construction and development of manufacturing production lines of the Parent Company. Construction in progress transferred to property, plant and equipment amounted to $0.60 million and $0.06 million as of December 31, 2022 and 2021, respectively.

The Parent Company decided to change the EUL of machineries from 7 to 10 years based on the expected asset utilization and pattern of economic benefits. The change, which was accounted for prospectively effective January 1, 2022, resulted in a decrease in depreciation expense of $2.28 million in 2022. The assets affected will result to a lower depreciation expense annually over its remaining life.

The Parent Company recognized gains / (loss) from disposal and retirement of certain property, plant and equipment amounting to ($2.34 million) in 2022, $0.07 million in 2021 and $0.031 million in 2020 (see Note 23).

As of December 31, 2022, and 2021, the cost of fully depreciated property, plant and equipment still being used by the Parent Company amounted to $81.13 million and $79.86 million, respectively. Depreciation expense included in “Cost of sales” and “Operating expenses” accounts follows:

	2022	2021	2020
Cost of sales (Note 19)	**$6,624,416**	$10,777,972	$10,065,894
Operating expenses (Note 20)	**609,492**	500,021	782,254
	$7,233,908	$11,277,993	$10,848,148

11. Goodwill and Other Noncurrent Assets

Goodwill and other noncurrent assets consist of:

	2022	2021
Miscellaneous deposits	**$1,494,501**	$1,323,862
Computer software	**483,026**	377,338
Goodwill	**441,166**	441,166
Product development costs	**–**	2,508,949
	$2,418,693	$4,651,315

Product Development Costs

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

Movements in product development cost are as follow:

	2022	2021
Cost		
At beginning of year	**$11,954,731**	$11,954,731
Capitalized development costs	–	–
At end of year	**11,954,731**	11,954,731
Accumulated amortization		
At beginning of year	**5,223,771**	3,800,235
Amortization	**904,107**	1,423,536
At end of year	**6,127,878**	5,223,771
Accumulated impairment loss		
At beginning of year	**4,222,011**	4,222,011
Impairment loss	**1,604,842**	–
At end of year	**5,826,853**	4,222,011
Net book value	**$–**	$2,508,949

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The projects to which the development costs pertain to represent the CGU of the intangible assets. The recoverable amounts of these CGUs 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 rate applied to cash flow projections is 14.20%. Key assumptions used in the value-in-use calculations are consistent with those disclosed in goodwill.

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 $1.60 million was recognized under "Miscellaneous income (loss) - net" account in 2022 (see Note 23).

Miscellaneous Deposits
Miscellaneous deposits comprise utilities and rental deposits.

Goodwill
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 2022, 2021 and 2020, given the volatile market, the Parent Company 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 2022, 2021 and 2020.

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 Parent Company and its operating segments and is derived from its weighted average cost of capital.

Computer Software

Computer software pertains to the Parent Company's acquisitions of computer software, applications and modules.

Movements in computer software follows:

	2022	2021
Cost		
At beginning of year	**$7,005,043**	$6,583,001
Additions	**381,228**	422,042
At end of year	**$7,386,271**	7,005,043
Accumulated amortization		
At beginning of year	**6,627,705**	6,484,040
Amortization	**275,540**	143,665
At end of year	**6,903,245**	6,627,705
Net book value	**$483,026**	$377,338

Amortization expense related to product development cost and computer software are included in "Operating expenses" and "Cost of sales" accounts follows:

	2022	2021	2020
Cost of sales (Note 19)	**$998,921**	$1,501,375	$2,082,367
Operating expenses (Note 20)	**180,726**	65,826	117,039
	$1,179,647	$1,567,201	$2,199,406

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

The table below shows reconciliation of fair value measurements of financial assets at FVOCI:

	2022	2021
Balance at beginning of year	**$1,364,733**	$1,124,461
Change in fair value of quoted securities	**464,699**	240,272
Balance at end of year	**$1,829,432**	$1,364,733

The table below shows the movement of the other components of equity related to FVOCI:

	2022	2021
Balance at beginning of year	**($554,610)**	($874,804)
Change in fair value of quoted securities	**464,699**	240,272
Foreign currency exchange difference	**122,705**	79,922
Balance at end of year	**$32,794**	($554,610)

13. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Accounts payable:		
Third parties (Note 31)	**$50,184,328**	$47,988,792
Related parties (Note 29 and 31)	**5,920,698**	2,967,230
Accrued expenses (Note 31)	**8,276,997**	9,489,361
Accrued compensation and benefits (Note 31)	**5,078,576**	6,751,200
Due to related parties (Note 29)	**1,703,843**	3,004,132
Accrued interest payable (Note 31)	**1,630,908**	1,444,931
Provision for Onerous Contracts (Note 21)	**1,028,554**	–
Taxes payable	**523,154**	466,190
Employee-related contributions	**483,944**	419,696
	$74,831,002	$72,531,532

Accounts Payable
Accounts payable are trade and non-trade related, noninterest-bearing and are normally settled on 80-day average terms.

Accrued Expenses
Accrued expenses consist mainly of accruals for hardware and software maintenance, freight and brokerage, insurance, utilities, professional fees, sub-contractual labor costs, and taxes.

Accrued Compensation and Benefits
Accrued compensation and benefits include accrued salaries, leave credits and other employee benefits.

Provision for Onerous Contracts
This account consists of provision for onerous contracts amounting to $1.03 million in 2022 (nil in 2021) (see Notes 3, 4 and 21) which arises by obtaining the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received under it. In determining the provision, the Parent Company considers the entire remaining commitment period under the contract, including the remaining revenue to be recognized for unsatisfied, or partially unsatisfied, performance obligations and the remaining costs to fulfil those performance obligations.

Taxes Payable
Taxes payable pertain to taxes withheld such as fringe benefits tax and withholding taxes on purchased goods and services. Withholding taxes payable are expected to be settled within the next financial year.

Employee-related Contributions
This account consists mainly of remittances related to government agencies such as SSS, Pag-IBIG and Philhealth.

14. Loans Payable

As of December 31, 2022 and 2021, the Parent Company has unsecured short-term loans aggregating to $150.10 million and $96.70 million respectively, with maturities ranging from 30 to 180 days and fixed annual interest rates ranging from 4.37% to 5.36% in 2022, and 1.40% to 2.00% in 2021. From the total short-term loans of the Parent Company, $60.70 million and $18.20 million was payable to BPI, a related party, as of December 31, 2022 and 2021, respectively (see Note 29).

The Parent Company incurred interest expense on short-term loans amounting to $4.75 million in 2022, $3.04 million in 2021, and $3.50 million in 2020 (see Note 22).

15. Long-Term Debt

The long-term debts of the Parent Company aggregating to $146.18 million and $148.72 million as of December 31, 2022 and 2021, respectively, were obtained from local banks. The long-term debts have terms of three to five years, with principal payments payable annually, and remaining balance payable in full at maturity. These are subject to annual interest rates ranging from 3.45% to 3.80% in 2022 and 2021, respectively. From the total long-term debts of the Parent Company, $116.89 million and $119.20 million was payable to BPI, a related party, as of December 31, 2022 and 2021, respectively (see Note 29).

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

- The ratio of debt to EBITDA shall not exceed 1.75:1 at all times, 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; and
- Maintenance at all times of a current ratio of at least 1:1.

As of December 31, 2022 and 2021, 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 $4.93 million in 2022, $2.92 million in 2021, and $2.09 million in 2020 (see Note 22).

16. Equity

Capital Stock

Details of capital stock follow:

	2022		2021		2020	
	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	**2,192,778,323**	**$42,705,563**	2,191,315,287	$42,674,930	2,191,273,522	$42,674,027
Issuances from ESOWN	**647,051**	**13,661**	1,463,036	30,633	41,765	903
At end of year*	**2,193,425,374**	**$42,719,224**	2,192,778,323	$42,705,563	2,191,315,287	$42,674,930

** Out of the total issued shares, 15,892,224 shares or $1.01 million as of December 31, 2022, 2021 and 2020 pertain to treasury shares.*

As of December 31, 2022, 2021 and 2020, there were 284, 283 and 288 registered common stockholders, respectively.

Subscribed Capital Stock

Subscribed capital pertains to subscriptions relating to ESOWN of the Parent Company. Details of this account follow:

	2022		2021		2020	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**31,238,565**	**$708,788**	32,951,281	$744,823	33,308,281	$752,560
Issuances during the year - ESOWN	**(647,051)**	**(13,661)**	(1,463,036)	(30,633)	(41,765)	(903)
Forfeitures during the year - ESOWN	**(122,944)**	**(2,673)**	(249,680)	(5,402)	(315,235)	(6,834)
At end of year	**30,468,570**	**$692,454**	31,238,565	$708,788	32,951,281	$744,823

Additional Paid-in Capital
The grant of equity-settled awards to the Parent Company's employees was recognized as increase in the "Additional paid-in capital" account.

Subscriptions Receivable
Details of this account follow:

	2022	2021	2020
At beginning of year	**$2,701,935**	$2,888,800	$2,955,581
Forfeitures during the year	**(36,254)**	(44,286)	(71,804)
Refund/(collections) during the year	**(45,486)**	(142,579)	5,023
At end of year (Note 27)	**$2,620,195**	$2,701,935	$2,888,800

Dividends
No dividend payment was declared to common shareholders in 2022 and 2021.

Retained Earnings
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 the Revised Securities Regulation Code Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2022 amounted to $5.12 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 ₱75.00 million.

Capital Management
The primary objective of the Parent 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 maximize shareholder value.

No changes were made in the objectives, policies and processes during the years ended December 31, 2022 and 2021.

The Parent Company monitors capital using a gearing ratio of debt-to-equity and net debt-to-equity. The Parent Company considers bank borrowings in the determination of debt, which consist of loans payable and long-term debt. Net debt is equivalent to the total bank borrowings less cash and cash equivalents.

	2022	2021
Loans payable	**$150,100,000**	$96,700,000
Long-term bank borrowings	**146,182,491**	148,715,628
Total bank debt	**296,282,491**	245,415,628
Less cash and cash equivalents	**3,701,712**	14,966,654
Net bank debt	**$292,580,779**	$230,448,974
Equity	**$232,690,403**	$226,436,468
Debt-to-equity ratio	**1.27:1**	1.08:1
Net debt-to-equity ratio	**1.26:1**	1.02:1

The Parent Company is not subject to externally-imposed capital requirements.

17. Earnings (Loss) Per Share

The following table presents information necessary to calculate EPS:

	2022	2021	2020
Net income (loss)	**$3,352,692**	$431,156	($10,447,503)
Weighted average number of common shares outstanding	**2,208,004,253**	2,208,146,264	2,208,592,993
Basic and diluted EPS	**$0.00152**	$0.00020	($0.00473)

As of December 31, 2022, 2021, and 2020, the Parent Company has no potential dilutive common shares.

18. Revenue from Contracts with Customers

Revenue from contracts with customers pertains to manufacturing services that are being recognized over time. These are further disaggregated by customer's nationality and by market segment, 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 revenues from external customers based on customer's nationality:

	2022	2021	2020
Europe	**$165,729,556**	$140,851,702	$120,607,051
America	**75,409,318**	82,924,432	68,647,085
Japan	**34,489,355**	33,164,549	32,215,527
Rest of Asia/others	**44,153,215**	27,069,805	17,522,468
	$319,781,444	$284,010,488	$238,992,131

The following table presents revenues per industry:

	2022	2021	2020
Industrial	**$219,619,578**	$185,507,778	$144,597,759
Automotive	**72,264,322**	64,387,776	61,576,393
Medical	**11,452,346**	13,723,856	12,185,546
Computing	**6,172,817**	7,271,190	8,001,044
Telecommunication	**136,729**	766,351	435,907
Multiple markets/others	**10,135,652**	12,353,537	12,195,482
	$319,781,444	$284,010,488	$238,992,131

19. Cost of Sales

This account consists of:

	2022	2021	2020
Direct, indirect and other material-related costs (Note 7)	**$234,427,121**	$204,642,932	$167,174,858
Direct labor, salaries, wages and employee benefits (Note 26)	**31,604,783**	36,314,264	34,801,210
Depreciation and amortization (Notes 10,11 and 28)	**7,854,069**	12,510,079	12,377,862
Facilities costs and others (Note 21)	**13,805,183**	15,305,363	10,806,769
	$287,691,156	$268,772,638	$225,160,699

20. Operating Expenses

This account consists of:

	2022	2021	2020
Salaries, wages and employee benefits (Note 26)	**$9,859,130**	$9,289,072	$8,290,319
Depreciation and amortization (Notes 10, 11 and 28)	**2,123,093**	1,898,812	2,225,101
Facilities costs and others (Note 21)	**8,827,478**	3,323,784	5,217,107
	$20,809,701	$14,511,668	$15,732,527

21. Facilities Costs and Others

Facilities costs and others consists of:

	Cost of Goods Sold and Services			Operating Expenses		
	2022	2021	2020	**2022**	2021	2020
Utilities	**$8,673,040**	$6,387,771	$6,230,215	**$574,561**	$255,759	$343,304
Outsourced activities	**3,018,092**	4,044,788	3,010,233	**2,558,232**	2,903,030	2,136,725
Insurance	**876,928**	1,121,137	(165,462)	**136,676**	225,396	214,474
Repairs and maintenance	**874,052**	1,817,910	701,796	**251,765**	496,367	175,248
Government-related	**120,324**	174,243	205,544	**1,259,360**	1,043,252	854,713
Sales commission	**112,831**	53,982	–	**348,385**	183,402	170,466
Travel and transportation	**95,262**	69,941	82,357	**633,124**	146,479	266,476
Postal and communication	**64,589**	81,701	85,279	**195,725**	56,549	88,162
Promotional materials, representation and entertainment	**38,823**	7,025	14,850	**166,524**	167,909	52,631
Membership fees	**11,492**	41,919	4,411	**173,913**	153,179	96,590
Staff house	**–**	–	13	**(3,104)**	10,221	15,009
Provision (reversal of provision) for inventory obsolescence (Note 7)	**–**	–	–	**80,134**	(1,650,000)	1,961,835
Provision for (reversal of) ECLs (Note 5)	**–**	–	–	**8,329**	(88,692)	–
Provision (reversal of provision) for decline in value of inventories (Note 7)	**–**	–	–	**142,600**	71,500	4,637
Provision for onerous contracts (Note 13)	**–**	–	–	**1,028,554**	–	–
Technology-related	**(170,423)**	229,437	439,135	**1,642,334**	994,594	479,023
Others	**90,173**	1,275,509	198,398	**(369,634)**	(1,645,162)	(1,642,190)
	$13,805,183	$15,305,363	$10,806,769	**$8,827,478**	$3,323,783	$5,217,107

Others include recovery costs, test materials, small tools and instruments, spare parts, and office supplies.

22. Interest Expense and Bank Charges

This account consists of:

	2022	2021	2020
Interest expense on loans (Notes 14 and 15)	**$9,679,533**	$5,956,261	$5,585,730
Interest expense from lease liabilities (Note 28)	**103,892**	254,326	404,209
Bank charges	**54,731**	51,963	36,713
Others	**3,566**	4,150	4,795
	$9,841,722	$6,266,700	$6,031,447

Others include interest on employee housing and car loans in 2022, 2021, and 2020.

23. Miscellaneous Income (Expense) - net

This account consists of:

	2022	2021	2020
Gain (loss) on sale and retirement of property, plant and equipment - net (Note 10)	**($2,342,781)**	$66,388	$312,045
Impairment loss on product development cost (Note 11)	**(1,604,842)**	–	(3,697,306)
Impairment of property, plant and equipment (Notes 3 and 10)	**(361,185)**	–	(671,651)
Gain (loss) on derivative transactions	**(3,763)**	–	–
Rental income	**72,534**	15,794	–
Gain on insurance claims	**2,316**	4,454	60,965
Others	**368,899**	351,213	(573,214)
	($3,868,822)	$437,849	(4,569,161)

Others include gain on sale of scrap and other provisions.

24. Interest Income Interest Income

This account consists of:

	2022	2021	2020
Interest income from intercompany advances (Note 29)	**$1,570,466**	$946,097	$1,112,333
Interest on bank balances and fixed deposits (Note 4)	**20,802**	4,661	60,422
	$1,591,268	$950,758	$1,172,755

25. Income Tax

Current Tax

The Parent Company is registered with PEZA and is entitled to certain incentives, which includes ITH. As of December 31, 2022, there are three (2) remaining project activities with ITH entitlement which will expire in 2023 and 2027. 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.

The Company is allowed to continue to avail the incentives provided in the implementing Rules and Regulations of RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives Act or the CREATE Law. Registered Business Enterprises (RBEs) currently availing of the five percent (5%) tax on gross income earned prior to the effectivity of CREATE Law shall be allowed to continue availing the said tax incentive at the rate of five percent (5%) for ten (10) years. The Special Corporate Income Tax (SCIT) shall be equivalent to a tax rate of five percent (5%) based on the gross income earned (GIE), in lieu of all national and local taxes.

For projects as Ecozone Export Enterprise under Supplemental Agreements with PEZA dated 09 December 2019 which were granted an ITH prior to the effectivity of the Act and that are entitled to the five percent (5%) tax on gross income earned incentive after the ITH are allowed to use the ITH for the period specified in the terms and conditions of its registration and thereafter, avail of the five percent (5%) tax on gross income earned incentive, subject to the 10 year limit for both incentives.

Project Name	Tax Regime	Registration Date	SCO Date	ITH Entitlement Period
Repair and Refurbishment of Hearing Aids	ITH Incentive	SA: 12/09/2019	August 2019	Aug 2019 – Jul 2023
Assembly of Hearing Aids	ITH Incentive	SA: 12/09/2019	December 2019	Dec 2019 – Nov 2023

For project after the passage of CREATE Law particularly Motorcycle Engine Assembly under SA dated 6 April 2022 as amended by SA dated 27 May 2022, IMI is entitled to ITH of 5 years, SCIT for 10 years, duty exemption, VAT exemption and Zero Rating.

Deferred Tax

Deferred taxes of the Parent Company relate to the tax effects of the following:

	2022	2021
Deferred tax liabilities:		
Contract assets	**$121,671**	$8,887
Unrealized foreign exchange gain on monetary items – net	**31,956**	8,501
	153,627	17,388
Net deferred tax liabilities	**($153,627)**	($17,388)

As of December 31, 2022, the Company had incurred NOLCO and MCIT in taxable year 2019 amounting to $15,757,987 and $73,673 respectively that had expired and not claimed in taxable year 2022.

On September 30, 2020, the 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, 2022, the Company has incurred NOLCO in taxable years 2020 and 2021 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. However, the NOLCO incurred in taxable year 2022 can be carried over as a deduction from gross income for the next three consecutive years. The extension to five years is no longer applicable. Details of NOLCO and MCIT are as follow:

NOLCO

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2022	2023 to 2025	$23,764,143	$–	$23,764,143
2021	2022 to 2026	14,809,729	–	14,809,729
2020	2021 to 2025	8,581,594	–	8,581,594
		$47,155,466	$–	$47,155,466

MCIT

Period of Recognition	Availment Period	Amount	Expired	Balance
2022	2023 to 2025	$21,876	$–	$21,876
2021	2022 to 2026	18,466	–	18,466
2020	2021 to 2025	81,211	–	81,211
		$121,553	$–	$121,553

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

	2022	2021	2020
Statutory income tax	**25.00%**	25.00%	(30.00%)
Tax effects of:			
Nondeductible expenses	**(22.63%)**	138.59%	(6.24%)
Income subject to gross income tax	**37.11%**	(83.74%)	16.51%
Income subject to MCIT	**0.39%**	(0.90%)	1.23%
Interest income subjected to final tax	**0.05%**	(0.01%)	0.07%
Provision for income tax	**39.92%**	78.94%	(18.43%)

26. **Personnel Costs**

Salaries, wages, and employee benefits follow:

	2022	2021	2020
Salaries and benefits	**$35,884,589**	$40,645,384	$38,992,547
Net retirement expense	**1,701,586**	1,770,443	1,788,961
Social security costs	**2,194,990**	2,311,796	1,517,298
Others	**1,682,748**	875,714	792,723
	$41,463,913	$45,603,337	$43,091,529

Others include expenses for employee social and recreation, health/medical premium, housing premium, training and seminars.

Salaries, wages and employee benefits are allocated as follows:

	2022	2021	2020
Cost of sales (Note 19)	**$31,604,783**	$36,314,265	$34,801,210
Operating expenses (Note 20)	**9,859,130**	9,289,072	8,290,319
	$41,463,913	$45,603,337	$43,091,529

The Parent Company has a defined benefit plan covering substantially all of its employees and IMI ROHQ's employees, which require contributions to be made to the administered fund. The latest retirement valuation was made on December 31, 2022.

The plan is administered by a local bank as trustee. 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 plan of the Parent Company meets the minimum retirement benefit specified under R.A. No. 7641, *Retirement Pay Law*.

Changes in the net retirement liability of the Parent Company’s funded plan are as follows:

	2022													
		Net Retirement Expense					**Remeasurement**							
	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	**$21,873,945**	**$1,410,289**	**$970,418**	**$–**	**$2,380,707**	**($2,171,144)**	**$–**	**($219,180)**	**$–**	**($2,968,019)**	**($3,187,199)**	**$–**	**($1,776,271)**	**$17,120,038**
Fair value of plan assets	**(14,351,484)**	**–**	**(679,121)**	**–**	**(679,121)**	**–**	**918,846**	**–**	**–**	**–**	**918,846**	**–**	**1,216,992**	**(12,894,767)**
Net retirement liability	**$7,522,461**	**$1,410,289**	**$291,297**	**$–**	**$1,701,586**	**($2,171,144)**	**$918,846**	**($219,180)**	**$–**	**($2,968,019)**	**($2,268,353)**	**$–**	**($559,279)**	**$4,225,271**

	2021													
		Net Retirement Expense					Remeasurement							
	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	$22,109,860	$1,552,791	$749,658	$–	$2,302,449	($1,196,634)	$–	$543,516	$–	($554,558)	($11,042)	$–	($1,330,687)	$21,873,945
Fair value of plan assets	(14,856,299)	–	(532,006)	–	(532,006)	–	155,989	–	–	–	155,989	–	880,831	(14,351,484)
Net retirement liability	$7,253,561	$1,552,791	$217,652	$–	$1,770,443	($1,196,634)	$155,989	$543,516	$–	($554,558)	$144,947	$–	($449,856)	$7,522,461

The maximum economic benefit available is a contribution of expected refunds from the plan and reductions in future contributions.

The total net retirement expense is allocated between the Parent Company and IMI ROHQ as follows:

	2022	2021	2020
IMI	**$1,701,586**	$1,770,443	$1,774,734
IMI ROHQ	**–**	–	14,227
	$1,701,586	$1,770,443	$1,788,961

The distribution of the plan assets as of December 31, 2022 and 2021 follows:

	2022	2021
Government securities	**$6,746,015**	$7,991,898
Equities	**999,271**	3,022,254
Corporate bonds	**947,265**	336,525
Trust funds	**2,547,935**	1,409,754
Mutual funds	**602,953**	1,128,367
Investment properties	**1,003,732**	458,085
Others	**47,596**	4,601
	$12,894,767	$14,351,484

The plan assets include corporate bonds and deposit instruments of related parties, primarily AC, Ayala Land, Inc. (ALI), AC Energy (ACEN) and Bank of the Philippine Islands (BPI). As of December 31, 2022 and 2021, the fair value of these plan assets amounted to $2.93 million and $1.75 million, respectively. The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Parent Company's defined benefit plan 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 Parent Company expects to contribute $2.14 million to the defined benefit plan in 2023.

The actual return of plan assets amounted to $0.92 million, $0.16 million and ($0.07) million in 2022, 2021 and 2020, respectively.

The average duration of the net retirement liability at the end of the balance sheet date is 9.11 years and 13.33 years as of December 31, 2022 and 2021.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Less than one year	**$1,967,448**	$2,202,457
More than one year to five years	**8,277,307**	8,419,291
More than five years to ten years	**11,076,199**	12,477,690
More than ten years to fifteen years	**13,195,842**	14,193,970
More than fifteen years to twenty years	**10,250,512**	11,614,793
More than twenty years	**13,080,865**	15,231,128
	$57,848,173	$64,139,329

Principal actuarial assumptions
The principal actuarial assumptions used to determine retirement benefits are shown below:

	2022	2021
Discount rate	**7.13%**	4.97%
Salary increase rate	**4.00%**	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the net retirement liability as of the end of the balance sheet date, assuming all other assumptions were held constant:

	Increase/Decrease in	Effect on Net Retirement Liability	
Actuarial Assumption	Actuarial Assumption	**2022**	2021
Discount rate	+1%	**($1,100,276)**	($1,576,219)
	-1%	**1,239,440**	1,797,188
Salary increase rate	+1%	**1,351,192**	1,907,918
	-1%	**(1,216,209)**	(1,700,668)

The mortality rate in 2022 and 2021 is based on the 2017 Philippine Intercompany Mortality Table.

The net retirement expense of the Parent Company under the defined benefit plans is allocated as follows:

	2022	2021	2020
Cost of goods sold and services	**$1,251,459**	$1,354,404	$1,405,684
Operating expenses	**450,127**	416,039	383,277
	$1,701,586	$1,770,443	$1,788,961

27. Employee Stock Ownership Plan

The Parent Company has an ESOWN, which is a privilege extended to the Parent Company's eligible managers and staff whereby the Parent Company 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 2022, 2021 and 2020 follow:

	2022		2021		2020	
	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	**137,127,271**	**₱6.61**	137,376,951	₱6.61	137,692,186	₱6.62
Forfeitures	**(122,944)**	**13.56**	(249,680)	8.19	(315,235)	10.49
At end of year	**137,004,327**	**₱6.60**	137,127,271	₱6.61	137,376,951	₱6.61

The balance of the subscriptions receivable amounted to $2.62 million, $2.70 million, and $2.89 million as of December 31, 2022, 2021 and 2020, respectively (see Note 16).

The share option expense amounted to nil in 2022, 2021 and 2020.

28. Lease Commitments

Set out below are the carrying amounts of the Parent Company's right-of-use assets presented under non-current assets, and the movements during the period:

	2022	2021
As at January 1, 2022	**$1,834,080**	$3,203,548
Additions	**–**	194,230
Amortization expense	**(1,563,607)**	(1,563,698)
As at December 31, 2022	**$270,473**	$1,834,080

Set out below are the carrying amounts of the Parent Company's lease liabilities and the movements during the period:

	2022	2021
As at January 1, 2022	**$2,089,045**	$3,665,108
Additions	**–**	194,230
Interest expense on lease liabilities	**103,892**	254,326
Rental payments	**(1,870,779)**	(1,860,775)
Foreign exchange losses	**(23,578)**	(163,844)
As at December 31, 2022	**$298,580**	$2,089,045
Current	**$210,592**	$1,762,601
Noncurrent	**$87,988**	$326,444

The following are the amounts recognized in parent company income statement:

	2022	2021
Amortization expense of right-of-use assets	**$1,563,607**	$1,563,698
Interest expense on lease liabilities	**103,892**	254,326
Expense related to short-term leases and low-value assets (included in cost of sales)	**54,801**	51,226
Expense related to short-term leases and low-value assets (included in operating expenses)	**17,589**	116,465
	$1,739,889	$1,985,715

The Parent Company's lease agreements have terms of fixed payments and there are no variable payment provisions.

The Parent Company 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 Parent Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022 and 2021 follow:

	2022	2021
Within one year	**$225,157**	$1,829,417
After one year but not more than two years	**45,594**	200,840
After two years but not more than three years	**50,153**	–
	$320,904	$2,030,257

Lease Commitments
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.

The Parent Company entered into an amended lease contract with AREIT INC., formerly owned by 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 lease contract which expired 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 of five percent beginning January 1, 2024 until the end of the lease term.

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, 2021 to December 31, 2025.

On November 22, 2021, the Parent Company executed a Lease Agreement with VIA Optronics (Philippines), Inc. to lease out a portion of a building for a period of five years beginning January 1, 2022 up to December 31, 2026. On October 27, 2022, the parties agree to amend the contract with a new term of one year beginning October 1, 2022 until September 30, 2023 with automatic renewal for successive one year term unless the both parties terminate the agreement.

The Parent Company also entered into an agreement with PSI Technologies, Inc. on June 10, 2021 to lease out portion of Building B for a period of two years from October 1, 2021 until September 30, 2023, renewable upon mutual agreement of both parties. On September 6, 2022, the Parent Company executed an addendum to include portion of Building A effective January 1, 2022.

29. 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 Parent Company, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans 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 Parent Company 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, 2022, 2021 and 2020, the Parent Company 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 Parent Company transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an affiliate

   As of December 31, 2022 and 2021, the Parent Company maintains current and savings accounts and money market placements with BPI amounting to \$1.91 million and \$6.30 million, respectively.

   Total interest income earned from cash in bank and short-term investments with BPI amounted to \$0.003 million, \$0.001 million and \$0.01 million for the years ended December 31, 2022, 2021 and 2020, respectively.

   The Parent company has an outstanding short term and long-term loans with BPI amounting to \$177.59 million and \$137.40 million as of December 31, 2022 and 2021, respectively.

   Total interest accrued for the loan payable to BPI amounted to \$5.78 million, \$1.36 million and \$1.02 million for the years ended December 31, 2022, 2021 and 2020, respectively.

b. Outstanding balances of related party transactions with affiliates follow:

	Receivables		Payables	
	2022	2021	**2022**	2021
KTM Asia Motor Manufacturing Inc. (KAMMI)	**\$2,444,570**	\$413,754	**\$–**	\$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**85,745**	23,130	**–**	–
AC Industrials (ACI)	**–**	11,813	**–**	–
BPI	**–**	–	**10,458**	21,138
Innove Communication, Inc. (ICI)	**–**	–	**7,383**	6,460
AG Legal	**–**	–	**–**	19,959
Globe Telecom, Inc. (GTI)	**–**	–	**1,117**	1,880
	\$2,530,315	\$448,697	**\$18,958**	\$49,437

i. Transactions with KAMMI and MSTPI pertains to trade related receivables.

ii. Transaction with AC Industrials pertains to management fee on corporate and support service.

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. Payable to AGLegal relates to legal and regulatory assistance services.

vi. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

c. Outstanding balances of related party transactions of the Parent Company with its subsidiaries follow:

	Receivables		Payables	
	2022	2021	**2022**	2021
Trade and nontrade receivables:				
IMI Singapore	**$101,303,551**	$74,918,607	**$76,451**	$–
IMI EU/MX Subsidiaries	**9,782,295**	8,569,332	**82,111**	281,362
Psi	**4,775,434**	4,946,143	**110,081**	109,470
Speedy-Tech Electronics (STEL)	**5,045,019**	1,964,089	**6,749,417**	4,334,647
IMI Japan	**1,033,519**	1,031,241	**433,416**	442,363
IMI ROHQ	**–**	1,409,261	**–**	320,892
IMI USA	**579,417**	315,391	**154,107**	433,191
Surface Technology International (STI)	**75,432**	6,976	**–**	–
	$122,594,667	$93,161,040	**$7,605,583**	$5,921,925
Loans:				
IMI Singapore	**43,035,723**	32,946,516	**–**	–
STEL	**24,121,338**	3,204,252	**–**	–
STI	**5,724,209**	–	**–**	–
IMI MX	**4,209,835**	–	**–**	–
Psi	**1,719,231**	1,719,231	**–**	–
	$78,810,336	$37,869,999	**–**	–
	$201,405,003	$131,031,039	**$7,605,583**	$5,921,925

i. Receivables from IMI Singapore, IMI EU/MX Subsidiaries, PSi, STEL, IMI Japan, STI and IMI USA are composed of $48.26 million trade related receivables and $74.33 million other receivables. Other receivables are nontrade in nature and pertain to operating cash advances made by the Parent Company. These are noninterest-bearing and are due on demand.

ii. Receivables from IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company which serves as an administrative, communications and coordinating center for its affiliates. These advances are noninterest-bearing and are due on demand.

iii. Loans to IMI Singapore have terms of one to five years and subject to annual interest rates ranging from 2.70% to 8.26% in 2022 and are subject to monthly repricing. Loan to STEL, issued in December 2022, have 30 to 32 day term subject to annual interest rates ranging from 6.75% to 6.85%. Loan to STI in 2022 have terms of 274 to 360 days with annual interest rates ranging from 5.50% to 8.43%. Loans to IMI MX in 2022 have a term of one year with annual interest rate of 8.43% subject to monthly repricing.

iv. Payables to STEL, IMI EU/MX Subsidiaries, IMI USA, PSi and IMI Japan are composed of $5.90 million trade related transactions and $1.70 million non-trade related transactions. Non-trade transactions include freight and handling charges, business travel expenses and consideration for the net assets transferred by Speedy-Tech Philippines (STPH) to the Parent Company. These advances are noninterest-bearing and are payable on demand.

v. Payables to IMI ROHQ are nontrade in nature and represent the retirement expense for IMI ROHQ's employees to be funded by the Parent Company's retirement plan upon availment. Since 2016, the retirement expense is being included in the service fees billed by IMI ROHQ to the Parent Company.

d. Revenue and expenses from its affiliates follow:

	Revenue/Income			Expenses		
	2022	2021	2020	**2022**	2021	2020
KAMMI	**$5,012,496**	$1,511,811	$1,040,797	**$–**	$–	$–
MSTPI	**135,821**	882,121	857,807	**–**	–	–
BPI	**2,999**	1,396	3,851	**38,914**	–	–
ACI	**–**	49,868	42,801	**–**	–	–
AREIT	**–**	–	–	**1,444,719**	1,512,012	1,407,557
Laguna Water (LAWC)	**–**	–	–	**1,071,846**	1,035,751	961,519
AC	**–**	–	–	**536,818**	641,891	676,738
ICI	**–**	–	–	**310,287**	185,239	135,011
AG Legal	**–**	–	–	**57,730**	113,269	172,011
GTI	**–**	–	–	**117,306**	160,840	103,492
	$5,151,316	$2,445,196	$1,945,256	**$3,577,620**	$3,649,002	$3,456,328

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 ACI represent recoveries for the provision of corporate and support services.

iii. Interest income earned form investments with BPI.

Expenses incurred from related party transactions include:

i. Administrative services charged by AC related to certain transactions.

ii. Rental expense from the lease contract between the Parent Company and AREIT (formerly TLI).

iii. Water allocation charged by LAWC.

iv. Building rental, leased lines, internet connections and ATM connections with ICI.

v. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

vi. Billings for cellphone charges and WiFi connections with GTI.

vii. Staff house rent expenses paid with BPI.

e. Revenue/income and expenses from its subsidiaries follow:

	Revenue/Income			Expenses		
	2022	2021	2020	**2022**	2021	2020
IMI Singapore	**$39,889,055**	$47,079,075	$35,592,075	**$–**	$–	$–
IMI EU/MX Subsidiaries	**6,562,502**	2,307,643	2,327,670	**87,564**	–	–
STI	**97,436**	565,705	1,065,724	**–**	–	–
PSi	**79,017**	–	602,081	**–**	–	–
STEL	**5,243,356**	–	–	**14,271,421**	17,025,299	23,606,869
IMI ROHQ	**–**	–	–	**–**	–	84,775
IMI USA	**–**	–	–	**183,163**	767,738	61,394
	$51,871,366	$49,952,423	$39,587,550	**$14,542,148**	$17,793,037	$23,753,038

i. Intercompany revenue/income are related to trade transactions, interest income and rental income made to IMI Singapore, IMI EU/MX Subsidiaries, STEL, PSi and STI.

ii. Expenses incurred from related party transactions mainly pertain to billings from STEL in relation to trade transactions.

Compensation of Key Management Personnel of the Parent Company
Key management personnel of the Parent Company include all management committee members.

Starting March 2020, the key management personnel in IMI ROHQ were transferred to the Parent Company. Prior to the transfer, administrative services rendered by the key management personnel to the Parent Company was charged by IMI ROHQ as management fees amounting to $0.08 million in 2020. Management fees are recognized under “Salaries, wages and employee benefits account” and form part of “Operating expenses” account.

30. 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 payable and accrued expenses and 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, 2022 and 2021:

	Carrying Amounts		Fair Values	
	2022	2021	**2022**	2021
Financial assets:				
Financial assets at FVOCI	**$1,829,432**	$1,364,733	**$1,829,432**	$1,364,733
Financial liabilities:				
Noncurrent portion of long-term debt	**$144,682,491**	$148,415,628	**$133,669,632**	$155,298,286

Fair Value Hierarchy
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 - These pertain to investments in club shares. Fair value is based on latest selling or buying quoted prices in an inactive market (Level 2) and amounted to $1.83 million in 2022 and $1.36 million in 2021.

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 (Level 3). The discount rates used for 2022 and 2021 ranged from 5.80% to 7.05% and from 1.55% to 2.80%, respectively.

The Parent Company’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.

31. Financial Risk Management Objectives and Policies

The Parent Company’s principal financial instruments, composed of loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Parent Company’s operations. The Parent Company has various financial instruments such as cash and cash equivalents, loans and receivables, accounts payable and accrued expenses and lease liabilities which arise directly from its operations.

The main purpose of the Parent Company's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Parent Company's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Parent Company also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.

The Parent Company's risk management policies are summarized below:

Interest Rate Risk
The Parent Company's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Parent Company'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 Parent Company's income before income tax (through the impact on floating rate borrowings) for the years ended December 31, 2022 and 2021. There is no other impact on the Parent Company's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**2022**	2021
+100	**($2,068,825)**	($1,972,156)
-100	**$2,068,825**	1,972,156

The following table shows the information about the Parent Company's debt as of December 31, 2022 and 2021 that are exposed to interest rate risk presented by maturity profile:

	2022	2021
Within one year	**$60,700,000**	$48,500,000
One to five years	**146,182,491**	148,715,628
	$206,882,491	$197,215,628

Liquidity Risk
Liquidity risk is the risk that the Parent Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Parent Company's exposure to liquidity risk relates primarily to its short and long-term obligations. The Parent Company seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. To cover financing requirements, the Parent Company 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 Parent Company's financial liabilities based on contractual undiscounted payments:

	December 31, 2022				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Accounts payable	**$–**	**$56,105,026**	**$–**	**$–**	**$56,105,026**
Accrued expenses*	**–**	**8,118,438**	**–**	**–**	**8,118,438**
Accrued compensation and benefits	**–**	**5,078,576**	**–**	**–**	**5,078,576**
Due to related parties	**–**	**1,703,843**	**–**	**–**	**1,703,843**
Accrued interest payable	**–**	**1,630,908**	**–**	**–**	**1,630,908**
Contract liabilities	**–**	**3,185,845**	**–**	**–**	**3,185,845**
Loans payable**	**–**	**99,683,101**	**51,694,980**	**–**	**151,378,081**
Current portion of lease liabilities	**–**	**–**	**225,157**		**225,157**
Current portion of long-term debt**	**–**	**–**	**7,917,524**	**–**	**7,917,524**
Noncurrent portion of lease liabilities	**–**	**–**	**–**	**95,747**	**95,747**
Noncurrent portion of long-term debt**	**–**	**–**	**–**	**155,708,641**	**155,708,641**
	$–	**$175,505,737**	**$59,837,661**	**$155,804,388**	**$391,147,786**

** Excluding statutory payables*
*** Includes future interest payable*

	December 31, 2021				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Accounts payable	$–	$50,956,022	$–	$–	$50,956,022
Accrued expenses*	–	8,880,483	–	–	8,880,483
Accrued compensation and benefits	–	6,751,200	–	–	6,751,200
Due to related parties	–	3,004,132	–	–	3,004,132
Accrued interest payable	–	1,444,931	–	–	1,444,931
Contract liabilities	–	3,208,248	–	–	3,208,248
Loans payable**	–	96,879,482	–	–	96,879,482
Current portion of lease liabilities	–	–	1,829,417	–	1,829,417
Current portion of long-term debt**	–	–	9,145,327	–	9,145,327
Noncurrent portion of lease liabilities	–	–	–	200,840	200,840
Noncurrent portion of long-term debt**	–	–	–	163,626,165	161,297,294
	$–	$171,124,498	$10,974,744	$161,498,134	$343,597,376

** Excluding statutory payables*
*** 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 Parent Company has credit lines with different financing institutions as of December 31, 2022 and 2021 as follows:

	2022		2021	
Financial Institutions	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
USD	**132,000,000**	**9,300,000**	132,000,000	68,800,000
Philippine Peso (PHP)	**300,000,000**	**300,000,000**	300,000,000	300,000,000
Foreign:				
USD	**75,000,000**	**51,600,000**	75,000,000	41,500,000

Credit Risk
Credit risk is the risk that the Parent Company's counterparties to its financial instruments will fail to discharge their contractual obligations. The Parent Company'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 Parent Company trades only with recognized, creditworthy third parties. The Parent Company has a well-defined credit policy and established credit procedures. The Parent Company extends credit to its customers consistent with sound credit practices and industry standards. The Parent Company deals only with reputable, competent and reliable customers who pass the Parent Company'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 Parent Company's exposure to bad debts is not significant.

The Parent Company defines a financial asset as in default when internal or external information indicates that the Parent Company 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 Parent Company's maximum exposure to credit risk as of December 31, 2022 and 2021 is the carrying amounts of the financial assets. The Parent Company's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Parent Company has 29% and 7% of trade receivables relating to three major customers as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021 the aging analysis of receivables, contract assets and miscellaneous deposits follows:

		December 31, 2022					
		Neither Past Due nor	Days Past Due				
	Total	**Impaired**	**<30 Days**	**30-60 Days**	**60-90 Days**	**90-120 Days**	**>120 Days**
Receivables:							
Accounts receivable	**$41,806,791**	**$22,676,271**	**$12,012,550**	**$2,327,596**	**$1,310,009**	**$813,738**	**$2,666,627**
Due from related parties	**125,124,982**	**122,740,245**	**427,885**	**476,974**	**296,265**	**417,857**	**765,756**
Loans to subsidiaries	**78,810,336**	**78,810,336**	**–**	**–**	**–**	**–**	**–**
Receivable from employees	**56,809**	**56,466**	**–**	**–**	**–**	**–**	**343**
Others	**159,733**	**159,733**	**–**	**–**	**–**	**–**	**–**
Contract assets	**17,115,125**	**17,115,125**	**–**	**–**	**–**	**–**	**–**
Miscellaneous deposits	**1,494,501**	**1,494,501**	**–**	**–**	**–**	**–**	**–**
	$264,568,277	**$243,052,677**	**$12,440,435**	**$2,804,570**	**$1,606,274**	**$1,231,595**	**$3,432,726**
Expected credit loss		**$–**	**$–**	**$–**	**$–**	**$–**	**$47,303**
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**1%**

		December 31, 2021					
		Neither Past Due nor	Days Past Due				
	Total	Impaired	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days
Receivables:							
Accounts receivable	$53,766,327	$37,772,954	$7,161,040	$4,616,426	$1,847,248	$1,501,146	$867,513
Due from related parties	93,609,737	93,340,269	142,720	113,010	–	–	13,738
Loans to subsidiaries	37,869,999	37,869,999	–	–	–	–	–
Receivable from insurance	1,072,815	–	–	–	–	–	1,072,815
Receivable from employees	186,497	186,154	–	–	–	–	343
Others	166,258	166,258	–	–	–	–	–
Contract assets	13,607,490	13,607,490					
Miscellaneous deposits	1,323,862	1,323,862					
	$201,602,985	$184,266,986	$7,303,760	$4,729,436	$1,847,248	$1,501,146	$1,954,409
Expected credit loss		$–	$–	$–	$–	$–	$1,156,031
Expected credit loss rate		0%	0%	0%	0%	0%	59%

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. Given the loss patterns of customers and the Parent Company's credit policy, the expected credit loss recognized for the period ended December 31, 2022 and 2021 represents specifically identified impaired financial assets.

The following table summarizes the credit quality of the Parent Company's financial assets as of December 31, 2022 and 2021:

	December 31, 2022					
	Neither Past Due nor Impaired				Past Due or Individually	
	Minimal Risk	**Average Risk**	**Fairly High Risk**	**High Risk**	**Impaired**	**Total**
Cash and cash equivalents	**$3,701,712**	**$–**	**$–**	**$–**	**$–**	**$3,701,712**
Receivables:						
Accounts receivable	**4,057,524**	**5,398,506**	**9,253,810**	**3,966,431**	**19,130,520**	**41,806,791**
Due from related parties	**–**	**122,722,249**	**4,963**	**13,033**	**2,384,737**	**125,124,982**
Loans to subsidiaries	**–**	**78,810,336**	**–**	**–**	**–**	**78,810,336**
Receivable from employees	**–**	**56,466**	**–**	**–**	**343**	**56,809**
Others	**–**	**159,733**	**–**	**–**	**–**	**159,733**
Miscellaneous deposits	**1,494,501**	**–**	**–**	**–**	**–**	**1,494,501**
Financial assets at FVOCI	**1,829,432**	**–**	**–**	**–**	**–**	**1,829,432**
	$11,083,169	**$207,147,290**	**$9,258,773**	**$3,979,464**	**$21,515,600**	**$252,984,296**

	December 31, 2021					
	Neither Past Due nor Impaired				Past Due or Individually Impaired	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		Total
Cash and cash equivalents	$14,966,654	$–	$–	$–	$–	$14,966,654
Receivables:						
Accounts receivable	3,108,762	24,182,715	5,628,768	4,852,709	15,993,373	53,766,327
Due from related parties	–	93,340,269	–	–	269,468	93,609,737
Loans to subsidiaries	–	37,869,999	–	–	–	37,869,999
Receivable from insurance	–	–	–	–	1,072,815	1,072,815
Receivable from employees	186,154	–	–	–	343	186,497
Others	–	166,258	–	–	–	166,258
Miscellaneous deposits	1,323,862	–	–	–	–	1,323,862
Financial assets at FVOCI	1,364,733	–	–	–	–	1,364,733
	$19,585,432	$155,559,241	$5,628,768	$4,852,709	$17,335,999	$204,326,882

The Parent Company 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 Letter 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 Parent Company's foreign exchange risk results primarily from movements of the USD against other currencies. As a result of significant operating expenses in PHP, the parent company statements of income can be affected significantly by movements in the USD versus the PHP. In 2022 and 2021, the Parent Company entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Parent Company also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Parent Company's functional currency. Approximately 0.03% and 0.03% of the Parent Company's sales in 2022 and 2021, and 17% and 24% of costs for the years ended in 2022 and 2021 are denominated in currencies other than the Parent Company's functional currency.

The Parent Company manages its foreign exchange exposure risk by matching, as much 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.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and their U.S. Dollar equivalents follows:

Philippine Peso (₱)

	2022		2021	
	In USD	**In PHP[1]**	In USD	In PHP[2]
Cash and cash equivalents	**$696,933**	**₱38,857,478**	$1,735,583	₱88,512,991
Receivables	**1,243,575**	**69,335,501**	1,089,714	55,574,306
Miscellaneous deposits	**649,932**	**36,236,942**	1,364,733	69,600,000
Accounts payable and accrued expenses	**(9,796,746)**	**(544,712,189)**	(11,345,413)	(578,604,697)
Net retirement and other noncurrent liabilities	**(4,313,259)**	**(240,485,773)**	(7,848,905)	(400,294,155)
Net foreign currency-denominated liabilities	**($11,519,565)**	**(₱640,768,041)**	($15,004,288)	(₱765,211,555)

[1] *Exchange rate: ₱55.76 to $1.00*
[2] *Exchange rate: ₱51.0 to $1.00*

Euro (EUR or €)

	2022		2021	
	In USD	**In EUR[1]**	In USD	In EUR[2]
Cash and cash equivalents	**$26,417**	**€24,851**	$61,961	€54,808
Receivables	**282,105**	**264,675**	1,964,456	1,737,688
Accounts payable and accrued expenses	**(2,971,702)**	**(2,795,580)**	(1,744,360)	(1,542,999)
Net foreign currency-denominated assets	**($2,663,180)**	**(€2,506,054)**	$282,057	€249,497

[1] Exchange rate: €0.94 to $1.00
[2] Exchange rate: €0.88 to $1.00

Japanese Yen (JPY or ¥)

	2022		2021	
	In USD	**In JPY[1]**	In USD	In JPY[1]
Cash and cash equivalents	**$4,296**	**¥574,413**	$4,989	¥574,516
Receivables	**148,354**	**19,834,905**	170,612	19,645,964
Accounts payable and accrued expenses	**(27,445)**	**(3,669,438)**	(87,507)	(10,076,459)
Net foreign currency-denominated assets (liabilities)	**$125,205**	**¥16,739,880**	$88,094	¥10,144,021

[1] Exchange rate: ¥133.70 to $1.00
[2] Exchange rate: ¥115.15 to $1.00

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 Parent Company's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2022 and 2021. 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 Parent Company's equity other than those already affecting the 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	**2022**	2021
PHP	+1%	**$114,926**	$70,839
	-1%	**(114,926)**	(70,839)
EUR	+1%	**26,632**	(2,453)
	-1%	**(26,632)**	2,453
JPY	+1%	**(1,252)**	(771)
	-1%	**1,252**	771

32. **Contingencies**

The Parent Company 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 Parent Company'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 Parent Company'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 Parent Company 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 Parent Company's financial position and financial performance. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

33. Notes to Statement of Cash Flows

The following table shows the reconciliation of liabilities arising from financing activities:

		Cash flows		Non-cash changes					
	2021	**Availment/ Collection**	**Settlement/ Payment**	**Declaration**	**Reclass**	**Forfeitures**	**Accretion of interest expense**	**Foreign currency translation**	**2022**
Long-term debt	**$148,415,628**	**$–**	**($2,233,137)**	**$–**	**($1,500,000)**	**$–**	**$–**	**$–**	**$144,682,491**
Loans payable	**96,700,000**	**59,600,000**	**(6,200,000)**	**–**	**–**	**–**	**–**	**–**	**150,100,000**
Current portion of long-term debt	**300,000**	**–**	**(300,000)**	**–**	**1,500,000**	**–**	**–**	**–**	**1,500,000**
Lease liabilities	**2,089,045**	**–**	**(1,870,779)**	**–**	**–**	**–**	**103,892**	**(23,578)**	**298,580**
Subscription receivable	**(2,701,935)**	**45,486**	**–**	**–**	**–**	**36,254**	**–**	**–**	**(2,620,195)**
	$244,802,738	**$59,645,486**	**($10,603,916)**	**$–**	**$–**	**$36,254**	**$103,892**	**($23,578)**	**293,960,876**

		Cash flows		Non-cash changes					
	2020	Availmen/ Collectiont	Settlement/ Payment	Declaration	Reclass	Addition	Accretion of interest expense	Foreign currency translation	2021
Long-term debt	$29,795,564	$119,093,239	($173,175)	–	($300,000)	–	–	–	$148,415,628
Loans payable	143,000,000	66,700,000	(113,000,000)	–	–	–	–	–	96,700,000
Current portion of long-term debt	–	–	–	–	300,000	–	–	–	300,000
Lease liabilities	3,665,108	–	(1,860,775)	194,230	–	–	254,326	(163,844)	2,089,045
Subscription receivable	(2,888,800)	142,579	–	–	–	44,286	–	–	(2,701,935)
	$173,571,872	$185,935,818	($115,033,950)	$194,230	$–	$44,286	$254,326	($163,844)	$244,802,738

Most of the loans are from existing revolving credit lines.

34. Supplementary Information Required under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value Added Tax (VAT)

The National Internal Revenue Code (NIRC) of 1997 provides for the imposition of VAT on the sale of goods and services. Accordingly, the Parent Company's sale of goods and services under non-PEZA registered activities are subject to output VAT. Export sales, on the other hand, are accordingly exempt from VAT.

a. Net sales/receipts and output VAT declared by the Parent Company (amounts in Philippine Peso):

	Net Sales/ Receipts	Output VAT
Service income	₱3,186,570	₱382,388
Commissions on vending machine	4,380,731	525,688
Other miscellaneous income	1,386,319	166,358
	8,953,620	1,074,434
Zero-rated sales	17,094,170,596	–
	₱17,103,124,216	₱1,074,434

Vatable sales constitute income from services that are not part of registered activities, commissions on vending machines, sale on fixed asset and other service fees. These are not qualified for preferential tax treatment and is therefore subject to 12% VAT under the NIRC of 1997.

Zero-rated sales consist of export sales and those rendered to person or entities whose exemptions are provided in accordance with Section 4.108-5 of RR No. 16-2005, as amended by RR No. 13-2018, 26-2018, 9-2021 and 21-2021.

b. Input VAT

As a PEZA-registered enterprise, the Company is qualified for VAT exemption on its importations and for VAT zero-rating on its local purchase of goods and services directly and exclusively used in the registered projects or activities subject to the provisions of Rule 2, Section 5 of the amended IRR of the CREATE Law and BIR Revenue Regulation (RR) No. 21-2021 dated 03 December 2021.

Custom Duties and Tax Exemptions
The Implementing Rules and Regulations of R.A. 7916, particularly under Book VI Executive Omnibus, provide for the Parent Company's exemption on duties, taxes and fees related to its importation.

The importation of capital equipment, raw materials, spare parts, and accessories made by RBEs shall be exempt from customs duties subject to the provisions of Rule 2, Section 4 of the amended IRR of the CREATE Law.

Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees which are recorded under "Government-related costs" under "Cost of goods sold and services" and "Operating expenses account" in the parent company statements of income (amounts in Philippine Peso).

	Cost of Goods Sold and Services	Operating Expenses
Documentary stamp tax	₱–	₱61,106,254
Real property taxes	626,077	–
Fringe benefit tax	–	5,705,745
Business permits	20,035	31,325
Other taxes	370,142	373,458
	₱1,016,254	₱67,216,782

Withholding Taxes
Withholding Taxes are recorded in "Taxes payable" under "Accounts payable and accrued expenses" account in the parent company balance sheet.

Details of withholding taxes for the year are as follows (amounts in Philippine Peso):

	Remittances for the Year	Outstanding Balance
Withholding taxes on compensation	₱157,748,287	₱15,766,489
Expanded withholding taxes	50,794,404	8,616,072
Final withholding taxes	51,055,045	3,284,550
	₱259,597,736	₱27,667,111

Contingencies
The Parent Company is currently not involved in any tax case against the BIR.

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

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

We have audited the parent company financial statements of Integrated Micro-Electronics, Inc. (the "Parent Company") for the year ended December 31, 2022, on which we have rendered the attached report dated March 16, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has two hundred eighty-eight (284) 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
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Integrated Micro-Electronics, Inc. (the "Parent Company") as at and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the parent company basic financial statements taken as a whole. The accompanying schedule of all effective standards and interpretations under PFRSs as of December 31, 2022 is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
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SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

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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 Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Integrated Micro-Electronics, Inc. (the Parent Company) as at December 31, 2022 and 2021 and for each of the two years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic parent company 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 Parent 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 parent company financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Parent Company's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9566009, January 3, 2023, Makati City

March 16, 2023

IMI GUICO, Ma. Jemly R.

From: eafs@bir.gov.ph
Sent: Thursday, 13 April 2023 11:34 am
To: IMI MALABANAN-GARCIA, Marita B.
Cc: IMI MALABANAN-GARCIA, Marita B.
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Hi INTEGRATED MICRO-ELECTRONICS, INC.,

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- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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April 13, 2023 11:33:33 AM	ITR	EAFS000409747ITRTY122022.pdf	12.606460	116	✔
April 13, 2023 11:33:33 AM	TCR_1	EAFS000409747TCRTY122022-01.pdf	1.528052	7	✔
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April 13, 2023 11:33:33 AM	AFS-0-9LF65FFG09A559HDEQQYPPMVN0GL8D8AE	Other Attachments: 1 SAWT 2 eSubmission Validation Receipt of SAWT 3 Registration Certificates with SEC and PEZA 4 PEZA Certificate of Entitlement for Tax Incentives (CETI) 5 PEZA Certificate of VAT Zero rating - for 2022 6 SEC approval to use functional currency on financial statements (USD) 7 Sworn Statement / Affidavit of the foreign sourced dividend 8 2022 Quarterly income tax returns including OR's from LGU 9 2022 Annual income tax returns duly received by LGU (including ORs of 2% share) 10 2022 Consolidated Audited Financial Statement	

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