

COVER SHEET

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(Company's Full Name)

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(Business Address: No. Street City / Town / Province)

ATTY. SOLOMON M. HERMOSURA

Contact Person

908-3346

Company Telephone Number

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Month Day
Fiscal Year

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FORM TYPE

0	4	1	5
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Month Day
Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

Section 3, 6, 7 & 8

Amended Articles Number/Section

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Total No. Of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

_____ Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes



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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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **INTEGRATED MICRO-ELECTRONICS, INC.** will be conducted virtually via <http://www.ayalagroupshareholders.com/> on **Thursday, April 15, 2021 at 9:00 o'clock in the morning** with the following

A G E N D A¹

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Previous Meeting
4. Annual Report
5. Ratification of All Acts of the Board of Directors and Officers
6. Election of Directors (including the Independent Directors)
7. Election of External Auditor and Fixing of its Remuneration
8. Consideration of Such Other Business as May Properly Come Before the Meeting
9. Adjournment

Only stockholders of record as of **March 1, 2021** are entitled to notice of, and to vote at, this meeting.

Given the current circumstances, stockholders may only attend the meeting by appointing the Chairman of the meeting as their proxy, by remote communication or by voting *in absentia*.² Stockholders intending to participate by remote communication should notify the Company on or before April 5, 2021.

Duly accomplished proxies shall be submitted on or before April 5, 2021 to the Office of the Corporate Secretary at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to corporatesecretary@global-imi.com. Validation of proxies is set for April 7, 2021 at 9:00 a.m.

Stockholders may vote by remote communication, or *in absentia* subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting votes *in absentia* will be set forth in the Information Statement³.

¹ See pages 3 and 4 for the explanation for each agenda item.

² The Company shall hold a physical meeting if so requested by stockholders holding at least 10% of our outstanding capital stock and provided that the same is allowed by government regulations and issuances. Stockholders have until February 24, 2021 to submit their requests to corporatesecretary@global-imi.com.

³ Stockholders should notify the Company at corporatesecretary@global-imi.com of their preference to receive hard copies of the Information Statement and other ASM materials on or before March 11, 2021.

Stockholders of record as of March 1, 2021 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before April 8, 2021⁴.

All communications should be sent by email to corporatesecretary@global-imi.com on or before the designated deadlines.

Makati City, February 11, 2021.



SOLOMON M. HERMOSURA
Corporate Secretary

⁴ The inclusion of the proposed agenda item shall be in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.

EXPLANATION OF AGENDA ITEMS

Call to order

The Chairman will formally open the meeting at approximately 9:00 o'clock in the morning.

Certification of notice and quorum (and rules of conduct and procedures)

The Corporate Secretary will certify that written notice for the meeting was duly sent to stockholders and that a quorum exists for the transaction of business.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Company has set up a designated online web address which may be accessed by the stockholders to register and vote on the matters at the meeting *in absentia*.⁵ A stockholder participating by remote communication or who votes *in absentia* shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting to be conducted in virtual format:

- (i) Stockholders may attend the meeting remotely through the online web address (URL) provided. Questions and comments may be sent prior to or during the meeting at corporatesecretary@global-imi.com and shall be limited to the Items in the Agenda.
- (ii) In the event that physical attendance will be allowed at the meeting -
 - a. Anyone who wishes to make a remark shall identify himself after being acknowledged by the Chairman and shall limit his remarks to the item in the Agenda under consideration;
 - b. Stockholders present at the meeting may opt for manual or electronic voting. For manual voting, each stockholder will be given, upon registration, a ballot where he can write his vote on every item in the agenda or proposed resolution. For electronic voting, there will be computer stations near the registration table where stockholders may cast their votes electronically using a digital version of the ballot.
- (iii) Each of the proposed resolutions will be shown on the screen during the livestreaming as the same is taken up at the meeting.
- (iv) Stockholders must notify the Company on or before April 5, 2021 of their intention to participate in the Meeting by remote communication to be included in determining the existence of a quorum, together with the stockholders who voted *in absentia* and by proxy.
- (v) Voting shall only be allowed for stockholders registered in the Voting *in Absentia* and Shareholder (VIASH) System or through authorizing the Chairman of the meeting as proxy.
- (vi) Stockholders voting *in absentia*, who have previously registered in the VIASH System, may cast their votes electronically at any time using the VIASH System prior to or during the meeting.
- (vii) All the items in the agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting, unless the law requires otherwise.
- (viii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes. Each outstanding share of stock entitles the registered stockholder to one vote.
- (ix) The Proxy Validation Committee will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.
- (x) The meeting proceedings shall be recorded in audio and video format.

Approval of minutes of previous meeting

The minutes of the meeting held on April 15, 2020 are available at the Company's website, www.global-imi.com. Soft copies of the minutes will also be distributed to the stockholders after their registration for the meeting.

Annual report

The Chairman, Mr. Jaime Augusto Zobel de Ayala, and the President and Chief Executive Officer, Mr. Arthur R. Tan, will report on the performance of the Company in 2020 and the outlook for 2021.

The Company's Annual Report will contain the Message from the Chairman and the Message from the CEO. Copies of the Annual Report will be distributed to the stockholders and posted on the Company's website, www.global-imi.com.

The Audited Financial Statements as of December 31, 2020 (AFS), to be approved by the Board on March 2, 2021 upon the recommendation of the Audit Committee, will be included in the Information Statement to be sent to the stockholders at least 28 days prior to the meeting.

Ratification of all acts of the Board of Directors and Officers

The actions and resolutions of the Board and its committees were those taken and adopted since the annual stockholders' meeting on April 15, 2020 until April 15, 2021. They include the approval of operations-related and treasury-related matters and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange such as the election of a replacement director and his appointment as member of various Board committees, the approval of amendments to the Company's By-Laws and Charters of the Corporate Governance and Nomination Committee and Personnel and Compensation Committee and agreements, and the appointment of a new Data Protection Officer,. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

⁵ The detailed instructions pertaining to the URL and the use thereof will be provided in the Information Statement.

Election of directors (including the independent directors)

The eleven (11) nominees for directors, to be evaluated and determined by the Corporate Governance and Nomination Committee of the Board to have all the qualifications and competence necessary for the effective performance of the Board's roles and responsibilities, and none of the disqualifications to serve as members of the Board, shall be presented for election to the stockholders.

The profiles of the nominees to the Board will be provided in the Information Statement.

Election of external auditor and fixing of its remuneration

The Audit and Risk Committee of the Board will endorse to the stockholders the election of the external auditor for the ensuing fiscal year as well as its proposed remuneration.

The profile of the external auditor will be provided in the Information Statement.

Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders, and take up agenda items received from stockholders on or before April 8, 2021 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Company's internal guidelines⁶.

⁶ SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings": <https://www.sec.gov.ph/mc-2020/mc-no-14-s-2020shareholders-right-to-put-items-on-the-agenda-for-regular-special-stockholders-meetings/>.

PROXY

The undersigned stockholder of **INTEGRATED MICRO-ELECTRONICS INC.** (the "Company") hereby appoints the Chairman of the meeting, as *attorney-in-fact* and *proxy*, to represent and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on **April 15, 2021** and at any of the adjournments thereof for the purpose of acting on the following matters:

- | | |
|---|---|
| <p>1. Approval of Minutes of Previous Meeting
 <input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain</p> <p>2. Approval of Annual Report
 <input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain</p> <p>3. Ratification of the Acts of the Board of Directors and Officers
 <input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain</p> | <p>5. Election of SyCip Gorres Velayo & Co. as the external auditor and fixing of its remuneration.
 <input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain</p> <p>6. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.
 <input type="checkbox"/> For <input type="checkbox"/> Against</p> |
|---|---|

4. Election of Directors
- | | No. of Votes |
|--------------------------------------|--------------|
| Jaime Augusto Zobel de Ayala | _____ |
| Arthur R. Tan | _____ |
| Fernando Zobel de Ayala | _____ |
| Jose Ignacio A. Carlos | _____ |
| Alberto M. de Larrazabal | _____ |
| Delfin L. Lazaro | _____ |
| Rafael C. Romualdez | _____ |
| <u><i>Independent Directors:</i></u> | |
| Diosdado P. Banatao | _____ |
| Edgar O. Chua | _____ |
| Hiroshi Nishimura | _____ |
| Sherisa P. Nuesa | _____ |

 PRINTED NAME OF STOCKHOLDER

 SIGNATURE OF STOCKHOLDER/
 AUTHORIZED SIGNATORY

 DATE

A SCANNED COPY OF THIS PROXY MUST BE SUBMITTED TO THE CORPORATE SECRETARY AT corporatesecretary@global-imi.com ON OR BEFORE **APRIL 5, 2021**, THE DEADLINE FOR SUBMISSION OF PROXIES. FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER REGISTERS IN THE VOTING *IN ABSENTIA* & SHAREHOLDER (VIASH) SYSTEM.

STOCKHOLDERS PARTICIPATING BY REMOTE COMMUNICATION WILL NOT BE ABLE TO VOTE UNLESS THEY REGISTER IN THE VIASH SYSTEM OR THEY AUTHORIZE THE CHAIRMAN TO VOTE AS PROXY, ON OR BEFORE **APRIL 5, 2021**.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement
of
INTEGRATED MICRO-ELECTRONICS, INC.
(the "Registrant," "Company," "Corporation" or "IMI")
Pursuant to Section 20 of the Securities Regulation Code

1. Check the appropriate box:

Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter: INTEGRATED MICRO-ELECTRONICS, INC.

3. Province, country or other jurisdiction of incorporation or organization:

REPUBLIC OF THE PHILIPPINES

4. SEC Identification Number: 94419

5. BIR Tax Identification Code: 000-409-747-000

6. Address of Principal Office: North Science Avenue
Laguna Technopark-Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

7. Registered Business Address: North Science Avenue
Laguna Technopark-Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

8. Registrant's telephone number, including area code: (632) 7756-6840

9. Date, time and place of the meeting of security holders:

Date - April 15, 2021
Time - 9:00 A.M.
Place - To be conducted virtually through
<http://www.ayalagroupshareholders.com/>

10. Approximate date on which the Information Statement is first to be sent or given to security holders:

March 25, 2021

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

a. Shares of Stock

<u>Title of Each Class</u>	<u>Par Value</u>	<u>No. of Shares</u>	<u>Amount</u>
Common	₱1.00	2,217,293,215	₱2,217,293,215.00

b. **Debt Securities - None**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes No

2,115,636,697 common shares are listed with the Philippine Stock Exchange ("PSE"), including 15,892,224 treasury shares.

* * *

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders (hereafter, the “annual stockholders’ meeting” or “meeting”)

- a. Date - April 15, 2021, Thursday
- Time - 9:00 A.M.
- Place - To be conducted virtually through
<http://www.ayalagroupshareholders.com/>
- Principal Office - North Science Avenue
Laguna Technopark-Special Economic Zone (LT-SEZ)
Bo. Biñan, Biñan, Laguna

b. Approximate date when the Information Statement is first to be sent to security holders:

March 25, 2021

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

Item 2. Dissenter’s right of appraisal

Under Section 80, Title X of the Revised Corporation Code of the Philippines (“Revised Corporation Code”), a stockholder shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

No matters or actions that may give rise to a possible exercise by stockholders of their appraisal rights will be taken up at the meeting.

Item 3. Interest of certain persons in or opposition to matters to be acted upon

None of the Directors or Executive Officers of the Company has any personal involvement or interest, either direct or indirect, in the matters to be acted upon.

No Director has informed the Company of his opposition to any matter to be acted upon.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting securities and principal holders thereof

- a. **Number of shares outstanding as of February 28, 2021:** 2,217,293,215 Common shares
- Number of votes entitled:** one (1) vote per common share
- b. All **stockholders of record** as of March 1, 2021 are entitled to receive notice and to vote at the annual stockholders' meeting.
- c. **Manner of voting**

Sections 7 and 8 of Article III of the By-laws of the Company (the "By-laws") provide:

Section 7 - Each share of stock entitles the person in whose name it is registered in the books of the corporation to one vote, provided the conditions as regards payment subject to which it was issued have been complied with.

Section 8 - The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as are to be elected as Directors, or he may give to one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected. x x x

On March 8, 2019, the Executive Committee of the Company, in the exercise of its authority under the By-Laws, approved and authorized voting by the stockholders through remote communication or *in absentia* during meetings of the stockholders of the Company in accordance with Sections 57 and 23 of the Revised Corporation Code.

Stockholders may vote on the resolutions for approval at the meeting by appointing the Chairman of the Meeting as their proxy or electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum. The detailed instructions for electronic voting *in absentia* are set forth in Annex A (I).

d. Security ownership of certain record and beneficial owners and management

- (i) Security ownership of certain record and beneficial owners (of more than 5%) as of February 28, 2021.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Outstanding Shares
Common	AC Industrial Technology Holdings, Inc. ¹ 32 nd Floor, Tower One and	AC Industrial Technology Holdings, Inc. ²	Filipino	1,153,725,046	52.0330%

¹ AC Industrial Technology Holdings, Inc. (AC Industrials) is a stockholder of the Company.

² The Board of Directors of AC Industrials has the power to decide how AC Industrials' shares in IMI are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

	Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.				
Common	PCD Nominee Corporation (Non-Filipino) ³ 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	PCD participants acting for themselves or for their customers ⁴	Various Non-Filipino	322,486,924	14.5442%
Common	Resins, Inc. ⁵ E. Rodriguez Jr. Avenue, Bagong Ilog, Pasig City.	Resins, Inc. ⁶	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	191,712,088	8.6462%
Common	PCD Nominee Corporation (Non-Filipino) ³ 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226	Fremach International ⁷	Belgian	200,000,000	9.0200%

(ii) Security ownership of directors and management as of February 28, 2021.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
<i>Directors</i>				
Common	Jaime Augusto Zobel de Ayala	100 (direct)	Filipino	0.0000%
Common	Fernando Zobel de Ayala	100 (direct)	Filipino	0.0000%
Common	Delfin L. Lazaro	100 (direct)	Filipino	0.0000%
Common	Jose Teodoro K. Limcaoco	100 (direct)	Filipino	0.0000%
Common	Arthur R. Tan	21,223,552 (direct & indirect)	Filipino	0.9572%
Common	Rafael C. Romualdez	1 (direct)	Filipino	0.0000%
Common	Jose Ignacio A. Carlos	1 (direct)	Filipino	0.0000%
Common	Edgar O. Chua	100 (direct)	Filipino	0.0000%
Common	Hiroshi Nishimura	712,578 (direct & indirect)	Japanese	0.0321%
Common	Sherisa P. Nuesa	853,385 (direct & indirect)	Filipino	0.0385%
Common	Diosdado P. Banatao	115 (direct)	Filipino	0.0000%
<i>CEO and Most Highly Compensated Officers</i>				
Common	Arthur R. Tan	21,223,552 (direct & indirect)	Filipino	0.9572%
Common	Eric De Candido	0	French	0.0000%
Common	Laurice S. Dela Cruz	157,221 (indirect)	Filipino	0.0071%
Common	Mary Ann S. Natividad	882,139 (direct & indirect)	Filipino	0.0398%

³ PCD Nominee Corporation (PCD) is not related to the Company.

⁴ 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 514,199,012 common shares registered in the name of PCD, 234,858,328 common shares or 10.5921% of the outstanding common shares are for the account of The Hongkong and Shanghai Banking Corporation (HSBC). As communicated to the Company, neither HSBC nor any of its customers beneficially owns more than 5% of the Company's common shares.

⁵ Resins is not related to the Company.

⁶ The Board of Directors of Resins has the power to decide how Resins' shares in IMI are to be voted. Mr. Jose Ignacio A. Carlos is usually appointed to exercise the voting power.

⁷ 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.

Common	Jerome S. Tan	2,884,733	(indirect)	Singaporean	0.1301%
<i>Other Executive Officers</i>					
Common	Rosalyn O. Tesoro	19,505	(indirect)	Filipino	0.0009%
Common	Solomon M. Hermosura	620,015	(indirect)	Filipino	0.0203%
Common	Joanne M. Lim	0		Filipino	0.0000%
All Directors and Officers as a group		27,353,745			1.2336%

No director or member of the Company's management owns 2.0% or more of the outstanding capital stock of the Company.

(iii) Voting trust holders of 5% or more

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

(iv) Changes in control

No change of control in the Company has occurred since 2017.

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

Item 5. Directors and executive officers

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

Section 9 - At the regular general meetings, a Board of eleven (11) Directors shall be elected who shall hold office for a term of one (1) year or until their successors shall have been elected and qualified.

The attendance of the directors at the meetings of the Board of Directors (the "Board") held in 2020 is as follows:

Directors	No. of Meetings Attended/Held⁸	Percent Present
Jaime Augusto Zobel de Ayala	6/6	100%
Fernando Zobel de Ayala	6/6	100%
Delfin L. Lazaro	6/6	100%
Jose Teodoro K. Limcaoco	6/6	100%
Arthur R. Tan	6/6	100%
Gilles Bernard ⁹	0/2	-
Jose Ignacio A. Carlos	6/6	100%
Rafael C. Romualdez	6/6	100%
Hiroshi Nishimura ¹⁰	4/5	80%
Edgar O. Chua	6/6	100%
Sherisa P. Nuesa	6/6	100%
Diosdado P. Banatao ¹¹	4/5	80%

⁸ In 2020 during the incumbency of the director.

⁹ Resigned on June 17, 2020.

¹⁰ His term expired on April 15, 2020 and was replaced as an Independent Director of the Company by Mr. Banatao on the same date. He was re-elected as an Independent Director on June 17, 2020.

¹¹ Elected as Independent Director on April 15, 2020.

The Management Committee members and other officers of the Company, unless removed by the Board, shall serve as such until their successors are elected or appointed.

a. **Information required of directors and executive officers**

i. Directors and executive officers

The nominees for election to the Board at the annual meeting of the shareholders are as follows:

Jaime Augusto Zobel de Ayala	Alberto M. de Larrazabal
Fernando Zobel de Ayala	Diosdado P. Banatao
Arthur R. Tan	Sherisa P. Nuesa
Jose Ignacio A. Carlos	Rafael C. Romualdez
Edgar O. Chua	Hiroshi Nishimura
Delfin L. Lazaro	

Messrs. Edgar O. Chua, Diosdado P. Banatao, and Hiroshi Nishimura, and Ms. Sherisa P. Nuesa are nominated as independent directors.

Mr. Aldrin Lopez, a shareholder of the Company, formally nominated all the eleven (11) candidates. Mr. Lopez is not related to any of the nominees. Please refer to Annex “B” for the summary of the directors’ qualifications. The certifications on the qualifications of the nominees for independent directors are attached herewith as Annex “B-1”.

Each nominee has accepted his or her nomination.

The Corporate Governance and Nomination Committee of the Company (with Sherisa P. Nuesa, as Chairman and Hiroshi Nishimura and Edgar O. Chua, as members) evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-laws of the Company.

Messrs. Jaime Augusto Zobel de Ayala, Fernando Zobel de Ayala, Lazaro, Romualdez, Tan, Carlos, and Chua have served as directors of the Company for more than five years; Mr. Limcaoco for five years; Ms. Nuesa for three years; and Mr. Banatao for one year.

Mr. Nishimura served as an Independent Director of the Company from April 2010 to April 2020. He was re-elected as an Independent Director on June 17, 2020. The Corporate Governance and Nomination Committee endorsed his nomination as an independent director notwithstanding the fact that if elected once again, his service as such will exceed the recommended nine-year term provided in the SEC Corporate Governance Code for Publicly-Listed Companies after taking into consideration Mr. Nishimura’s commitment and dedication in fulfilling his mandate.

The above-named nominees are expected to attend the annual stockholders’ meeting.

The Company undertakes to abide by SRC Rule 38 on the required number of independent directors subject to any revision that may be prescribed by the Securities and Exchange Commission (“SEC”).

None of the directors and officers of the Company are employed by the Philippine government.

ii. 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.

iii. Family relationships

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

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

iv. Involvement in Certain Legal Proceedings

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

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

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

b. 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. None of the Company’s directors have entered into self-dealing and related party transactions with or involving the Company in 2020.

Terms and Conditions of Transactions with Related Parties

The Group has a Related Party Transactions (RPT) Committee that evaluates and governs related party transactions. Prior to finalization of any related party agreement, the management shall report for review and approval to the RPT Committee all new and proposed significant related party transaction above the threshold set by the RPT Committee.

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the years ended December 31, 2020, 2019 and 2018, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

- Transactions with Bank of the Philippine Islands (BPI), an affiliate

As of December 31, 2020 and 2019, the Group maintains current and savings accounts and short-term investments with BPI amounting to nil and \$1.14 million, respectively.

Total interest income earned from investments with BPI amounted to \$0.01 million, \$0.01 million and \$0.31 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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

	Receivables/Deposits		Payables	
	2020	2019	2020	2019
KTM Asia Motor Manufacturing Inc. (KAMMI)	\$184,412	\$256,167	\$-	\$-
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	99,862	135,751	-	-
AC Industrials Technology Inc. (AC Industrials)	14,979	48,055	-	-
BPI	-	-	20,873	-
Innove Communication, Inc. (ICI)	-	-	6,460	-
Globe Telecom, Inc. (GTI)	-	-	-	2,024
	\$299,253	\$439,973	\$27,333	\$2,024

- Transaction with KAMMI and MSTPI pertains to trade related receivables.
 - Transaction with AC Industrials pertains to management fee on corporate and support services.
 - Payable to BPI pertains to employee related transactions.
 - Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.
 - Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.
- Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2020	2019	2018	2020	2019	2018
KAMMI	\$1,040,797	\$1,361,041	\$3,845,192	\$-	\$-	\$-

MSTPI	857,807	668,115	872,118	–	–	–
AC Industrials	42,801	49,370	–	–	–	–
BPI	3,851	9,740	223,944	–	–	–
IADI	–	–	110,900	–	–	–
HCFI	–	–	66,540	–	–	–
ACEI	–	–	15,430	–	–	–
TLI	–	–	–	1,407,557	1,094,592	1,032,845
Laguna Water (LAWC)	–	–	–	961,519	608,094	571,938
AC	–	–	–	676,738	1,913,224	1,664,336
AG Legal	–	–	–	172,011	113,111	131,289
ICI	–	–	–	135,011	210,871	132,578
GTI	–	–	–	103,492	147,337	108,812
ACEHI	–	–	–	–	463,874	4,633,019
	\$1,945,256	\$2,088,266	\$5,134,124	\$3,456,328	\$4,551,103	\$8,274,817

Revenue/income from its affiliates pertains to the following transactions:

- i. Revenues from KAMMI and MSTPI pertain to subcontracting services related to registered activities.
- ii. Revenues from AC Industrials, IADI, HCFI and ACEI represent recoveries for the provision of corporate and support services.
- iii. Interest income earned from investments with BPI.

Expenses incurred from related party transactions include:

- i. Light and power allocation charged by ACEHI to the Parent Company. The contract with ACEHI ended in January 2019.
 - ii. Administrative services charged by AC related to certain transactions.
 - iii. Rental expense from the lease contract between the Parent Company and TLI.
 - iv. Water allocation charged by LAWC.
 - v. Building rental, leased lines, internet connections and ATM connections with ICI.
 - vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
 - vii. Billings for cellphone charges and WiFi connections with GTI.
- Revenue and expenses eliminated at the Group level follow:
 - i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore and the Parent Company for recovery costs related to the management salaries of key management personnel under IMI ROHQ.
 - ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX, STI and IMI CZ from loans granted by the Parent Company, IMI Singapore and STSN.

Guarantees and Commitments

IMI BG has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH (“C-Con”), a related party and an entity under common control of AC

Industrials, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency ("Breach"), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach. As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG.

Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	2020	2019
	\$6,482,92	\$9,513,67
Short-term employee benefits	8	8
Post-employment benefits	73,519	206,487
	\$6,556,44	\$9,720,16
	7	5

c. Ownership structure and parent company

The Company's parent is AC Industrial Technology Holdings, Inc. which owns 52.0330% of the total outstanding capital stock of the Company as of February 28, 2021. Resins, Inc. owns 13.1595% of the total outstanding capital stock of the Company.

d. Resignation of directors

No director has resigned from or declined to stand for re-election to the Board since the date of the 2020 annual meeting of stockholders due to any disagreement with the Company relative to the Company's operations, policies and practices.

Item 6. Compensation of directors and executive officers

a. Executive Compensation

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

	Projected 2021	68.30M	25.23M
All officers as a group unnamed*	Actual 2019 (Restated)**	₱ 763.97M	₱ 142.09M
	Actual 2020***	565.04M	82.32M
	Projected 2021	593.29M	86.44M

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

**Restated amount due to inclusion of a recently acquired subsidiary.

***Reduction of Allocation to IMI

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

b. **Compensation of directors**

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

Section 9 - Each director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed five percent (5%) of the net income before income tax of the Corporation during the preceding year. (As amended on February 23, 2011.)

x x x

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

i. **Standard arrangement**

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

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

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

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

Name	Amount
Jaime Augusto Zobel de Ayala	PhP600,000.00
Fernando Zobel de Ayala	600,000.00
Jose Teodoro K. Limcaoco	800,000.00
Delfin L. Lazaro	700,000.00
Jose Ignacio A. Carlos	640,000.00
Rafael C. Romualdez	840,000.00

Edgar O. Chua	800,000.00
Diosdado P. Banatao	400,000.00
Sherisa P. Nuesa	760,000.00
Hiroshi Nishimura	560,000.00

ii. Other arrangements

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

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

c. **Employment contracts and termination of employment and change-in-control arrangements**

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

d. **Warrants and options outstanding, repricing**

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

Item 7. Independent Public Accountants

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.

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 2020 and 2019, while Mr. Carlo Paolo V. Manalang served as such for the audit years 2018 and 2017.

c. **Changes in and disagreements with accountants on accounting and financial disclosure**

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.

d. **Audit and audit-related fees**

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

	<u>Audit & Audit-related Fees</u>	<u>Tax Fees</u>	<u>Other Fees</u>
2020	₱ 4.17M	-	₱ 0.07M
2019	₱ 16.00M	-	₱ 0.07M

Audit and audit-related fees include the audit of annual financial statements and review of interim financial statements and services that are normally provided by the independent auditor in connection

with statutory and regulatory filings or engagements for those calendar years. The 2019 audit fees include fees amounting to ₱11.9M for the review of interim financial statements.

The fees above are exclusive of out-of-pocket expenses incidental to the independent auditors' work.

e. **Tax fees**

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

f. **All other fees**

The Company engaged the services of SGV & Co. to perform financial and accounting advisory, financial reporting valuation reviews, assessment of compliance with the Data Privacy Act in 2018, and the validation of votes during its 2020 and 2019 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.

Item 8. Compensation Plans

No matter or action relating to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or issuance of securities other than for exchange

No matter or action concerning authorization or issuance of securities will be taken up during the meeting.

Item 10. Modification or exchange of securities

The Company will not be presenting any matter or act involving the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class, during the meeting.

Item 11. Financial and other information

The audited financial statements as of December 31, 2020, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "C." The schedules required under Part IV(c) of Revised SRC Rule 68 will be included in the Annual Report (Form 17-A).

Item 12. Mergers, consolidations, acquisitions and similar matters

There is no proposed merger, consolidation, acquisition by, sale or liquidation of the Company that will be presented during the meeting.

Item 13. Acquisition or disposition of property

There are no matters or actions to be taken up in the meeting with respect to an acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

Item 14. Restatement of accounts

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

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

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

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

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

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

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

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

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

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

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

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

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the

standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

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

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

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

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

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

The Group adopted the amendments to PFRS 16 using the practical expedient beginning January 1, 2020.

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

Effective beginning on or after January 1, 2021

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
 - Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
 - Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
 - Annual Improvements to PFRSs 2018-2020 Cycle
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

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

D. OTHER MATTERS

Item 15. Action with respect to reports

- a. Approval of the minutes of the 2020 annual stockholders' meeting held on April 15, 2020 covering the following matters:
 - (i) Annual report of officers;
 - (ii) Ratification of the acts of Board of Directors and Officers;
 - (iii) Election of Directors, including the Independent Directors, and
 - (iv) Election of external auditor and fixing of its remuneration.

The minutes of the 2020 Annual Stockholders Meeting had been uploaded to the Company's website within five (5) days from the date of the meeting and may be viewed through the following link:

<https://www.global-imi.com/sites/default/files/IMI%20-%202020%20ASM%20Minutes%20.pdf>

- b. Approval of the annual report of Management for the year ending December 31, 2020.

Item 16. Matters Not Required to be Submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of charter, by-laws or other documents

On October 8, 2020, Board of Directors ratified and approved the amendments to various sections of the By-Laws, as endorsed by the Corporate Governance and Nomination Committee of the Board. The substantial and significant amendments are summarized in the attached Annex "D". In addition to the foregoing amendments, there were editorial revisions, updating of references to applicable laws, formatting changes and renumbering of the sections.

The amendments are intended primarily to align the Company's By-Laws with the Revised Corporation Code and with recognized good corporate governance practices, and to digitalize certain governance processes.

Given that the Company's stockholders have delegated to the Board the authority to amend the By-Laws, the amendments will become effective upon approval by the Securities and Exchange Commission. This

matter will be presented to the Company's stockholders at their annual meeting in 2021 as part of the resolutions of the Board for ratification.

The Board of Directors also approved the updating of the Charters of the Personnel and Compensation Committee and the Corporate Governance Committee on October 8, 2020.

Item 18. Other proposed actions

a. Ratification of the acts of the Board of Directors and Officers

The acts of the Board of Directors and Officers involve –

- (i) Constitution of Board Committees and appointment of Chairmen and members;
- (ii) Election of lead independent director and officers;
- (iii) Updating of the lists of attorneys-in-fact and bank signatories;
- (iv) Ratification of the actions of the board committees including the approval of the hedging plans;
- (v) Authorization of capital-raising exercises by subsidiaries;
- (vi) Renewal of credit facilities from various banks and other fund-raising exercises;
- (vii) Renaming of Compensation Committee as Personnel and Compensation Committee, and the amendment of its Charter;
- (viii) Amendment of the Charter of the Corporate Governance and Nomination Committee
- (ix) Amendment of the Corporation's By-Laws to align with the Revised Corporation Code and with recognized good corporate governance practices, as well as to digitalize certain governance processes of the Corporation;
- (x) Sale of industrial building and closure of IMI Cavite Plant;
- (viii) Renewal of lease agreement for the parcel of land being occupied by the Corporation;
- (ix) Implementation of strategic business initiatives through the execution of relevant agreements;
- (x) 2021 budget; and
- (xi) Appointment of new officers

b. Election of the members of the Board, including the independent directors, for the ensuing calendar year; and

c. Election of external auditor and fixing of its remuneration.

Item 19. Voting procedures

a. Vote required

The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of all matters to be presented to the stockholders for decision. The election of directors is by plurality of votes.

b. Method of Voting

In all items for approval, each share of stock entitles its registered owner as of Record Date to one vote. In light of the Regulations (as defined in Item 20), stockholders will only be allowed to vote by appointing the Chairman of the meeting as their proxy or electronically *in absentia*.

In the case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as

many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this DIS, and shall be received by the Corporate Secretary at corporatesecretary@global-imi.com on or before April 5, 2021.

A stockholder may vote electronically *in absentia* using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

All votes will be counted and tabulated by the Proxy Validation Committee and the results will be validated by an independent third party.

Item 20. Participation of Shareholders by Remote Communication

To comply with applicable regulations prohibiting mass gatherings, and/or requiring social distancing to prevent the spread of COVID-19 (the “Regulations”) and to ensure the safety and welfare of its stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, as set forth below, and by voting in absentia, as provided in Item 4(c) and Item 19 above, or voting through the Chairman of the meeting as their proxy.

The live webcast of the meeting shall be accessible through the following online web address: <http://www.ayalagroupshareholders.com/>. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall inform the Company by email to corporatesecretary@global-imi.com on or before April 5, 2021, of their participation in the meeting by remote communication. Further, stockholders may participate by remote communication by clicking on the Meeting livestreaming access button which will be available on the Stockholder’s dashboard in the VIASH System on the date set for the Meeting as indicated in the Company’s Notice of Meeting.

Stockholders may email questions or comments prior to or during the meeting at the following email address: corporatesecretary@global-imi.com. The detailed instructions for participation through remote communication are set forth in Annex A (II).

Item 21. Acceptance of Stockholder Proposals on Agenda Item

Stockholders of record as of March 1, 2021 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before April 8, 2021¹².

¹² The inclusion of the proposed agenda item shall be in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company’s internal guidelines.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed this March 23, 2021.

INTEGRATED MICRO-ELECTRONICS, INC.

by: 
SOLOMON M. HERMOSURA
Corporate Secretary

ANNEX “A”

2021 ANNUAL STOCKHOLDERS’ MEETING OF INTEGRATED MICRO-ELECTRONICS, INC. (THE “MEETING”)

REQUIREMENTS AND PROCEDURE FOR ELECTRONIC VOTING IN ABSENTIA AND PARTICIPATION BY REMOTE COMMUNICATION

Electronic voting *in absentia* and participation by remote communication shall be allowed only through complete registration and successful validation in the Voting *in Absentia* & Shareholder (VIASH) System.

I. ELECTRONIC VOTING IN ABSENTIA

I. ELECTRONIC VOTING IN ABSENTIA

1. Stockholders as of March 1, 2021 (“Stockholders”) have the option of electronic voting *in absentia* on the matters in the Agenda, after complete registration and successful validation in the VIASH System. Stockholders with e-mail addresses on record shall be sent an e-mail with a link to the VIASH System. To register in the VIASH System, Stockholders shall simply follow the instructions sent in the e-mail.
2. Otherwise, Stockholders may access the link <http://www.ayalagroupshareholders.com/> to create an account and register in the VIASH System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 4 below.
3. All registered accounts shall be subject to the validation process set forth in this Annex. The deadline for registration to vote *in absentia* is April 5, 2021. The VIASH System will be open for registration on **March 19, 2021**.
4. The following are needed for registration:
 - 4.1 For individual Stockholders –
 - 4.1.1 A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
 - 4.1.2 A scanned-copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 4.1.3 A valid and active e-mail address;
 - 4.1.4 A valid and active contact number;
 - 4.2 For Stockholders with joint accounts –

A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;

4.3 For Stockholders under Broker accounts –

- 4.3.1 A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
- 4.3.2 A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
- 4.3.3 A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
- 4.3.4 A valid and active e-mail address;
- 4.3.5 A valid and active contact number;

4.4 For corporate Stockholders –

- 4.4.1 A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
- 4.4.2 A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
- 4.4.3 A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file-size should be no larger than 5MB;
- 4.4.4 A valid and active e-mail address of the Stockholder's representative;
- 4.4.5 A valid and active contact number of the Stockholder's representative.

Important Notes:

- Stockholders who are also stockholders as of record date of the other publicly listed corporations in the Ayala group need only to register one account in the VIASH System. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the VIASH System and votes shall be cast per corporation.
 - Considering the prevailing extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later time.
 - Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically *in absentia*, but may still vote through the Chairman of the Meeting as their proxy, by submitting a duly accomplished proxy form, on or before April 5, 2021.
5. The validation process in the VIASH System will be concluded by the Company no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's dashboard in the VIASH System will indicate the status of registration.
- Once validated, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders have until the end of the Meeting to cast their votes *in absentia*.
6. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the VIASH System and the registered Stockholder may vote as follows:

- 6.1 For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
- 6.2 For the Election of Directors, the registered Stockholder may either: (1) vote for all nominees, (2) not vote for any of the nominees, or (3) vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

Once voting on the agenda items is finished, the registered Stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button.

The VIASH System will prompt the Stockholder to confirm the submission of the ballot. The votes cast *in absentia* will have equal effect as votes cast by proxy.

After the ballot has been submitted, Stockholders may no longer change their votes except by submitting a duly accomplished proxy form within the set deadline.

7. The Office of the Corporate Secretary will tabulate all votes cast *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

II. PARTICIPATION BY REMOTE COMMUNICATION

1. Stockholders as of March 1, 2021 ("Stockholders") are required to register in the VIASH System to participate in the Meeting on April 15, 2021 by remote communication. A Meeting livestreaming access button will be available on the VIASH System on the date set for the Meeting as indicated in the Company's Notice of the Meeting.
2. The procedure and requirements for registration in the VIASH System are found in the Electronic Voting *in Absentia* section in this Annex. The deadline for registration to participate by remote communication is on April 5, 2021.
3. In addition to their registration in the VIASH System, Stockholders are requested to notify the Company by e-mail to corporatesecretary@global-imi.com by April 5, 2021 of their intention to participate in the Meeting by remote communication.
4. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.
5. Stockholders participating by remote communication may vote any time until the end of the Meeting using the digital ballot in the VIASH System.
6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to corporatesecretary@global-imi.com.
7. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to corporatesecretary@global-imi.com.

For any clarifications, please contact our Office of the Corporate Secretary through corporatesecretary@global-imi.com.

ANNEX “B”

DIRECTORS AND KEY OFFICERS

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

Board of Directors

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

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

Arthur R. Tan, Filipino, 61, has been a member of the Board of Directors of IMI since July 2001. He has been the Chief Executive Officer of IMI since April 2002 and was re-elected as President effective January 1, 2020. Concurrently, he is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee. He is also the Group President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. Concurrently, he is also the Chairman of the Board and Chief Executive Officer of PSi Technologies Inc. and Merlin Solar Technologies (Phils.), Inc.; President and Chief Executive Officer of

Speedy-Tech Electronics Ltd.; Chairman of the Board of Surface Technology International (STI), Ltd., Chairman of the Advisory Board of Via Optronics GmbH and MT Technologies GmbH. He was the President of IMI from July 1, 2001 to June 23, 2016. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post- graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

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

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

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

Jose Teodoro K. Limcaoco, Filipino, 57, has been a director of IMI since April 8, 2016. He also holds the following positions in publicly listed companies: Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He is a Director of Globe Telecom, Inc.

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

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

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

Hiroshi Nishimura, Japanese, 68 has been an independent director of IMI since June 17, 2020. He served as an Independent Director of the Company from April 2010 to April 15, 2020. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as the Executive Vice President of All Purpose Appliances & Multi-Products, Inc. He served as President of Panasonic Communications Philippines Corporation (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007.

He is not a director of any publicly listed company in the Philippines other than IMI. He finished a degree in Electronics Engineering Course at Kurame University in 1976.

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

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

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

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

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

Management Committee Members and Key Executive Officers

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

* *Members of the Board of Directors*

** *Members of the Management Committee*

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

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

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

Laurice S. Dela Cruz, Filipino, 36, has been the Global Head for Financial Planning and Analysis since 2011 and was appointed as the Compliance Officer in April 2020. She has over 15 years of professional experience

in the field of audit, accounting and controllership. Prior to joining IMI, she held the position of Business Unit Controller for the Agro-Industrial Division at Universal Robina Corporation for over two years. She was also a Senior Associate Auditor at Sycip Gorres Velayo (SGV) & Co. for four years. She graduated with a degree of BS in Accountancy from the University of Santo Tomas in 2004 and is a Certified Public Accountant.

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

Solomon M. Hermosura, Filipino, 58, has served as Corporate Secretary of IMI since November 2013. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee. He is also the Group Head of Corporate Governance, and the Chief Legal Officer, Chief Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), AREIT, Inc. and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

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

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI CITY)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SHERISA P. NUESA**, Filipino, of legal age, and resident of 306 Lian Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am an independent director of **Integrated Micro-Electronics, Inc.**,
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
ALFM Mutual Funds Group *	President/Board Director	May 2012
AC Energy Philippines Inc.	Independent Director	April 2019
Manila Water Company	Independent Director	April 2013
FEU Group: Far Eastern University, Inc.	Independent Trustee	August 2010
East Asia Computer Center Inc.	Independent Director	April 2014
FERN Realty Corp.	Independent Director	August 2012
Vicsal Development Corporation	Board Adviser	March 2012
Metro Retail Stores, Group Inc. (MRSGL)	Senior Adviser to BoD	August 2015
Judicial Reform Initiative	Board Trustee/Chair	May 2017
Institute of Corporate Directors (ICD)	Board Trustee/Vice Chairman	May 2012
Financial Executives Institute of the Phils Foundation	Board Trustee	2016-2017, 2020

* ALFM : Board Director since 2012; President since 2013 and until March 2021

I am not affiliated with any Government-Owned and Controlled Corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Integrated Micro-Electronics, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I am not related to any director/officer/substantial shareholder of Integrated Micro-Electronics, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
6. I shall inform the Corporate Secretary of Integrated Micro-Electronics, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done this ____ day of FEB 24 2021 at Makati City.


SHERISA P. NUESA
Affiant

SUBSCRIBED AND SWORN to before me this City, affiant exhibited to me her Passport No. P8595622A issued on 04 September 2018 in Manila

SUBSCRIBED AND SWORN to before me this FEB 24 2021 day of _____ at Makati City, affiant personally appeared before me and exhibited to me her Passport No. P8595622A issued at DFA Manila, Philippines on September 4, 2018.

Doc. No. 23 ;
Page No. 6 ;
Book No. XXXIX ;
Series of 2021.

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



ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-155 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 8533973ME – 01/04/2021 - Makati City
MCLE Compliance No. VII – 0000267 – 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Edgar O. Chua, Filipino, of legal age and a resident of 229 Country Club Drive, Ayala Alabang Village, Muntinlupa City, MM 1708, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Integrated Micro-Electronics, Inc. for its Annual Stockholders' Meeting on April 15, 2021 and have been its independent director since April 4, 2014.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Amber Kinetics Inc	President and Chief Executive Officer	Current
Energy Development Corp.	Independent Director	Current
Metrobank	Independent Director	Current
PhilCement	Independent Director	Current
Makati Business Club	Chairman	
Philippine Eagle Foundation	Chairman	Current
Philippine Business for Environment	Chairman	Current
De La Salle Philippines	CEO	Current
De La Salle Science Foundation	Chairman	Current
Integrity Initiative	Corporate Sec	Current
College of Saint Benilde	Chairman	Current
University of St. La Salle	Chairman	Current
De La Salle National Mission Council	President	Current
Philippine Business for Education	Trustee	Current
Gawad Kalinga Foundation	Trustee	Current
Pilipinas Shell Foundation	Trustee	Current
English Speaking Union of the Phil	Chairman	Current
Philippine Disaster Relief Foundation	Trustee	Current
National Resilience Council	Vice Chairman	Current
Mitsubishi Motors Philippines Corporation	Member, Advisory Board	Current
Coca Cola Bottlers Philippines	Member, Advisory Board	Current

I am not affiliated with any of Government-Owned and Controlled Corporation.

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of Integrated Micro-Electronics, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Integrated Micro-Electronics, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL	COMPANY	NATURE OF RELATIONSHIP

SHAREHOLDER		
N.A.		

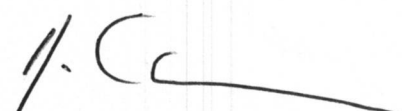
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None		

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

7. I shall inform the Corporate Secretary of Integrated Micro-Electronics, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this FEB 26 2021 day of _____, at MAKATI CITY.


Edgar O. Chua
Affiant




SUBSCRIBED AND SWORN to before me this FEB 26 2021 day of _____ at MAKATI CITY,
affiant personally appeared before me and exhibited to me his/her PASSPORT ID NO. P6132744A issued
at DEA MANILA on 22 FEB 2018.

Doc. No. 148 ;
Page No. 31 ;
Book No. IX ;
Series of 2021.

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




RIZZA ANNE O. SY
Notary Public - Makati City
Appt. No/M-187 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 64676
Lifetime IBP No. 018509 - 01/04/18 - Bulacan
PTR No. 8533982ME - 01/04/2021 - Makati City
MCLE Compliance No. VI - 0009493 - 06/20/2018
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Diosdado O. Banatao**, Filipino, of legal age and a resident of 40C Rizal Tower, 31 Residential Drive, Rockwell Center, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Integrated Micro-Electronics, Inc. and have been its independent director since April 15, 2021.
2. I am affiliated with the following companies or organizations:


COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Blaize, Inc.	Chairman of the Board of Directors	10 years
Inphi Corp.	Chairman of the Board of Directors -ended 2020	20 years
	Emeritus Chairman	1 year to present

Philippine Development Foundation. Chairman. 10 years

I am not affiliated with any of Government-Owned and Controlled Corporation.

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of Integrated Micro-Electronics, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of Integrated Micro-Electronics, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
7. I shall inform the Corporate Secretary of Integrated Micro-Electronics, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____, at _____


Diosdado O. Banatao
Affiant

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1000000
1000000

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____,
affiant personally appeared before me and exhibited to me his _____ - issued on _____.

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Hiroshi Nishimura, of legal age and a resident of 1503A Cypress Point Ridge, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Integrated Micro-Electronics, Inc. and have been re-elected as independent director on June 17, 2020.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Linkwest International Consultancy Services, Inc.	Chairman and President	April 12, 2008 to present
All Purpose Appliance and Multi Products, Inc.	Executive Vice-President	November 23, 2009 to present
VTS-Touchsensor Co., Ltd (VTA Japan)	Independent Director	March 2020

I am not affiliated with any Government-Owned and Controlled Corporation.

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of Integrated Micro-Electronics, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the following director/officer/substantial shareholder of Integrated Micro-Electronics, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
7. I shall inform the Corporate Secretary of Integrated Micro-Electronics, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____, at _____.


Hiroshi Nishimura
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____,
affiant personally appeared before me and exhibited to me his Passport No. TZ0841499 issued at Embassy
of Japan in the Philippines on July 17, 2013.

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

ANNEX “C”

MANAGEMENT REPORT

I. MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Results of Operations

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

	For the years ended December 31		
	2020	2019	2018 (As Restated)
	<i>(in US\$ thousands, except Basic EPS)</i>		
Revenues from contracts with customers	1,135,841	1,250,366	1,349,400
Cost of goods sold and service	(1,039,504)	(1,148,138)	(1,214,979)
Gross profit	96,337	102,228	134,421
Net income attributable to equity holders of the Parent Company	(3,455)	(7,781)	47,187
EBITDA ¹³	58,884	41,381	72,176
Basic Earnings per Share (EPS)	(0.002)	(0.004)	0.022

2020 vs 2019

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, a 14 percent reduction 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

¹³ 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.

of OEM customers by exercising voluntary reduced work schedules. The global situation led to a 25% year-on-year reduction in top line sales in the first half. Revenues in the second half of the year recouped, 39% better than first half and 7% higher year-on year on the back of strong demand recovery and subsequent normalization of operations. The global demand for security and I-o-T products boosted industrial revenue while mobility-focused European and North American facilities benefitted from the rapid rise of global automotive production. In addition, IMI's growing foothold in the profitable medical segment also led to increased higher margin sales for its manufacturing plants in Asia.

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 declined 6% versus 2019 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. To mitigate the effects of the pandemic, IMI successfully collaborated with local government units 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

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

IMI's balance sheet remains robust with a current ratio of 1.54:1 and debt-to-equity ratio of 0.41:1.

Key Performance Indicators of the Company

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

Performance indicators	As of end	
	Dec 31, 2020	Dec 31, 2019
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%)
¹⁴ 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.

¹⁴ 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.

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

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

The effects of potential recurrence of pandemic related shutdowns after the reporting period may pose risks and unfavorable impact to the Company but will not materially affect the Company's ability to continue as going concern.

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

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

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

Causes for any material changes

(Increase or decrease of 5% or more in the financial statements)

Income Statement Items

(Years ended 31 December 2020 versus 31 December 2019)

9% decrease in Revenues (\$1.25B to \$1.14B)

The decrease was driven mainly by drop in Europe and China's factory shutdown in the first half of the year.

9% decrease in Cost of goods sold (\$1,148.1M to \$1,040.3M)

Direct costs decreased relevant to the decline in revenues.

13% decrease in Operating expenses (\$106.2M to \$92.5M)

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

26% increase in Non-operating income/(expenses) (\$-7.2M to -\$5.3M)

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

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

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

Balance Sheet items

(31 December 2020 versus 31 December 2019)

60% increase in Cash and cash equivalents (\$152.7M to \$244.4M)

Cash provided by operating activities +\$78.3M mainly driven by improved operating income and decrease in inventory levels and receivables; cash used in investing -\$13.1M mainly from capital expenditure to support line expansion and new programs; cash provided by financing \$29.9M mainly due to net proceeds from

subsidiary's public offering (+\$106.8M), offset by net repayments of loans (-\$31M), redemption of subsidiary's preferred shares (-\$30M) and payment of lease liabilities (-\$11.2M) and dividends paid to preference shares (-\$6.5M).

5% decrease in Loans and receivables (\$290.6M to \$275.6M)

Decrease in receivables mainly from collections of outstanding trade receivables and shorter AR days.

7% decrease in Inventories (\$152.6M to \$142.3M)

Decrease in inventories mainly from improved inventory turnover as a result of proactive inventory management through level loading.

7% decrease in Contract Assets (\$58.9M to \$54.5M)

Recovery of backlogs reduced work-in process and finished goods inventories.

9% decrease in Other current assets (\$19.1M to \$17.4M)

Decrease in prepayments and tax credits. A portion of the prepayment pertaining to IPO transaction costs was reversed to equity upon IPO of VIA.

8% decrease in Property, plant and equipment (\$194.3M to \$178M)

Decrease from yearly depreciation (-\$38M) and impairment losses (-2.6M), offset by additional capex for the year (+\$18.1M) and impact of forex appreciation on translation.

5% increase in Goodwill (\$140.8M to \$147.2M)

Increase mainly due to forex rate valuation at year end.

40% decrease in Intangible assets (\$28.6M to \$17.1M)

Decrease was mainly due to impairment losses recognized during the year (-\$4.7M) and yearly amortization (-\$7.9M).

6% decrease in Financial assets through OCI (\$1.2M to \$1.1M)

Decrease in fair value of quoted club shares.

9% decrease in Other noncurrent assets (\$21.9M to \$19.9M)

Decrease in deferred charges representing tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

5% decrease in Accounts payable and accrued expenses (\$267.1M to \$253.8M)

Mainly from decrease in trade and nontrade payables and government-related payables.

68% decrease in Contract liabilities (\$4.7M to \$1.5M)

Decrease in advance payments received to render manufacturing services.

64% increase in Loans and trust receipts payable (\$126.1M to \$206.5M)

Refinancing of long-term to short term loans.

132% increase in Income tax payable (\$1.4M to \$3.4M)

Increase due to higher taxable income.

92% decrease in Other financial liabilities (\$22.4M to \$1.7M)

Mainly reduction in the value of STI and termination of VIA's put options.

92% decrease in Current portion of long-term debt (\$28.0M to \$2.1M)

Repayment of \$28.0 million and subsequently refinanced to short-term loans.

72% decrease in Noncurrent portion of long-term debt (\$114.4M to \$32.2M)

Repayment of \$80 million and subsequently refinanced to short-term loans.

15% decrease in Deferred tax liabilities (\$1.9M to \$1.6M)

Decrease DTL from ROU assets, contract assets and fair value adjustments.

7% decrease in Lease liabilities (\$29.7M to \$27.6M)

Decrease due to payments of leases.

45% increase in Other noncurrent liabilities (\$3.6M to \$5.3M)

Increase in long-term provisions.

33% increase in Additional Paid-in Capital (\$146.2M to \$193.9M)

Termination of VIA put reverted to equity (\$15M) and dilution of ownership without loss of control recognized in equity (\$32M).

152% increase in Cumulative translation adjustments (-\$17.7M to \$9.1M)

Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to appreciation of EUR against USD from 1.11 to 1.22, GBP against USD from 1.30 to 1.35 and RMB against USD from 6.99 to 6.54.

7% decrease in Remeasurement losses on defined benefit plans (-\$10.5M to -\$9.8M)

Actuarial changes in financial assumptions particularly lower discount rate and salary increase.

32% increase in Equity attributable to NCI (\$101.2M to \$133.2M)

Increase in ownership of minority arising from the VIA IPO (\$62.5M), offset by redemption of preferred shares of a subsidiary to non-controlling interest.(-\$30M).

2019 vs 2018

Revenues from Sales and Services

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

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

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

Gross Profit and Gross Profit Margin

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

Operating Loss

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

Net Income

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

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

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

EBITDA

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

Financial Condition

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

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

Key Performance Indicators of the Company

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

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

	For the years ended 31 Dec	
	2019	2018
Operating efficiency:		
Revenue growth ^c	(7%)	24%
Profitability:		
Gross profit margin ^d	8.2%	10.0%
Net income margin ^e	(0.6%)	3.5%
Return on equity ^f	(2.0%)	13.9%
Return on common equity ^g	(2.0%)	13.9%
Return on assets ^h	(0.7%)	4.4%
¹⁵ EBITDA margin	3.3%	5.3%

^a Current assets/current liabilities

^b Bank debts/Total Equity

^c (Current year less previous year revenue)/Previous year revenue

^d Gross profit/Revenues

^e Net income attributable to equity holders of the Parent Company/Revenues

^f Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent

^g Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent

^h Net income attributable to equity holders of the Parent Company/Total Assets

In the above:

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

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

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

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

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

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

¹⁵ 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 2019 versus 31 December 2018 - As restated)

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

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

5% decrease in Cost of goods sold (\$1,215.0M to \$1,148.1M)

Driven by the 7% decrease in revenues offset by high DM% due to material price increase, increasing labor costs and increase in overhead expenditures particularly full year effect of depreciation related to prior year's significant investments in capacity and technical capabilities in future growth areas.

10% increase in Operating expenses (\$96.9M to \$106.2M)

Mainly due to increase in people costs and inventory and other provisions.

137% decrease in Non-operating income/(expenses) (\$19.3M to -\$7.2M)

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

439% decrease in Noncontrolling interest (\$1.60M to -\$5.42M)

Share of minority in the net loss of VIA (23.99%), VTS (35%), and STI (20%).

Balance Sheet items

(31 December 2019 versus 31 December 2018 – As restated)

41% increase in Cash and cash equivalents (\$108.5M to \$152.7M)

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

5% decrease in Loans and receivables (\$304.7M to \$290.6M)

Decrease mainly due to lower revenues and collections from customers.

21% decrease in Inventories (\$192.7M to \$152.6M)

Decrease in inventories mainly from recoveries of backlogs.

7% decrease in Contract Assets (\$63.5M to \$58.9M)

Decrease in work-in-process and finished goods inventories which were recognized as revenue earned from manufacturing services as receipt of consideration is conditional on successful completion of the services, plus corresponding margins.

8% decrease in Other current assets (\$20.8M to \$19.1M)

Decrease in advances to suppliers and tax credits, offset by increase in prepayments.

100% increase in Right-of-use assets (nil to \$32.0M)

Recognition of ROU asset upon adoption of PFRS 16.

11% increase in Financial assets through OCI (\$1.1M to \$1.2M)

Increase in fair value of quoted club shares

40% increase in Other noncurrent assets (\$15.7M to \$21.9M)

Recognition of deferred charges representing tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

159% increase in Contract liabilities (\$1.8M to \$4.7M)

Increase in advance payments received to render manufacturing services.

8% decrease in Accounts payable and accrued expenses (\$291.2M to \$267.5M)

Mainly from payment of outstanding trade payable -\$20.6M, refund of deposit to buyer of Shenzhen (-\$11.5M) and lower accruals and taxes payables (-\$6M).

8% decrease in Loans and trust receipts payable (\$136.3M to \$126.1M)

Repayment of \$20.5 million offset by availment of \$11.1M.

25% decrease in Other financial liabilities (\$29.8M to \$22.4M)

Reversal of STI contingent liability (\$3.7M) and reduction in the value of put options (\$3.4M).

56% decrease in Current portion of long-term debt (\$63.4M to \$28.0M)

Reclass to current portion of long-term debt of Philippines, Czech and VIA (\$11.2M) offset by decrease due to payment of \$46.5M.

8% decrease in Noncurrent portion of long-term debt (\$124.5M to \$114.4M)

Reclass to current portion of (\$11.2M) offset by additional availment of \$1M.

71% decrease in Deferred tax liabilities (\$6.4M to \$1.9M)

Reduced by deferred tax asset recognized on unrealized forex gains, contract asset and loss carryover.

117% increase in Pension liability (\$4.2M to \$9.2M)

Remeasurement adjustments due to lower discount rate assumptions.

100% increase in Lease liabilities (\$0.1M to \$29.7M)

Recognition of liabilities on operating leases upon adoption of PFRS 16

31% decrease in Other noncurrent liabilities (\$5.3M to \$3.6M)

Decrease in long-term provisions.

13% decrease in Subscriptions receivable (\$3.4M to \$3.0M)

Collections and forfeitures on subscriptions

34% increase in negative Cumulative translation adjustments (-\$13.2M to -\$17.7M)

Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to depreciation of EUR against USD from 1.15 to 1.11 and RMB against USD from 6.86 to 6.99.

68% increase in Remeasurement losses on defined benefit plans (-\$6.2M to -\$10.5M)

Actuarial changes in financial assumptions particularly lower discount rate.

884% increase in Equity attributable to NCI (\$7.6M to \$101.2M)

Increase pertains to the preferred shares issued by IMI Singapore to ACI Singapore (\$100M)

For the Years ended 31 December 2018 vs. 2017

Revenues, gross profit, net income, and the related computed EBITDA and basic earnings per share, for the years ended 2018, 2017 and 2016 are shown on the following table:

	For the years ended December 31		
	2018 (As Restated)	2017	2016
	<i>(in US\$ thousands, except Basic EPS)</i>		
Revenues from contracts with customers	1,349,400	1,090,588	842,966
Cost of goods sold and service	(1,214,979)	(960,990)	(741,657)
Gross profit	134,421	129,599	101,309
Net income attributable to equity holders of the Parent Company	47,187	34,002	28,116
EBITDA ¹	72,176	70,342	64,967
Basic Earnings per Share (EPS)	0.022	0.018	0.015

2018 vs. 2017

Revenues from Sales and Services

The Company brought 2018 to a close with consolidated revenues of US\$1.35 billion (₱70.81 billion), an increase of 24 percent year-on-year.

IMI's traditional business delivered US\$1.04 billion revenues, a growth of 16 percent while recently acquired companies, VIA and STI, accelerated further with a growth of 61 percent year-on-year posting a combined revenue of US\$312.4 million. The Company benefited from new programs in the industrial and automotive segments which grew 39 percent (excl. VTS) and 21 percent, respectively, while strong activities firmed up for strategic opportunities in aerospace.

IMI's automotive business now accounts for 40% of total revenues while industrial contributes 25% to total revenues. Europe remains to be our dominant market comprising 50% of global sales.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US\$134.4 million, higher year-on-year by 4%, however, gross profit margin declined to 10.0% from 11.9% partly due to tight supplies of electronic components resulting to higher DM prices and extra logistics costs and also due to ramp up phase of new projects which the company expects to normalize once the projects achieve optimal level of volumes. The Company is already working on improving the efficiency of the manufacturing processes.

Operating Income

Operating income is at \$37.5 million, lower from last year by 16% if excluding one-off cost of \$8 million in 2017 related to the Shenzhen sale. The drop was driven by the lower margins of the China and Mexico businesses coupled by one-off expenses such as VIA transaction costs related to acquisition of VTS and relocation costs, and increase in people cost, provision for claims, travel and transportation, rent expense and depreciation.

Net Income

The Company posted a net income of US\$47.2 million (¥2.48 billion), 39 percent higher than the prior year including favorable non-operating items.

The reported net income includes non-operating items such as net gain on the sale of a China entity (+\$19.1 million) and reversal of contingent consideration related to the STI acquisition (+\$21.3 million), gain on bargain purchase (+\$2.4 million), partially offset by impairment of China goodwill (-\$6.9 million), mark-to-market losses on put options (-\$5.4 million) and other one-off transaction costs. The effect of the RMB and EUR depreciation and higher interest rates also added downward pressure. Operationally and excluding foreign exchange impact, net income decreased 21 percent to US\$25.8 million.

EBITDA

EBITDA of \$72.2 million slightly higher than last year by 3%, however, EBITDA% down from 6.4% to 5.3% driven by lower margins and FX losses.

Financial Condition

In 2018, IMI spent US\$65.0 million on capital expenditures to build more complex manufacturing capabilities which were funded by proceeds from the stock rights offering.

IMI's balance sheet remains robust with a current ratio of 1.31:1 and debt-to-equity ratio of 0.79:1.

Key Performance Indicators of the Company

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

Performance indicators	As of end	
	Dec 31, 2018	Dec 31, 2017
Liquidity:		
Current ratio ^a	1.31x	1.28x
Solvency:		
Debt-to-equity ratio ^b	0.79x	1.07x

	For the years ended	
	31 Dec	
	2018	2017
Operating efficiency:		
Revenue growth ^c	24%	29%
Profitability:		
Gross profit margin ^d	10.0%	11.9%
Net income margin ^e	3.5%	3.1%
Return on equity ^f	13.9%	13.3%
Return on common equity ^g	13.9%	13.3%
Return on assets ^h	4.4%	3.7%
¹⁶ EBITDA margin	5.3%	6.4%

^a Current assets/current liabilities

^b Bank debts/Total Equity

^c (Current year less previous year revenue)/Previous year revenue

^d Gross profit/Revenues

^e Net income attributable to equity holders of the Parent Company/Revenues

^f Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent

^g Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent

^h Net income attributable to equity holders of the Parent Company/Total Assets

In the above:

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

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

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

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

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

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

¹⁶ EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments 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 2018 versus 31 December 2017)

24% increase in Revenues (\$1.09B to \$1.35B)

The increase was driven by the surge in revenues of VIA (+\$28.3M) plus contribution of the new VTS business (\$26.5M), core growth in China (\$61.6M), Europe (+\$41.3M), Mexico (+\$22.5M), Philippines (\$14.9M) and full year effect of STI (\$63.8M)

26% increase in Cost of goods sold (\$961.0MM to \$1,215.0M)

Driven by the 24% increase in revenues coupled by high DM costs due to more turnkey businesses, change in product mix and higher purchase price due to effect of global component shortage, increase in labor costs and higher overhead due to additional freight costs, depreciation and amortization, rental expenses, repairs and maintenance, utilities and government related expenses.

9% increase in Operating expenses (\$89.2M to \$96.9M)

Excluding \$8M SZ relocation costs in 2017, GAE increased by \$14.8M mainly from full year impact of STI (+\$4.3M), one-off VIA costs related to acquisition transaction costs and relocation costs (\$1.9M), operating expenses of the new VTS business (\$3.7M). The rest pertains mainly to provision for inventory obsolescence, travel and transportation, professional fees, depreciation and amortization, and insurance.

1218% increase in Non-operating income (\$1.5M to \$19.3M)

Other income pertains to net gain on the sale of a China entity (+\$19.1 million) and reversal of contingent consideration related to the STI acquisition (+\$21.3 million), gain on bargain purchase (+\$2.4M), partially offset by impairment of China goodwill (-\$6.9 million), mark-to-market losses on put options (-\$5.4 million), higher interest expenses (-\$5.1M), and forex impact (-\$5.1M) mainly due to RMB and EUR depreciation.

262% increase in Noncontrolling interest (\$0.44M to \$1.60M)

Share of minority in the net income of VIA (23.99%), STI (20%), and recognized non-controlling interest on acquisition of VTS.

Balance Sheet items

(31 December 2018 versus 31 December 2017)

20% increase in Cash and cash equivalents (\$90.6M to \$108.5M)

Cash used by operating activities -\$13.3M from increase in working capital; cash used in investing -\$83.2M mainly from capital expenditure to support line expansion and new programs; cash provided by financing \$114.6M mainly due proceeds from stock rights offering (\$95.9M), \$65M million of which have been used for capital expenditure and \$30 million for debt repayment. The company also availed \$25M net loans and paid dividends of \$10.1M for the year.

16% increase in Loans and receivables (\$263.1M to \$304.7M)

Increase mainly due to higher sales and longer credit terms.

100% increase in Contract Assets (nil to \$63.5M)

Recognition of contract assets upon adoption of PFRS 15. These originated from the work-in-process and finished goods inventories which were recognized as revenue earned from manufacturing services as receipt of consideration is conditional on successful completion of the services, plus corresponding margins. If PFRS 15 was not adopted, total inventories increased by \$56.5M.

23% decrease in Other current assets (\$27.1M to \$20.8M)

Decrease in advances to suppliers and prepayments

20% increase in Property, plant and equipment (\$164.6M to \$196.8)

Capital expenditures amounting to \$63.8M driven by ongoing big projects in Philippines, China, Mexico, and additional SMT lines in Europe and construction of the Serbia facility.

30% increase in Intangible assets (\$22.9M to \$29.8M)

Increase mainly from capitalized costs arising from the development phase of certain projects under qualification (+\$5M), IP acquired for the VTS joint venture (\$5.3M) and additional software costs (\$1M).

29% increase in Financial assets through OCI (\$0.8M to \$1.1M)

Increase in fair value of quoted club shares

775% increase in Other noncurrent assets (\$1.8M to \$15.7M)

Recognition of deferred charges representing tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.

100% increase in Contract liabilities (nil to \$1.83M)

Contract liabilities were recognized upon adoption of PFRS 15 pertaining to short-term advances received to render manufacturing services.

34% increase in Other financial liabilities (\$22.3M to \$29.8M)

Increase due to the reclassification of the remaining balance of contingent liability (\$3.7M) of STI to current portion and recognition of additional mark-to-market loss on put options (\$5.4M).

823% increase in Current portion of long-term debt (\$6.9M to \$63.4M)

Reclass to current portion of long-term debt of Philippines, Czech and VIA (\$63M) offset by decrease due to the final payment of the long-term debt to EPIQ NV (\$5.0M)

23% decrease in Noncurrent portion of long-term debt (\$158.2M to \$124.5M)

Reclass to current portion of (\$63M) offset by additional availment in PH of \$26M and noncurrent portion of VIA of \$3.5M

175% increase in Deferred tax liabilities (\$2.3M to \$6.4M)

Deferred tax recognized on unrealized forex gains, contract asset and loss carryover.

18% decrease in Pension liability (\$5.1M to \$4.2M)

Actuarial gains due to higher discount rate

80% decrease in Other noncurrent liabilities (\$26.09M to \$5.3M)

Decrease was due to the reversal of contingent liability of STI (\$21.3M) offset by long-term payable related to acquired IP of VTS (\$5.3M)

19% increase in Capital stock (\$35.7M to \$42.6M)

Issued shares of 350M from stock rights offer (\$6.7M) plus fully paid ESOWN shares \$0.2M

152% increase in Additional paid-in capital (\$58.1M to \$146.5M)

Related to stock rights offering (excess over par). This was offset by capitalized transaction costs on SRO (\$661K) and ESOWN forfeitures (\$190K)

36% decrease in Subscriptions receivable (\$5.4M to \$3.4M)

Collections and forfeitures on subscriptions

341% decrease in Other components of equity (\$454K to -\$1.1M)

Cumulative impairment losses previously recognized under PAS 39 for equity instruments measured at FVOCI was transferred from retained earnings to OCI under “Other components of equity” account.

418% increase in negative Cumulative translation adjustments (-\$2.5M to -\$13.2M)

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 1.20 to 1.15 and RMB against USD from 6.53 to 6.86.

16% decrease in Remeasurement losses on defined benefit plans (-\$7.4M to -\$6.2M)

Actuarial changes in financial assumptions particularly higher discount rate

146% increase in Equity attributable to NCI (\$3.1M to \$7.6M)

Mainly from increase in share of non-controlling interest in the net income, adoption of PFRS 15 and effect of acquisition, offset by share of NCI in the negative CTA.

For the Years Ended 31 December 2017 vs 2016

Revenues, gross profit, net income, and the related computed EBITDA and basic earnings per share, for the years ended 2017, 2016 and 2015 are shown on the following table:

	For the years ended		
	December 31		
	2017	2016	2015
	<i>(in US\$ thousands, except Basic EPS)</i>		
Revenues from sales and services	1,090,588	842,966	814,364
Cost of goods sold and service	(960,990)	(741,657)	(720,333)
Gross profit	129,599	101,309	94,031
Net income attributable to equity holders of the Parent Company	34,002	28,116	28,790
EBITDA ¹⁷	70,342	64,967	58,763
Basic Earnings per Share (EPS)	0.018	0.015	0.015

¹⁷ EBITDA = EBITDA represents net operating income after adding depreciation and amortization 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.

RATIOS

For the Period Ended December 31, 2020 and December 31, 2019

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

(in US\$'000)

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

NATURE AND SCOPE OF BUSINESS

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 47.33% 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, 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 2009, IMI Singapore established its Philippine Regional Operating Headquarters (IMI International ROHQ or IMI ROHQ). It serves as an administrative, communications and coordinating center for the affiliates and subsidiaries of the Group.

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

others. IMI EU/MX Subsidiaries also provide engineering, test and system development and logistics management services.

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

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

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

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

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

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

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

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

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

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.

II. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

A) *Principal market where the registrant's common equity is traded.*

The following table shows the high and low prices (in PhP) of IMI's shares in the Philippine Stock Exchange in 2021 and 2020.

Philippine Stock Exchange Prices in PhP/share						
	<u>High</u>		<u>Low</u>		<u>Close</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
First Quarter	8.14	13.70	3.31	10.70	4.53	12.50
Second Quarter	5.65	13.60	4.45	10.00	6.08	10.06
Third Quarter	6.50	10.30	4.60	7.99	5.68	8.00
Fourth Quarter	9.50	8.62	5.45	7.68	9.10	7.89

The market capitalization of the Company's common shares as of December 31, 2020, based on the closing price of ₱9.10/share, was approximately ₱20.18 billion.

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

B) *Holders*

There are 287 registered common stockholders as of February 28, 2021. The following are the top 20 registered holders of common shares of the Company.

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

A list of the company's top 100 shareholders as of December 31, 2020 can be found through this link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=bff1a7c5f6a389825d542af6f1e997b9

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 ₱1.00 per share and all accumulated unpaid cash dividends were paid on August 24, 2015 to the stockholders as of record date July 24, 2015.

C) Dividends

Stock Dividend-Common Shares

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

Cash Dividends-Common Shares

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

There was no cash dividend declaration in 2020.

Cash Dividends-Preferred Shares (Redeemed in 2015)

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

Dividend policy

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

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

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

Recent Sale of Securities

There were 9,773,144 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.

D) Corporate Governance

The Company submitted its Revised Manual on Corporate Governance to the SEC on 30 May 2017 in compliance with SEC memorandum Circular No. 13, series of 2016, and made additional revisions to the same in 2018.

- (i) The evaluation system which was established to measure or determine the level of compliance of the Board and top level management with its Revised Manual of Corporate Governance consists of a Board Performance Assessment which is accomplished by the members of the Board indicating the compliance ratings. The above is submitted to the Compliance Officer who issues the required Integrated Annual Corporate Governance Report ("I-ACGR") yearly.
- (ii) To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- (iii) The Company has adopted in the Revised Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Manual.
- (iv) The Company is taking further steps to enhance adherence to principles and practices of good corporate governance through the adoption of the Revised Code of Corporate Governance. In line with this, the Board also adopted the Charter of the Board of Directors on 25 January 2015.
- (v) Reflecting its dedication to continuous improvement, IMI received the Golden Arrow 2 recognition for the 2019 ASEAN Corporate Governance Scorecard Assessment (one level higher than previous year's Golden Arrow 1 award) awarded by the Institute of Corporate Directors through a virtual domestic recognition last February 19, 2021.

Upon the written request of the stockholders, the Company undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

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

**Attention: Mr. Jerome S. Tan
Global Chief Financial Officer**

ANNEX “D”
INTEGRATED MICRO-ELECTRONICS, INC.
 Amendments to the By-Laws

Article and Section Nos.	From	To
Art. III, Sec. 2	General meetings may be regular or special, and shall be held at the offices of the Corporation or at any place designated by the Board of Directors in Metro Manila. xxx xxx xxx	General meetings may be regular or special, and shall be held at the <u>principal office</u> of the Corporation or at any place <u>in the city where the principal office of the Corporation is located.</u> xxx xxx xxx
Art. III, Sec. 3	<p>Written notice of each stockholders’ meeting stating the date, time and place and, for a special meeting, the purpose(s) for which the meeting is called, shall be given by the Corporation not less than fifteen (15) business days prior to the date of the meeting to each stockholder of record, to the stockholder’s address as it appears on the record of stockholders of the Corporation. The written notice may be in paper, digital or electronic medium.</p> <p>The notice of any meeting of the stockholders shall be deemed to have been given at the time when delivered personally or deposited in the post office, or sent electronically or by e-mail and addressed as herein provided.</p> <p>The Company may provide information or documents to a stockholder by e-mail or by posting the information or documents on the website of the Company or another electronic network; provided that, a separate notice is given to the stockholder of such posting. In case the Company provides information or documents by electronic posting, the information or documents shall be deemed delivered or given upon the later of (i) the posting of the information or documents or (ii) the giving of a separate notice to the stockholder of such specific posting.</p> <p>The Company shall give notice and provide information or documents electronically, as provided above, only to stockholders who have consented to receive notices, information or documents by e-mail or electronic transmission. A stockholder shall be deemed to have consented to receiving notices, information or documents electronically if he has provided an e-mail or electronic address to the Company and he has not notified the Company in writing that he requires notices, information or documents to be given to him in physical paper form.</p>	<p><u>Regular or special meeting of stockholders shall be called by written notice. The notice shall be served to all stockholders primarily by electronic transmission, or by physical service in case no means of electronic transmission is available. For regular meetings, the notice shall be sent at least twenty-one (21) days prior to the date of the meeting, while for special meetings, at least one (1) week written notice shall be sent to all stockholders. The notice shall be deemed to have been given at the time when it has been electronically transmitted through any of the means mentioned herein, or in the case of physical service, when delivered personally or deposited in the post office.</u></p> <p><u>Notice of regular or special meeting shall contain, in addition to the date, hour and place of the meeting, a statement of the matters to be transacted at the meeting, and no business other than that specified in the notice shall be transacted at such meeting. Any stockholder may propose any other matter for inclusion in the agenda at any regular or special stockholders’ meeting, subject to reasonable guidelines issued by the Board which are consistent with applicable laws, rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. The notice of the stockholders’ meeting shall also set the date, time and place of the validation of proxies, which in no case, shall be less than five (5) business days prior to the stockholders’ meeting. The notice shall also contain the procedures to be followed when a stockholder elects to participate and vote through remote communication or in absentia.</u></p>

		<p><u>The Corporation shall also provide information or documents to all stockholders by electronic transmission. The information or documents shall be deemed delivered upon the transfer or posting by electronic means.</u></p> <p><u>As used herein, electronic transmission means the delivery or transfer of documents, data or information by electronic mail to the electronic address of the stockholders registered in the books of the Corporation, posting in the Philippine Stock Exchange, posting in the Corporation’s website (in the subsections for stockholders’ meetings or disclosures of the Governance section), or such other recognized means of electronic transfer of data or information.</u></p> <p><u>The Corporation shall require all stockholders to provide a valid electronic address for them to receive notices and other information or documents from the Corporation.</u></p> <p><u>Stockholders preferring to receive physical copies of the notice, information or documents shall make a written request to the Corporation. Upon receipt of the request, the Corporation shall send the notice, information and documents by personal service.</u></p> <p><u>Notice to any meeting may be waived, expressly or impliedly, including through a stockholder’s attendance at a meeting unless the stockholder’s presence is for the express purpose of contending that the meeting is not lawfully convened.</u></p>
Art. III, Sec. 4	-	<p style="text-align: center;">xxx xxx xxx</p> <p><u>The Corporation may opt to hold fully virtual stockholders’ meetings, subject to applicable laws, rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. The virtual meetings shall be conducted in such a way that the stockholder experience will be, to every extent possible, similar to a physical meeting. In any such instance, if stockholders holding at least ten percent (10%) of the outstanding capital stock ask for a physical meeting, the Corporation</u></p>

		<u>shall conduct a physical meeting unless prevented by existing rules and regulations. The request shall be made within two (2) weeks from the announcement of the holding of a virtual meeting, which shall be made ahead of the sending out of the Notice of Meeting.</u>
Art. III, Sec. 5	-	<u>xxx xxx xxx Stockholders casting votes through remote communication or in absentia, electronically or otherwise, shall be deemed present for purposes of determining the existence of a quorum.</u>
Art. III, Sec. 6	Any stockholder entitled to vote may be represented by proxy at any regular or special stockholders' meetings. Proxies shall be in writing and signed, but no other formality is required.	Any stockholder entitled to vote <u>may vote in person, through remote communication, in absentia, or be represented by proxy</u> at any regular or special stockholders' meetings, <u>subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission from time to time.</u> Proxies shall be in writing and signed <u>and in accordance with existing laws, rules and regulations of the Securities and Exchange Commission.</u> <u>Duly accomplished proxies must be submitted to the Office of the Corporate Secretary not later than seven (7) business days prior to the date of the stockholders' meeting. Validation of proxies shall be conducted at least five (5) business days prior to the date of the stockholders' meeting.</u>
Art. III, Sec. 8	The election of Directors shall be by ballot and each stockholder entitled to vote may cast the votes to which the number of shares he owns entitles him, for as many persons as are to be elected as Directors, or he may give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.	The election of Directors shall be by ballot and each stockholder entitled to vote may cast the <u>vote in person, by proxy, through remote communication, or in absentia, electronically or otherwise,</u> to which the number of shares he owns entitles him, for as many persons as are to be elected as Directors, or he may give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.
Art. III	-	<u>Section 12 – The Board of Directors shall fix a record date for the purpose of determining the stockholders entitled to</u>

		<u>notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, provided that the stock and transfer book shall be closed at least twenty (20) days for regular meetings and seven (7) days for special meetings, before the scheduled date of the meeting.</u>
Art. IV, Sec. 1	<p>The Board of Directors shall consist of eleven (11) members. Immediately, after their election, they shall meet and shall elect, from among themselves, a Chairman and a Vice-Chairman of the Board of Directors, the Chairman, and at least two (2) other members of the Executive Committee, a Chief Executive Officer, and a President, and they shall likewise appoint a Chief Operating Officer, a Secretary, a Treasurer, and such other officers of the Corporation.</p> <p>The Chairman and the Vice-Chairman of the Board of Directors, the Chairman and other members of the Executive Committee, the Chief Executive Officer, the Chief Operating Officer, the President, the Executive Vice Presidents, the Senior Vice President, the Treasurer, the Asst. Treasurers, and the Secretary and the Asst. Secretaries are officers of the Corporation.</p>	<p>The Board of Directors shall consist of eleven (11) members <u>who shall be elected individually by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with these By-Laws.</u> Immediately, after their election, they shall meet and shall elect, from among themselves, a Chairman and a Vice-Chairman of the Board of Directors, the Chairman, and at least two (2) other members of the Executive Committee, a Chief Executive Officer, and a President.</p> <p><u>The Corporation shall comply with the requirement to have such number of independent directors as may be required by law, and with the legally prescribed procedures for their nomination and election.</u></p>
Art. IV, Sec. 3	<p>No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:</p> <p>xxx xxx xxx</p> <p>For the proper implementation of this provision, all nominations for election of Directors by the stockholders shall be submitted in writing to the Board as Directors at least thirty (30) business days before the date of the regular meeting.</p>	<p>No person shall qualify or be eligible for nomination or election to the Board of Directors <u>if he is in possession of any of the grounds for disqualification provided in applicable laws and the rules and regulations of the Securities and Exchange Commission, as may be amended from time to time, or</u> if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:</p> <p>xxx xxx xxx</p> <p>For the proper implementation of this provision, all nominations for election of Directors by the stockholders shall be submitted in writing to the <u>Corporate</u></p>

		<u>Governance and Nomination Committee</u> at least thirty (30) business days before the date of the regular meeting <u>of the stockholders.</u>
Art. IV, Sec. 4	In case any vacancy or vacancies should occur in the Board of Directors during the period between two annual meetings due to death, resignation or other causes, the remaining Directors, if still constituting a quorum, may fill said vacancies by election from among the stockholders, and the stockholders so elected shall act as members of said Board until the new Board of Directors is elected.	<p><u>Any vacancy due to expiration of term shall be filled no later than the day of such expiration at the annual stockholders' meeting. For any vacancy arising from removal by the stockholders, the election shall be held on the same meeting if so stated in the agenda and notice of meeting. In all other cases, the vacancy may be filled by at least a majority vote of the remaining directors, if still constituting a quorum; otherwise, the vacancy shall be filled in a special stockholders' meeting called for that purpose, in any instance no later than forty-five (45) days from the time the vacancy occurred. The director so elected shall be referred to as replacement director and act as a member of the said Board only for the unexpired term of his predecessor.</u></p> <p><u>However, when the remaining directors cannot constitute a quorum and emergency action is required to prevent grave, substantial or irreparable loss or damage to the Corporation, the vacancy may be temporarily filled from among the officers of the Corporation by the unanimous vote of the remaining directors. The designated director's actions shall be limited to any necessary emergency action and his term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director, whichever comes first.</u></p>
Art. IV, Sec. 5	The Board of Directors shall designate the days when it shall meet in session, but it shall meet at least once each quarter. It may be convened in special session by the Chairman or at the request of two (2) directors.	The Board of Directors shall designate the days when it shall meet in <u>regular</u> session, but it shall meet at least <u>six (6) times a year.</u> It may be convened in special session by the Chairman or at the request of <u>three (3)</u> directors.
Art. IV, Sec. 6	A majority of the Directors shall constitute a quorum for the holding of a meeting, and any resolution by a majority of the quorum duly convened in session shall be valid as a corporate act.	<u>Two-thirds (2/3) of the number of directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business.</u> Any resolution by a majority of the quorum duly convened in session shall be valid as a corporate act.

		<u>Participation of directors, including voting, at board meetings can be in person, through remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication allowed by the Securities and Exchange Commission. Participation and voting cannot be done by proxy.</u>
Art. IV, Sec. 9	xxx xxx xxx The compensation and remuneration committee of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope.	xxx xxx xxx The <u>Personnel and Compensation Committee</u> of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the <u>Committee</u> shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope. <u>No director shall be involved in deciding his own remuneration during his incumbent term.</u>
-	-	<u>Section 10 – The Chairman of the Board shall have the following powers:</u> a. <u>To preside at all stockholders' meetings and meetings of the Board of Directors;</u> b. <u>To cast the deciding vote in case of a tie in the stockholders' meetings or in the Board meetings; and</u> c. <u>To exercise such other powers which are given him by these By-Laws.</u> <u>In the absence of the Chairman, the Vice Chairman shall automatically take his place as Acting Chairman of the Board of Directors.</u>
-	-	<u>Section 11 - Directors with interest, potential or otherwise, in any related party transaction shall timely and fully disclose any and all material facts and abstain from deliberations on and approval of the same without prejudice to compliance with the requirements of the law and the rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. Material related party contracts, as defined in applicable laws, rules and regulations of the Securities and Exchange Commission,</u>

		<u>shall be approved by at least two-thirds (2/3) of all the directors, including at least a majority of the independent directors.</u>
Art. VI, Sec. 1	The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and shall render advice and counsel to the President.	<u>The Chief Executive Officer (CEO), the Chief Operating Officer (COO), the President, the Executive Vice Presidents, the Senior Vice President, the Treasurer, the Asst. Treasurers, the Secretary, the Asst. Secretaries and the Compliance Officer are officers of the Corporation, all of whom shall be elected by the Board of Directors.</u> <u>The election of these officers shall require the vote of a majority of all the members of the Board of Directors.</u>
Art. VI, Sec. 8	-	<u>The Compliance Officer shall ensure compliance by the Corporation, its directors and officers with applicable laws, rules and regulations, and governance issuances of regulatory agencies, proper onboarding of new directors, identification and appropriate resolution of any compliance issues, and the integrity and accuracy of all documentary submissions to regulators, and perform all other duties which may be assigned to him by the Board of Directors.</u>
Art. VIII, Sec. 1	xxx xxx xxx	xxx xxx xxx <u>Cash dividend payouts shall be done through electronic means such as direct bank transfer, transfer to an electronic wallet account and the like as may be decided by the Board of Directors. The Corporation shall request stockholders to provide the account details where the dividend payout shall be transferred or remitted to. Stockholders who fail to provide account details shall receive their dividend payout by check, which will be available for pick-up at a designated office as announced in the Corporation's website and in regulatory disclosures.</u>
-	-	<u>ARTICLE IX</u> <u>ARBITRATION</u> <u>Section 1 – Any dispute, controversy or claim between the Corporation and its stockholders arising from, relating to, or</u>

		<p><u>in connection with the implementation of the articles of incorporation or by-laws, or from intra-corporate relations, except those involving criminal offenses and interests of third parties, may be referred to and resolved by arbitration in accordance with prevailing Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules and Securities and Exchange Commission Rules and Regulations.</u></p> <p><u>Section 2 – The number of arbitrators shall be three (3) appointed by the Philippine Dispute Resolution Center, Inc. (PDRCI) and the place of arbitration shall be in Metro Manila, Philippines. The language to be used for the arbitral proceedings shall be English.</u></p> <p><u>Section 3 – The parties shall be bound by the award rendered by the Arbitral Tribunal and confirmed by the appropriate Regional Trial Court. Arbitration shall not be available for disputes involving claims in excess of One Million Pesos (Php1,000,000.00) or involving the determination of the fair valuation of shares in appraisal proceedings.</u></p>
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Integrated Micro-Electronics, Inc.
 North Science Avenue,
 Special Export Processing Zone
 Laguna Technopark
 Binan Laguna 4024
 Philippines

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
 FOR FINANCIAL STATEMENTS**

The management of Integrated Micro-Electronics, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


JAIME AUGUSTO ZOBEL DE AYALA
 Chairman, Board of Directors


ARTHUR R. TAN
 Chief Executive Officer


JEROME S. TAN
 Global Chief Financial Officer


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

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

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

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




ROBERTO T. ONGSIAKO
 Notary Public – Makati City
 Appt. No. M-155 until December 31, 2020
 Extended until June 30, 2021
 Roll of Attorneys No. 37041
 Lifetime IBP No. 02163 – RSM Chapter
 PTR No. 8533973ME – 01/04/2021 - Makati City
 MCLE Compliance No. VII – 0000267 – 07/30/2014
 4th Floor Tower One and Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines



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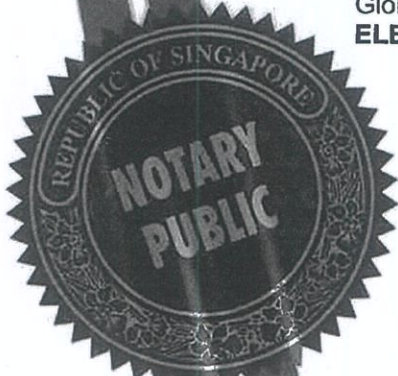
NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

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

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

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



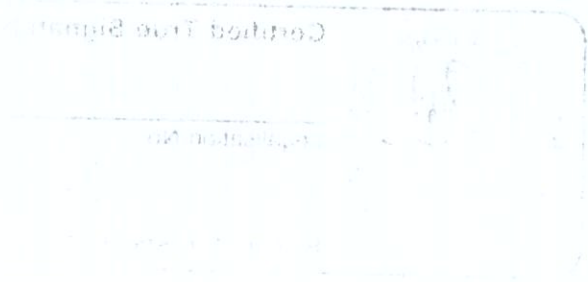
[Handwritten Signature]

NOTARY PUBLIC
SINGAPORE



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

CERTIFIED TRUE COPY





A member of AC Industrials

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-Electronics, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JAIME AUGUSTO ZOBEL DE AYALA
Chairman, Board of Directors

CERTIFIED TRUE COPY



ARTHUR R. TAN
Chief Executive Officer

JEROME S. TAN
Global Chief Financial Officer

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

Name
Jerome S. Tan

Passport No.
K1766021H

Date & Place of Issue
January 2, 2020 - Singapore

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



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

I	N	T	E	G	R	A	T	E	D	M	I	C	R	O	-	E	L	E	C	T	R	O	N	I	C	S	,	
I	N	C	.	a	n	d	S	U	B	S	I	D	I	A	R	I	E	S										

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

N	O	R	T	H	S	C	I	E	N	C	E	A	V	E	N	U	E	,	L	A	G	U	N	A	T			
E	C	H	N	O	P	A	R	K	-	S	P	E	C	I	A	L	E	C	O	N	O	M	I	C	Z	O	N	
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L	A	G	U	N	A																							

Form Type

A	A	F	S
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

<p>Company's Email Address</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">ir@global-imi.com</div>	<p>Company's Telephone Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">(02) 7756-6840</div>	<p>Mobile Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">N/A</div>
<p>No. of Stockholders</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">288</div>	<p>Annual Meeting (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">APRIL 15</div>	<p>Fiscal Year (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;">12/31</div>

CONTACT PERSON INFORMATION

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

<p>Name of Contact Person</p> <div style="border: 1px solid black; padding: 5px;">Mr. Jerome S. Tan</div>	<p>Email Address</p> <div style="border: 1px solid black; padding: 5px;">jerome.tan@global-imi.com</div>	<p>Telephone Number/s</p> <div style="border: 1px solid black; padding: 5px;">(02) 7756-6840</div>	<p>Mobile Number</p> <div style="border: 1px solid black; padding: 5px;">N/A</div>
---	--	--	--

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Integrated Micro-Electronics, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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



The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

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

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

Audit response

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

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

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

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



Audit response

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

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

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

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and



Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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



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

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1737-A (Group A),

January 24, 2019, valid until January 23, 2022

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-074-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534376, January 4, 2021, Makati City

March 2, 2021



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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	\$244,355,425	\$152,660,116
Receivables (Notes 6 and 31)	275,621,791	290,643,361
Contract assets (Note 7)	54,525,401	58,908,123
Inventories (Note 8)	142,316,055	152,629,272
Other current assets (Notes 9 and 33)	17,355,310	19,106,392
Total Current Assets	734,173,982	673,947,264
Noncurrent Assets		
Property, plant and equipment (Note 10)	177,950,968	194,294,448
Goodwill (Note 11)	147,245,094	140,781,251
Intangible assets (Note 12)	17,145,629	28,576,837
Right-of-use assets (Note 30)	32,660,720	32,027,604
Financial assets at FVOCI (Notes 13 and 32)	1,124,461	1,199,763
Deferred tax assets - net (Note 25)	3,491,878	3,610,639
Other noncurrent assets (Note 14)	19,882,038	21,898,132
Total Noncurrent Assets	399,500,788	422,388,674
	\$1,133,674,770	\$1,096,335,938
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 15)	\$253,824,928	\$267,072,013
Contract liabilities (Note 7)	1,515,095	4,742,170
Loans payable (Note 16)	206,490,427	126,051,547
Other financial liabilities (Notes 18, 32 and 33)	1,680,879	22,370,085
Current portion of long-term debt (Note 17)	2,109,394	28,037,902
Current portion of lease liabilities (Note 30)	7,785,039	4,074,866
Income tax payable	3,350,479	1,441,505
Total Current Liabilities	476,756,241	453,790,088
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 17 and 32)	32,210,531	114,385,913
Lease liabilities (Note 30)	27,628,221	29,722,846
Net retirement liabilities (Note 27)	9,355,655	9,165,082
Deferred tax liabilities - net (Note 25)	1,598,134	1,869,955
Other noncurrent liabilities (Note 24)	5,263,259	3,623,257
Total Noncurrent Liabilities	76,055,800	158,767,053
Total Liabilities	552,812,041	612,557,141

(Forward)



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

See accompanying Notes to Consolidated Financial Statements.



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

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

See accompanying Notes to Consolidated Financial Statements.



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

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

See accompanying Notes to Consolidated Financial Statements.



INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

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

See accompanying Notes to Consolidated Financial Statements.



Attributable to Equity Holders of the Parent Company

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

See accompanying Notes to Consolidated Financial Statements.



Attributable to Equity Holders of the Parent Company

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

See accompanying Notes to Consolidated Financial Statements.



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

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

(Forward)



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

See accompanying Notes to Consolidated Financial Statements.



INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

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

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



monitor solutions for advanced driver assistance systems. The Group together with VIA enables the scale to introduce patented technology into automotive camera monitor systems for increased safety.

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

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

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

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

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

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

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

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

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

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



2. Group Information

Information about Subsidiaries

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

Subsidiary	Percentage of Ownership		Country of Incorporation	Functional Currency
	2020	2019		
IMI International (Singapore) Pte. Ltd.	100.00%	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	100.00%	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	100.00%	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	100.00%	100.00%	China	Renminbi (RMB)
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ)	100.00%	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd. ^a	100.00%	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK)	100.00%	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	100.00%	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH)	100.00%	100.00%	Philippines	USD
Cooperatief IMI Europe U.A.	100.00%	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	100.00%	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	100.00%	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš (IMI Serbia)	100.00%	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	100.00%	100.00%	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	100.00%	100.00%	Mexico	USD
IMI France SAS (IMI France)	100.00%	100.00%	France	EUR
VIA Optronics AG (VIA) ^{b/c}	50.32%	76.01%	Germany	EUR
VIA Optronics GmbH (VIA)	100.00%	100.00%	Germany	EUR
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	100.00%	100.00%	China	RMB
VIA Optronics LLC (VIA LLC)	100.00%	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd ^b	100.00%	100.00%	Taiwan	Taiwan Dollar
VTS-Touchsensor Co., Ltd. (VTS)	65.00%	65.00%	Japan	Japanese Yen (JPY)
Integrated Micro-Electronics UK Limited (IMI UK)	100.00%	100.00%	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	80.00%	80.00%	United Kingdom	GBP
STI Limited	100.00%	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	100.00%	100.00%	Philippines	USD
STI Asia Ltd ^d	100.00%	100.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd ^d	100.00%	100.00%	United Kingdom	GBP
ST Intercept Limited	100.00%	100.00%	United Kingdom	GBP
IMI USA	100.00%	100.00%	USA	USD
IMI Japan	100.00%	100.00%	Japan	USD
PSi	100.00%	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) ^d	40.00%	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) ^d	64.00%	64.00%	Philippines	USD

^a New subsidiary under IMI SZ incorporated in 2019 as a spin-off of the Kuichong operations.

^b New entities of VIA in 2019

^c IMI's ownership in VIA was diluted to 50.32% as a result of the initial public offering of VIA in the New York Stock Exchange (NYSE)

^d In the process of liquidation

Business Combinations

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

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

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

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



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

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

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

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

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

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

Consolidated Balance Sheet

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



Consolidated Statement of Income

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

Consolidated Statement of Cash Flow

<u>Increase (decrease) in:</u>	
Cash flow from operating activities	(\$407,131)
Cash flow from investing activities	407,131

Analysis of cash flows on acquisition:

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

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

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

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

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



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

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

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

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

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

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

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

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

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

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

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



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

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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



The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The amendments were consistently applied on the disclosures of the Group.

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

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



Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRSs 2018-2020 Cycle

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.



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

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

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

Effective beginning on or after January 1, 2023

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

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

Deferred effectivity

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

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

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

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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



All other liabilities are classified as noncurrent.

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

Cash and Cash Equivalents

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

Financial Instruments

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

a) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

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

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and



- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and miscellaneous deposits included under "Other noncurrent assets" account.

Financial assets designated at FVOCI (equity instruments)

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

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

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

Financial assets at FVPL

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

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or



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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of Financial Assets

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

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at FVPL

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



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

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

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

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

Other financial liabilities

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

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

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

Derecognition

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

c) Offsetting of financial instruments

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

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

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

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

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

Borrowing Costs

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statements of income under "Operating expenses" account.

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

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



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

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

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

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

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

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

Intangible Assets

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

Research and development costs

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

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



- (e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

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

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

Leases (Upon Adoption of PFRS 16 beginning January 1, 2019)

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

Group as Lessee

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

Right-of-use Assets

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

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



The right-of-use assets are also subject to impairment.

Lease Liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term Leases (STL) and Leases of Low-value Assets

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

Leases (Prior to Adoption of PFRS 16 beginning January 1, 2019)

The determination of whether an arrangement is, or contains, a lease, is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, or whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating and finance lease commitments - Group as lessee

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

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

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



Impairment of Nonfinancial Assets

The Group assesses, at each balance sheet date, whether there is an indication that a nonfinancial asset (e.g., deferred charges, property, plant and equipment, right-of-use assets and intangible assets) is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

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

Provisions

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

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

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



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

Equity

Capital stock

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

Preferred shares may be issued with various rights. In determining whether a preference share is financial liability or equity instrument, the issuer is required to assess the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability.

A preference share redeemable only at the holder's option is an equity instrument because the issuer does not have a present or future obligation to transfer financial assets to the shareholder.

Additional paid-in capital

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

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

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

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

Subscriptions receivable

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

Retained earnings and dividends on capital stock of the Parent Company

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

Treasury stock

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



Revenue Recognition

a) Revenue from contracts with customers

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

Manufacturing of goods

The Group provides manufacturing services in accordance with the customer's specifications. The Group promises to provide a combined performance obligation comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging.

Contracts with customers are generally classified as turnkey or consignment. In a turnkey contract, the Group procures the materials and provides the assembly services to the customer. In a consignment contract, the Group only provides assembly services to the customer.

For turnkey contracts, revenue is recognized over time since the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised.

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

For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.

Revenue from optical bonding technology and metal mesh touch sensors (VIA and VTS)

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

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

Non-recurring engineering services

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



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

Variable consideration

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

Significant financing component

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

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

b) Contract balances

Contract asset

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

Contract liability

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

c) Cost to obtain a contract

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

Other Income

Interest income

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

Dividends

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

Miscellaneous income

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



Expenses

Cost of sales

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

Operating expenses

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

Government Grants

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

Foreign Currency Transactions

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

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

The functional currencies of the Group's foreign subsidiaries are summarized in Note 2 to the consolidated financial statements. As at the balance sheet date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity.

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

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

Income Taxes

Current tax

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used



to compute the amount are those that are enacted or substantively enacted as of the balance sheet date in the countries where the Group operates and generates taxable profit.

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

Deferred tax

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized, except:

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

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

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

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

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

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



Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company

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

Retirement and Other Employee Benefits

Defined benefit plans

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

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

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

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

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

Net retirement liabilities are the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined contribution plans

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



in the current and prior periods. The required contributions to the national retirement schemes are recognized as retirement expense as accrued.

Singapore

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

China

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

Hong Kong

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

IMI CZ

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

IMI MX

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

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

VIA

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

STI

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

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



Employee leave entitlement

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

Share-based Payment Transactions

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

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

Operating Segments

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

Contingencies

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

Events after the Balance Sheet Date

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

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

Operating lease commitments - Group as lessee (Prior to adoption of PFRS 16)

The Group has entered into contracts with various lease contracts for office spaces and land. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor. Further details are disclosed in Note 30.

Revenue from contracts with customers

- Identifying contracts with customers
Generally, a valid and approved manufacturing service agreement (MSA), scheduling agreement (SA), customer accepted quote, customer forecast, and/or customer purchase order or firm delivery schedule will be in place before the Group provides services or manufacture goods for the customers. The Group is not obligated to transfer any goods or provide services until the customer submits a purchase order or firm delivery schedule under the MSA or SA, respectively. The purchase order or firm delivery schedule creates the enforceable rights and obligations and is therefore evaluated together with the MSA or SA for revenue recognition in accordance with PFRS 15.
- Determining the timing of revenue recognition
The Group assessed that revenue from manufacturing of goods shall be recognized over time or point in time. For turnkey contracts wherein the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised, revenue is recognized over time. For goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.
- Determining the method of measure of progress for revenue recognized over time
The Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.

Product development costs

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



between the Group and each customer. Moreover, management is able to demonstrate that the projects are in the advanced stage of development.

Functional currency

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

Contingencies

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

Further details are disclosed in Note 34.

Estimates and Assumptions

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

Lease commitments - Group as lessee

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of the financial liabilities on put options

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



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

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

Provision for expected credit losses of trade receivables and contract assets

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., industry compounded annual growth rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

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

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

Estimating NRV of inventories

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

Depreciation and amortization

The Group computes depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets with finite useful life on a straight-line basis over the assets' EUL. The EUL and depreciation and amortization method are reviewed annually to ensure that these are consistent with the expected pattern of the economic benefits from the assets. This requires the Group to make an estimate of the expected asset utilization from business plans and strategies,



future technical developments and market behavior to determine the expected pattern of economic benefits from the assets. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation and amortization expense on property, plant and equipment and intangible assets with finite useful lives are recognized in profit or loss, in the expense category, consistent with the function of the property, plant and equipment and intangible assets.

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

Evaluation of impairment of nonfinancial assets

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

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

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

Taxes

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

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

Further details on taxes are disclosed in Note 25.



Retirement and other employee benefits

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

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

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

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

5. Cash and Cash Equivalents

This account consists of:

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

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

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

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



6. Receivables

This account consists of:

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

Trade

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

Nontrade

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

Receivable from Insurance

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

Receivable from Employees

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

Allowance for ECLs

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

Movements in the allowance for ECLs are as follows:

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

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

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



7. Contract Balances

This account consists of:

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

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are received from customers depending on the credit terms.

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

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

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

8. Inventories

This account consists of:

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

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

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

Movements in the allowance for inventory obsolescence follows:

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



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

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

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

9. Other Current Assets

This account consists of:

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

Prepayments and Deferred Charges

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

Advances to Suppliers

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

Input Taxes

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

Tax Credits

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



10. Property, Plant and Equipment

Movements in this account follows:

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

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

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

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

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

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



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

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

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

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

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

11. Goodwill

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

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

Movement in goodwill follows:

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

STI, VIA, STEL and IMI CZ

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

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

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



Key assumptions used in the value-in-use calculations

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

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

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

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

Sensitivity to changes in assumptions

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

Parent Company

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

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



12. Intangible Assets

Movements in this account are as follows:

December 31, 2020						
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year	\$22,046,083	\$100,000	\$13,858,721	\$14,521,541	\$20,599,131	\$71,125,476
Additions	-	-	595,188	-	-	595,188
Transfers (Note10)	-	-	442,001	-	-	442,001
Foreign currency exchange difference	196,017	-	584,334	(44,291)	-	736,060
At end of year	22,242,100	100,000	15,480,244	14,477,250	20,599,131	72,898,725
Accumulated amortization						
At beginning of year	20,599,134	100,000	9,936,846	6,161,827	5,226,127	42,023,934
Amortization	828,554	-	1,084,613	2,372,035	3,593,966	7,879,168
Foreign currency exchange difference	52,271	-	494,552	84,481	-	631,304
At end of year	21,479,959	100,000	11,516,011	8,618,343	8,820,093	50,534,406
Accumulated impairment loss						
At beginning of year	-	-	-	-	524,705	524,705
Impairment loss (Note 24)	-	-	-	-	4,693,985	4,693,985
At end of year	-	-	-	-	5,218,690	5,218,690
Net book value	\$762,141	\$-	\$3,964,233	\$5,858,907	\$6,560,348	\$17,145,629

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

Customer Relationships

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

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

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

Licenses

This includes acquisitions of computer software, applications and modules.



Intellectual Properties

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

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

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

Product Development Costs

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

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

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

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

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

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

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

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

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

The table below shows reconciliation of fair value measurements:

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



14. Other Noncurrent Assets

This account consists of:

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

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

Miscellaneous deposits comprise utilities and rent deposits.

15. Accounts Payable and Accrued Expenses

This account consists of:

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

Trade Payables

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

Accrued Expenses

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

Employee-Related Accruals

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

Nontrade Payables

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

Taxes and Government-related Payables

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

Advances from Customers

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



Customer Deposits

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

Others

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

16. Loans Payable

This account consists of borrowings of the following entities:

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

Parent Company

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

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

STEL

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

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

VIA & STI

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

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

IMI CZ

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

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



17. Long-Term Debt

This account consists of borrowings of the following entities:

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

Parent Company

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

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

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

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

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

VTS and IMI CZ

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

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

18. Other Financial Liabilities

The account consists of:

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



Put options over non-controlling interests

The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5% put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%.

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

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

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

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

Contingent consideration

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

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

19. Equity

Capital Stock

This account consists of:

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

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

On January 30, 2018, IMI obtained the approval of the PSE for a stock rights offer of up to 350,000,000 new common shares to eligible shareholders. Under the rights offer, each shareholder is entitled to subscribe to one rights share for every 5.3551 existing common shares held as of record



date February 14, 2018. The offer price was determined to be at ₱14.28 per rights share which was based on the 30-day volume-weighted average price of IMI common shares listed at the PSE as of February 7, 2018 at a discount of 25.3%. On March 2, 2018, the Parent Company completed the offer and the listing of the shares, raising ₱5.00 billion (\$95.93 million) of proceeds to fund capital expenditures and support business expansions and refinance debts. The Parent Company has 2,190,076,503 issued and outstanding shares after the offer.

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

Subscribed Capital Stock

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

Details of this account follow:

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

Additional Paid-in Capital

VIA Initial Public Offering

On September 25, 2020, VIA Optronics, a 76%-owned German subsidiary of IMI, raised some proceeds through an initial public offering (IPO) and was listed on the New York Stock Exchange under the ticker symbol "VIAO". The IPO involves issuance of 6,250,000 American Depositary Shares (ADSs), representing 1,250,000 ordinary shares at a public offering price of \$15.00 per ADS, for gross proceeds of \$93.75 million (net proceeds of \$87.19 million after deducting underwriting discounts and commissions). Corning Research & Development Corporation ("Corning"), one of VIA's commercial partners, has also agreed to purchase additional 1,403,505 ADSs, representing 280,701 ordinary shares, at an aggregate purchase price of approximately \$20 million (net \$19.6 million after commissions) in a separate concurrent private placement.

As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was increased by \$62.52 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attributed it to the owners of the Parent Company. The amount recognized in equity amounted to \$32.40 million and was recognized as a credit to the "Additional paid-in capital" account.

The additional credit to additional paid up capital of \$15.33 million is coming from the reversal of put option liability as discussed in Note 18.

Subscriptions Receivable

Details of this account follow:

	2020	2019	2018
At beginning of year	\$2,955,581	\$3,402,940	\$5,351,844
Forfeitures during the year	(71,804)	(341,818)	(212,357)
Refund/(collections) during the year	5,023	(105,541)	(1,736,547)
At end of year (Note 28)	\$2,888,800	\$2,955,581	\$3,402,940



Dividends

2020

IMI Singapore paid dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) on the anniversary dates amounting to \$3.47 million and \$2.02 million in March 2020 and October 2020, respectively. In November 2020, dividends were paid to the redeemed portion of the RCPS that have accrued as of redemption date amounting to \$1.01 million. No dividend payment was declared to common shareholders.

2019

On April 8, 2019, the BOD of the Parent Company approved the declaration of cash dividend of \$0.00201 or ₱0.10542 per share to all outstanding common shares aggregating to \$4.44 million as of record date of April 25, 2019 paid on May 7, 2019.

2018

On February 20, 2018, the BOD of the Parent Company approved the declaration of cash dividend of \$0.00458 or ₱0.235 per share to all outstanding common shares aggregating to \$10.13 million as of record date of March 7, 2018 paid on March 21, 2018.

Retained Earnings

Retained earnings as of January 1, 2019 was adjusted for the effect of the finalization of purchase price allocation of VTS with a net increase of \$1.68 million. The net increase is due to the gain on a bargain purchase of \$2.41 million, net of the increase in depreciation and amortization, deferred taxes and corresponding share of non-controlling interest totaling to \$0.73 million.

Upon adoption of PFRS 9, any cumulative impairment losses previously recognized under PAS 39 for equity instruments measured at FVOCI will have to be transferred from retained earnings to OCI. As a result, a cumulative catch up adjustment was made as of January 1, 2018 resulting to a decrease in OCI and an increase in retained earnings of \$1.75 million.

Accumulated net earnings of the subsidiaries amounting to \$202.52 million and \$201.15 million as of December 31, 2020 and 2019, respectively, are not available for dividend declaration. This accumulated net earnings of subsidiaries becomes available for dividend upon receipt of cash dividends from the investees.

The retained earnings are restricted to dividend declaration to the extent of the cost of treasury shares amounting to \$1.01 million.

In accordance with Securities Regulation Code Rule 68, As Amended (2019), Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 amounted to \$2.58 million.

Treasury Shares

In July 1999, the Company repurchased a total of 8,867,318 Class B common shares issued to a minority stockholder for a price ₱75 million.



Cumulative Translation Adjustments

This account pertains to cumulative translation adjustments of subsidiaries with functional currency other than the Group's presentation currency (see Note 2). Exchange differences arising from translation of foreign operations for the period ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
EU and MX	\$14,970,268	(\$3,977,210)	(\$7,502,790)
VIA and STI	8,330,030	1,927,491	(7,435,746)
STEL	3,185,241	(33,983)	(113,776)
Consolidation and Eliminations	2,667,047	(3,391,752)	3,030,334
	\$29,152,586	(\$5,475,454)	(\$12,021,978)
Attributable to:			
Equity holders of the Parent	\$26,820,695	(\$4,526,109)	(\$10,619,131)
Non-controlling interest	2,331,891	(949,345)	(1,402,847)
	\$29,152,586	(\$5,475,454)	(\$12,021,978)

Non-controlling interest

Issuance of capital stock - preferred by IMI Singapore

In 2019, IMI Singapore, a wholly-owned subsidiary of the Parent Company, issued RCPS, which were subscribed by AC Industrials (Singapore) Pte, Ltd., an entity under common control of AC Industrials. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of IMI Singapore and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore. Total shares issued aggregated to \$100 million, \$60 million of which was allotted and issued in July 2019 and \$40 million in November 2019.

In November 2020, the Board approved the partial redemption of the RCPS amounting to \$30.0 million and paid the dividends that have accrued as of redemption date amounting to \$1.01 million. Outstanding balance of the RCPS as of December 31, 2020 amounted to \$70.0 million.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

No changes were made in the objectives, policies and processes for the years ended December 31, 2020 and 2019.

The Group monitors capital using a gearing ratio of debt-to-equity and net debt-to-equity. The Group considers bank borrowings in the determination of debt, which consist of loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	2020	2019
Loans payable	\$206,490,427	\$126,051,547
Long-term bank borrowings	34,319,925	142,423,815
Total bank debt	240,810,352	268,475,362
Less cash and cash equivalents	244,355,425	152,660,116
Net bank debt	(\$3,545,073)	\$115,815,246
Total Equity	\$580,862,729	\$483,778,797
Debt-to-equity ratio	0.41:1	0.55:1
Net debt-to-equity ratio	(0.01):1	0.24:1

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



20. Cost of Sales

This account consists of:

	2020	2019	2018
Direct, indirect and other material-related costs (Note 8)	\$796,036,703	\$888,417,084	\$952,186,147
Direct labor, salaries, wages and employee benefits (Note 27)	165,020,873	172,657,671	179,892,752
Depreciation and amortization (Notes 10, 12 and 30)	43,435,464	38,475,325	29,168,696
Facilities costs and others (Note 22)	35,010,668	48,587,618	53,732,244
	\$1,039,503,708	\$1,148,137,698	\$1,214,979,839

21. Operating Expenses

This account consists of:

	2020	2019	2018
Salaries, wages and employee benefits (Note 27)	\$50,543,361	\$54,178,946	\$46,727,732
Depreciation and amortization (Notes 10, 12 and 30)	11,997,105	10,253,348	8,368,871
Facilities costs and others (Note 22)	29,919,927	41,789,769	41,838,682
	\$92,460,393	\$106,222,063	\$96,935,285

22. Facilities Costs and Others - Net

This account consists of:

	Cost of Sales			Operating Expenses		
	2020	2019	2018	2020	2019	2018
Utilities	\$16,944,219	\$18,561,156	\$19,599,504	\$1,479,229	\$948,015	\$1,336,139
Outsourced activities	7,968,725	10,332,444	15,828,874	11,184,209	14,143,794	14,377,484
Repairs and maintenance	6,203,813	13,052,752	11,508,562	781,950	1,076,059	921,113
Government-related	1,795,352	1,316,475	2,226,864	3,028,921	3,497,749	4,505,120
Travel and transportation	934,445	1,741,426	1,497,218	2,247,563	5,314,278	5,435,915
Technology-related	710,862	1,098,239	361,746	4,224,730	3,912,362	6,229,630
Insurance	673,733	1,359,974	1,564,971	2,823,246	2,000,776	1,928,184
Postal and communication	301,012	371,828	382,798	431,548	1,459,905	1,171,214
Promotional materials, representation and entertainment	117,674	476,418	242,534	637,995	1,012,922	1,102,576
Staff house	15,083	155,727	333,749	272,056	296,117	477,608
Membership fees	4,839	57,467	10,237	143,575	143,923	174,346
Provision (reversal of provision) for inventory obsolescence (Note 8)	-	-	-	(291,526)	4,599,150	2,344,158
Sales commission	-	-	-	399,402	1,659,413	1,398,391
Provision for ECLs (Note 6)	-	-	-	574,495	296,207	88,238
Provision (reversal of provision) for decline in value of inventories (Note 8)	-	-	-	2,259	(79,522)	93,123
Others - net	(659,089)	63,712	175,187	1,980,275	1,508,621	255,443
	\$35,010,668	\$48,587,618	\$53,732,244	\$29,919,927	\$41,789,769	\$41,838,682

Others include donations, small tools and instruments, spare parts, materials, office supplies, and copying expenses. In 2020, this also includes Covid-related incentives in the form of social insurance refunds, electricity cost subsidies and other job support schemes in China, Europe and Singapore recognized as reduction in cost of sales and operating expenses.



23. Interest Expense and Bank Charges

This account consists of:

	2020	2019	2018
Interest expense on loans (Notes 16 and 17)	\$8,411,717	\$10,262,423	\$10,566,675
Interest on leases (Note 30)	1,644,189	1,368,494	-
Bank charges	320,526	1,505,259	1,398,669
Others	46,201	5,759	27,040
	\$10,422,633	\$13,141,935	\$11,992,384

Others include interest on employee housing and car loans in 2020, 2019, and 2018.

24. Miscellaneous Income - Net

Miscellaneous income (loss) - net consists of:

	2020	2019	2018
Financial subsidies	\$6,288,982	\$1,735,855	\$1,223,397
Mark-to-market gain (loss) on put options (Note 18)	6,068,906	3,445,288	(5,372,114)
Gain on sale of property, plant and equipment (Note 10)	657,101	99,404	189,298
Other income from customers	404,813	456,291	890,489
Gain on insurance claims	61,260	12,672	-
Sale of materials and scrap (Note 8)	36,332	32,927	820,231
Impairment on property, plant and equipment (Notes 3 and 10)	(2,620,779)	-	-
Impairment loss on product development cost (Notes 3 and 12)	(4,693,985)	-	-
Set up of intellectual property related liability	-	(1,638,206)	-
Net gain on disposal of a subsidiary	-	-	19,062,344
Gain from bargain purchase (Note 2)	-	-	2,411,951
Impairment loss on goodwill (Notes 3 and 11)	-	-	(6,902,838)
Reversal of contingent consideration (Note 18)	-	3,728,985	21,304,030
Other income (expense) - net	(679,701)	1,412,072	551,703
	\$5,522,929	\$9,285,288	\$34,178,491

Financial subsidies are comprised of special subsidy funds such as industrial, economic and technological development fund subsidies provided by the China government, amortization of the grant incentives received from the government of Serbia related to the new manufacturing facility and other Covid-related grants in China, Europe and Singapore. The balance of the Serbia grant incentive included under "Other noncurrent liabilities" account amounted to \$2.49 million and \$1.61 million in 2020 and 2019, respectively.

Gain on sale of property, plant and equipment includes gain on the sale of the manufacturing building located in the Cavite Economic Zone amounting to \$0.41 million in 2020.

The liability on contingent consideration was reversed in full to arrive at the fair value of the expected earn-out based on target normalized EBITDA performance in relation to the acquisition of STI. The period for the prepayment of contingent consideration has lapsed in 2019.

Intellectual property (IP) related liability pertains to provision for potential compensation related to IP rights acquired on the acquisition of VTS.



In 2018, the sale of Shenzhen entity was completed for a final purchase price of \$85.09 million. The net gain recognized from the sale amounted to \$19.06 million, net of employee relocation incentive.

Other income and expenses pertain to accruals and reversals for certain non-operating expenses.

25. Income Tax

Current Tax

Parent Company

The Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2020, there are three remaining project activities with ITH. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment. Upon the expiration of the ITH, the Parent Company will be subject to a 5% tax on gross income earned after certain allowable deductions provided under Republic Act (R.A.) No. 7916, otherwise known as the "Special Economic Zone Act of 1995", in lieu of payment of national and local taxes. Income from other income-producing activities that are not registered with PEZA is subject to regular corporate income tax (RCIT) rate of 30%.

IMICD, IMISZ and STJX

In accordance with the "Income Tax Law of the China for Enterprises with Foreign Investment and Foreign Enterprises," the subsidiaries in China are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

During the financial year ended December 31, 2020, STJX and IMISZ have been granted tax preference by the State Taxation Administration of the People's Republic of China (PRC) for a period of 3 years as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of 15% in 2020 and 25% in 2019 on its taxable income as reported in its financial statements, prepared in accordance with the accounting regulations in the PRC.

IMICD is subject to taxation at the statutory rate of 15% on its taxable income as reported in the financial statements.

STHK

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

Cooperatief

Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 20% on the first €200,000 and 25% on the taxable amount exceeding €200,000, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities.

IMI BG

Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate is 10%.

IMI NIS

Taxable income is established on the basis of accounting profit. The applicable tax rate is 15%.

IMI CZ

Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of Czech Republic. The tax base comprises the book income from operations, which is increased or



decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate is 19%.

IMI MX

The Mexican Income Tax Law (MITL) established a corporate income tax rate of 30% for fiscal years 2020, 2019 and 2018. The MITL established requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the company but should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

IMI France

Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one year. The tax rate applicable is 33% based on net income.

VIA and VTS

VIA GmbH is subject to corporate income tax and trade taxes in Germany. For the years ended December 31, 2020, 2019 and 2018, the statutory German corporate income tax rate applicable to VIA GmbH is 15,0% plus solidarity surcharge of 5,5% thereon. The municipal trade tax is approximately 16,0% in 2020 and 16,0% in 2019 and 2018. Overall tax rate for Germany is 31.8% for 2020, 2019 and 2018. The change in the municipal trade tax is due to the relocation of a permanent establishment from Altdorf to Nuremberg, with Nuremberg having higher tax rates.

For VIA's subsidiaries, VIA LLC (USA) a tax rate of 27.0% in 2020, 2019 and 2018, for VIA Suzhou (China) a tax rate of 25.0% for 2020, 2019 and 2018 and for VTS (Japan) a tax rate of 33.9% is applicable.

STI

The standard rate of corporation tax in the UK is 19%. STI Philippines is governed by the rules of R.A. No. 7916, which prescribes a final tax rate of 5% on gross income net of certain deductions specifically provided for by the law.

PSi

As a PEZA-registered entity, PSi is subject to a 5% tax on gross income less allowable deductions, as defined in R.A. No. 7916, as amended by R.A. No. 8748, in lieu of all national and local taxes, except real property tax on land being leased by PSi. The 5% tax on gross income shall be paid and remitted as follows: (a) 3% to the National Government; and (b) 2% to the treasurer's office of the municipality or city where the enterprise is located. Income from other income-producing activities that are not registered with PEZA is subject to RCIT rate of 30%.

As at December 31, 2020 and 2019, PSi has no PEZA-registered activities with ITH entitlement.

Deferred Tax

Recognized deferred taxes of the Group relate to the tax effects of the following:

	2020	2019
Deferred tax assets:		
Lease liabilities	\$7,355,223	\$7,254,586
Net operating loss carry-over	2,070,468	3,970,284
Allowance for inventory obsolescence	580,259	173,612
Allowance for doubtful accounts	149,828	21,493
Unrealized foreign exchange loss on monetary assets - net	6,748	-

(Forward)



	2020	2019
Fair value adjustment on property, plant and equipment arising from business combination	\$-	\$78,571
Others	947,960	-
	\$11,110,486	\$11,498,546
	2020	2019
Deferred tax liabilities:		
Right-of-use asset	\$6,715,279	\$7,230,198
Fair value adjustment on property, plant and equipment arising from business combination	1,804,127	857,370
Contract assets	340,363	856,766
Fair value adjustments on Intangible Assets from business combination	263,810	615,557
Unrealized foreign exchange gain on monetary assets - net	93,163	34,956
Others	-	163,015
	\$9,216,742	\$9,757,862

Deferred tax assets and deferred tax liabilities are offset on per entity level and the net amount is reported in consolidated balance sheets as follows:

	December 31, 2020			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	\$-	(\$106,169)	\$-	(\$106,169)
PSI	396,315	(389,247)	7,068	-
IMI BG	683,776	(1,054,562)	-	(370,786)
IMI CZ	286,934	(55,404)	231,530	-
IMI MX	1,005,534	(853,560)	151,974	-
VIA and STI	5,527,574	(3,490,362)	2,037,212	-
STEL	3,111,258	(2,073,750)	1,037,508	-
Serbia	26,231	-	26,231	-
Consolidation	72,864	(1,193,688)	355	(1,121,179)
	\$11,110,486	(\$9,216,742)	\$3,491,878	(\$1,598,134)

	December 31, 2019			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	\$-	(\$45,751)	\$-	(\$45,751)
PSI	172,261	(116,244)	56,017	-
IMI BG	-	(289,848)	-	(289,848)
IMI CZ	286,905	(82,596)	204,309	-
IMI MX	1,037,754	(984,357)	53,397	-
VIA and STI	5,814,691	(4,577,227)	1,237,464	-
STEL	4,169,299	(2,109,847)	2,059,452	-
Consolidation	17,636	(1,551,992)	-	(1,534,356)
	\$11,498,546	(\$9,757,862)	\$3,610,639	(\$1,869,955)

Others pertain to the deferred tax liabilities resulting from the acquisition of IMI EU/MX Subsidiaries.

The movement in deferred taxes are impacted by the translation of the deferred taxes of the subsidiaries with functional currency other than the presentation currency of the Parent Company. The deferred taxes are translated using the closing rate as at balance sheet date and the exchange differences are recognized as part of the other comprehensive income and reported as separate component of equity.



As of December 31, 2020 and 2019, the temporary differences for which no deferred tax assets have been recognized are as follows:

	2020	2019
Net operating loss carry-over	\$36,274,754	\$20,896,912
Accumulated impairment losses on property, plant and equipment	4,352,991	1,732,212
Excess of cost over NRV of inventories	625,966	644,030
Provisions	462,938	786,727
Allowance for doubtful accounts	61,805	58,730
	\$41,778,454	\$24,118,611

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used.

As of December 31, 2020 and 2019, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries (see Note 19) and the related cumulative translation adjustments since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

On September 30, 2020, the Philippine Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the entities operating in the Philippines has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2017	2018 to 2020	\$182,397	\$182,397	\$-
2018	2019 to 2021	12,295,900	-	12,295,900
2019	2020 to 2022	15,757,987	-	15,757,987
		\$28,236,284	\$182,397	\$28,053,887

As of December 31, 2020, the entities operating in the Philippines has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2020	2020 to 2025	\$8,619,419	\$-	\$8,619,419

For the carry-over losses of certain entities within the Group, this expires between three to ten years from the date incurred depending on the jurisdiction the entity is operating.

Year Incurred	Amount	Applied/Expired	Unapplied
2020	\$30,661,230	\$-	\$30,661,230
2019	36,629,041	5,244,205	31,384,836
2018	20,750,755	1,297,954	19,452,801
2017 and prior	17,357,130	226,014	17,131,116
	\$105,398,156	\$6,768,173	\$98,629,983

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.



The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

	2020	2019	2018
Statutory income tax	(30.00%)	(30.00%)	30.00%
Tax effects of:			
Nondeductible expenses and movement in unrecognized deferred taxes	(277.93%)	(13.30%)	16.36%
Income subject to minimum corporate income tax	7.48%	0.66%	(0.31%)
Income subject to gross income tax	100.57%	17.45%	(18.36%)
Difference in tax jurisdiction	(140.61%)	7.24%	(13.40%)
Interest income subjected to final tax	0.40%	0.19%	(0.14%)
Provision for income tax	(340.09%)	(17.76%)	14.15%

26. Earnings per Share

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

	2020	2019	2018
Net income (loss) attributable to equity holders of Parent Company	(\$3,455,073)	(\$7,780,648)	\$47,187,313
Weighted average number of common shares outstanding	2,208,592,993	2,208,966,029	2,152,356,856
Basic and diluted EPS	(\$0.002)	(\$0.004)	\$0.022

As of December 31, 2020, 2019 and 2018, the Group has no dilutive potential common shares.

27. Personnel Costs

Details of salaries, wages, and employee benefits follow:

	2020	2019	2018
Salaries, wages and benefits	\$193,371,691	\$203,260,943	\$202,411,802
Government related contributions	9,509,438	8,699,424	7,692,058
Retirement expense under defined contribution plans	7,239,590	8,877,809	9,104,762
Net retirement expense under defined benefit plans	2,093,381	1,552,705	1,574,569
Employee spin-off (Note 21)	-	131,270	-
Others	3,350,134	4,314,466	5,837,293
	\$215,564,234	\$226,836,617	\$226,620,484

Others include expenses such as employee social and recreation, employee awards and recognition, trainings and seminars, labor union expenses, and uniforms.



Salaries, wages, and employee benefits are allocated as follows:

	2020	2019	2018
Cost of sales (Note 20)	\$165,020,873	\$172,657,671	\$179,892,752
Operating expenses (Note 21)	50,543,361	54,178,946	46,727,732
	\$215,564,234	\$226,836,617	\$226,620,484

Defined Benefit Plans

The Parent Company, IMI BG and PSi have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2020.

The plan is administered by local banks as trustees. The Board of Trustees is responsible for the investment direction of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, and the Treasurer. The Treasurer oversees the entire investment process.

The defined benefit plans of the Parent Company and PSi meet the minimum retirement benefit specified under R.A. No. 7641, *Retirement Pay Law*, while IMI BG is in accordance with the Bulgarian labour legislation and the Collective Labour Contract.

The Group has net retirement liabilities attributable to the following:

	2020	2019
Parent Company	\$7,253,561	\$7,549,797
IMI BG	1,751,670	1,314,853
PSi	343,258	300,432
Serbia	7,166	-
	\$9,355,655	\$9,165,082



Parent Company, IMI BG and PSi

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

	2020													December 31	
	Net Retirement Expense					Remeasurements							Actual Contribution		Foreign Currency Exchange Difference
	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				
Present value of defined benefit obligation	\$22,193,986	\$1,786,540	\$986,717	\$-	\$2,773,257	(\$1,182,460)	\$-	(\$856,746)	\$-	\$247,298	(\$609,448)	\$-	\$1,307,463	\$24,482,798	
Fair value of plan assets	(13,028,904)	-	(679,876)	-	(679,876)	(585,093)	(77,031)	(14,071)	-	-	(91,102)	-	(742,168)	(15,127,143)	
Net retirement liabilities	\$9,165,082	\$1,786,540	\$306,841	\$-	\$2,093,381	(\$1,767,553)	(\$77,031)	(\$870,817)	\$-	\$247,298	(\$700,550)	\$-	\$565,295	\$9,355,655	

	2019													December 31	
	Net Retirement Expense					Remeasurements							Actual Contribution		Foreign Currency Exchange Difference
	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				
Present value of defined benefit obligation	\$16,224,860	\$1,403,966	\$1,081,100	\$19,299	\$2,504,365	(\$1,557,084)	\$-	\$1,044,080	(\$327,171)	\$3,681,397	\$4,398,306	\$-	\$623,539	\$22,193,986	
Fair value of plan assets	(11,991,926)	-	(951,660)	-	(951,660)	562,269	(174,752)	(8,585)	-	-	(183,337)	-	(464,250)	(13,028,904)	
Net retirement liabilities	\$4,232,934	\$1,403,966	\$129,440	\$19,299	\$1,552,705	(\$994,815)	(\$174,752)	\$1,035,495	(\$327,171)	\$3,681,397	\$4,214,969	\$-	\$159,289	\$9,165,082	

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



The distribution of the plan assets as of December 31, 2020 and 2019 follows:

	2020	2019
Government securities	\$10,799,098	\$9,623,334
Equities	1,596,656	1,207,358
Corporate bonds	1,164,006	1,100,609
Trust funds	1,057,038	645,374
Investment properties	486,472	461,378
Cash and cash equivalents	50	76
Others	23,823	(9,205)
	\$15,127,143	\$13,028,924

The plan assets include corporate bonds and deposit instruments of related parties, primarily AC, Ayala Land, Inc. (ALI) and Bank of the Philippine Islands (BPI). As of December 31, 2020 and 2019, the fair value of these plan assets amounted to \$1.51 million and \$1.02 million, respectively.

The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute \$2.26 million to the defined benefit plans for 2021.

The actual return (loss) of plan assets amounted to (\$0.08) million, (\$0.17) million and \$0.83 million in 2020, 2019 and 2018, respectively.

The average duration of net retirement liabilities at the end of the balance sheet date is 13.2 to 20.03 years as of December 31, 2020 and 14.26 to 21.31 years as of December 31, 2019.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Less than one year	\$1,877,723	\$1,843,180
More than one year to five years	8,798,373	8,497,569
More than five years to ten years	12,181,108	11,889,588
More than ten years to fifteen years	13,120,139	13,784,395
More than fifteen years	46,901,027	52,490,273
	\$82,878,370	\$88,505,005

Principal actuarial assumptions

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

	2020	2019	2018
Discount rate	0.34% - 3.89%	0.40% - 4.99%	0.90% - 7.38%
Salary increase rate	3.00% - 5.00%	4.00% - 5.00%	4.00% - 5.00%



The sensitivity analysis per entity below has been determined based on reasonably possible changes of each significant assumption on the net retirement liabilities as of the end of the balance sheet date, assuming all other assumptions were held constant:

Actuarial Assumption	Increase/ Decrease in Actuarial Assumption	Effect on Net Retirement Liability	
		2020	2019
Discount rate	+1%	(\$1,833,819)	(\$1,647,358)
	-1%	2,102,930	1,951,455
Salary increase rate	+1%	2,230,776	2,068,298
	-1%	(1,981,362)	(1,873,459)

The mortality rate in 2020 and 2019 is based on the 2017 Philippine Intercompany Mortality Table for the Parent Company and PSi. Meanwhile, IMI BG used the table for mortality and average life continuance population in the period 2017-2019 from National Statistical Institute (of Bulgaria) for 2020 and 2019. IMI Serbia used the 2012 table of mortality published by the Statistical Office of the Republic of Serbia for 2020.

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

	2020	2019	2018
Cost of sales	\$1,481,625	\$1,058,798	\$1,133,974
Operating expenses	611,756	493,907	440,595
	\$2,093,381	\$1,552,705	\$1,574,569

Defined Contribution Plans

The Parent Company's subsidiaries, excluding PSi, IMI BG and IMI Serbia, participate in their respective national retirement schemes which are considered as defined contribution plans. The retirement expense of these subsidiaries is allocated as follows:

	2020	2019	2018
Cost of sales	\$6,024,351	\$7,696,667	\$7,726,248
Operating expenses	1,215,239	1,181,142	1,378,514
	\$7,239,590	\$8,877,809	\$9,104,762

28. Employee Stock Ownership Plan (ESOWN)

The Group has an ESOWN, which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Parent Company's Compensation Committee.
- Term of payment is eight years reckoned from the date of subscription:

Initial payment	2.5%
1 st Anniversary	5.0%
2 nd Anniversary	7.5%
3 rd Anniversary	10.0%
Over the remaining years	75.0% balance



- Holding period:
 - 40% after one (1) year from subscription date
 - 30% after two (2) years from subscription date
 - 30% after three (3) years from subscription date

Movements in the number of shares outstanding under ESOWN in 2019, 2018 and 2017 follow:

	2020		2019		2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
At beginning of year	137,692,186	₱6.62	139,364,849	₱6.65	140,406,496	₱6.67
Forfeitures	(315,235)	10.49	(1,672,663)	9.39	(1,041,647)	9.40
At end of year	137,376,951	₱6.61	137,692,186	₱6.62	139,364,849	₱6.65

The balance of the subscriptions receivable amounted to \$2.89 million, \$2.96 million and \$3.40 million as of December 31, 2020, 2019 and 2018, respectively (see Note 19).

The share option expense amounted to nil in 2020 and 2019, and \$0.03 million in 2018.

29. Segment Information

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and expense and net income before and after tax of its major manufacturing sites. The Parent Company and PSi are combined under Philippine segment, STEL Group is categorized under China segment, IMI BG, IMI CZ and IMI Serbia are combined under Europe based on the industry segment and customers served, IMI Mexico is presented under Mexico segment, VIA and STI are combined under Germany/UK segment representing non-wholly owned subsidiaries, IMI USA, IMI Japan, IMI UK and IMI Singapore/ROHQ are combined being the holding and support facilities for strategic management, research and development, engineering development and sales and marketing.

Prior period information is consistent with the current year basis of segmentation.

The Parent Company and its subsidiaries generally account for inter-segment revenue and transfers as if the revenue and transfers were to third parties at current market prices. These transactions are accounted for in accordance with PFRS.

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.



The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the years ended December 31, 2020, 2019 and 2018:

December 31, 2020	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue from contracts with customers:									
Third party	\$199,431,778	\$13,841,873	\$225,121,982	\$264,650,680	\$125,021,387	\$268,973,935	\$38,798,958	\$-	\$1,135,840,593
Intersegment	39,560,353	-	27,381,619	4,176,480	730,411	-	5,839,775	(77,688,638)	-
Total revenue from contracts with customers	\$238,992,131	\$13,841,873	\$252,503,601	\$268,827,160	\$125,751,798	\$268,973,935	\$44,638,733	(\$77,688,638)	\$1,135,840,593
Segment interest income	\$1,172,755	\$1,723	\$1,385,590	\$455,145	\$-	\$5,001	\$5,791,518	(\$8,481,050)	\$330,682
Segment interest expense	\$6,031,447	\$773,566	\$2,995,988	\$904,448	\$2,907,522	\$3,629,390	\$345,271	(\$7,164,999)	\$10,422,633
Segment profit (loss) before income tax	(\$8,821,652)	(\$2,275,826)	\$9,913,597	\$19,712,613	(\$12,695,167)	(\$8,197,912)	\$20,301,542	(\$19,385,469)	(\$1,448,274)
Segment provision for income tax	(1,625,830)	(55,074)	(1,083,409)	(1,741,563)	98,577	(925,219)	(175,593)	582,690	(\$4,925,421)
Segment profit (loss) after income tax	(\$10,447,482)	(\$2,330,900)	\$8,830,188	\$17,971,050	(\$12,596,590)	(\$9,123,131)	\$20,125,949	(\$18,802,779)	(\$6,373,695)
Net income (loss) attributable to the equity holders of the Parent Company	(\$10,447,482)	(\$2,330,900)	\$8,830,188	\$17,971,050	(\$12,596,590)	(\$6,574,888)	\$20,125,949	(\$18,432,400)	(\$3,455,073)

December 31, 2019	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue from contracts with customers:									
Third party	\$227,466,226	\$18,381,775	\$258,300,064	\$325,097,663	\$159,560,558	\$247,597,090	\$13,962,538	\$-	\$1,250,365,914
Intersegment	24,023,512	-	19,542,444	3,925,576	612,541	-	6,738,431	(54,842,504)	-
Total revenue from contracts with customers	\$251,489,738	\$18,381,775	\$277,842,508	\$329,023,239	\$160,173,099	\$247,597,090	\$20,700,969	(\$54,842,504)	\$1,250,365,914
Segment interest income	\$2,846,963	\$2,835	\$796,795	\$345,781	\$-	\$-	\$4,408,597	(\$7,540,196)	\$860,775
Segment interest expense	\$7,543,137	\$1,051,845	\$2,397,163	\$1,185,177	\$3,302,459	\$3,557,069	\$217,924	(\$6,112,839)	\$13,141,935
Segment profit (loss) before income tax	\$2,906,087	(\$3,325,773)	(\$5,308,769)	\$19,232,806	(\$10,218,427)	(\$15,776,081)	(\$1,814,996)	\$3,100,376	(\$11,204,777)
Segment provision for income tax	(2,362,461)	25,119	2,119,691	(2,035,036)	(259,504)	18,518	311,927	191,311	(\$1,990,435)
Segment profit (loss) after income tax	\$543,626	(\$3,300,654)	(\$3,189,078)	\$17,197,770	(\$10,477,931)	(\$15,757,563)	(\$1,503,069)	\$3,291,687	(\$13,195,212)
Net income (loss) attributable to the equity holders of the Parent Company	\$543,626	(\$3,300,654)	(\$3,189,078)	\$17,197,770	(\$10,477,931)	(\$10,635,161)	(\$1,503,069)	\$3,583,849	(\$7,780,648)



December 31, 2018	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore /IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue:									
Third party	\$242,582,741	\$36,044,400	\$332,755,846	\$319,126,425	\$105,477,420	\$312,401,704	\$1,011,909	\$-	\$1,349,400,445
Intersegment	1,992,122	-	85,555	918,396	1,575,391	-	7,178,118	(11,749,582)	-
Total revenue	\$244,574,863	\$36,044,400	\$332,841,401	\$320,044,821	\$107,052,811	\$312,401,704	\$8,190,027	(\$11,749,582)	\$1,349,400,445
Segment interest income	\$3,175,737	\$1,705	\$1,039,448	\$-	\$-	\$-	\$2,342,669	(\$5,560,564)	\$998,995
Segment interest expense	\$8,056,665	\$666,421	\$1,748,361	\$553,883	\$2,319,178	\$2,855,175	\$6,014	(\$4,213,313)	\$11,992,384
Segment profit (loss) before income tax	\$14,487,977	\$400,983	\$15,152,053	\$30,129,968	(\$15,701,909)	\$15,320,704	(\$1,425,367)	(\$1,715,001)	\$56,649,408
Segment provision for income tax	(2,442,028)	(171,797)	1,066,461	(3,030,726)	(950,036)	(3,158,054)	(453,742)	341,569	(\$8,798,353)
Segment profit (loss) after income tax	\$12,045,949	\$229,186	\$16,218,514	\$27,099,242	(\$16,651,945)	\$12,162,650	(\$1,879,109)	(\$1,373,432)	\$47,851,055
Net income (loss) attributable to the equity holders of the Parent Company	\$12,045,949	\$229,186	\$16,218,514	\$27,099,242	(\$16,651,945)	\$9,526,359	(\$1,879,109)	(\$1,081,269)	\$45,506,927



The following table presents segment assets of the Group's geographical segments as of December 31, 2020 and 2019:

	Philippines		China	Europe	Mexico	Germany /UK	USA/ Japan/ Singapore	Consoli- dation and Eliminations	Total
	Parent Company	PSi							
2020	\$467,734,712	\$10,370,946	\$238,505,190	\$304,254,610	\$91,015,689	\$315,906,870	\$415,927,432	(\$710,040,679)	\$1,133,674,770
2019	\$515,512,985	\$11,743,464	\$272,001,788	\$289,406,640	\$123,660,935	\$219,970,705	\$418,136,948	(\$754,097,527)	\$1,096,335,938

Investments in subsidiaries and intersegment receivables amounting to \$392.90 million and \$350.52 million as of December 31, 2020, respectively, and \$395.47 million and \$386.13 million as of December 31, 2019, respectively are eliminated in consolidation.

Goodwill arising from the acquisitions as disclosed in Note 11, are recognized at consolidated level for both years ended December 31, 2020 and 2019.

Revenue from Contracts with Customers

Revenues from contracts with customers are further disaggregated by type, customer's nationality, market segment and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table presents revenue by type:

	2020	2019
Manufacturing of goods	\$1,129,576,030	\$1,244,997,918
Non-recurring engineering services	6,264,563	5,367,996
Revenue from contracts with customers	\$1,135,840,593	\$1,250,365,914

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

	2020		Total
	Revenue recognized over time	Revenue recognized at point in time	
Philippines			
Parent Company	\$199,431,778	\$-	\$199,431,778
PSi	13,841,873	-	13,841,873
China	225,121,982	-	225,121,982
Europe	263,304,840	1,345,840	264,650,680
Mexico	121,994,587	3,026,800	125,021,387
Germany/UK	93,140,200	175,833,735	268,973,935
USA/Japan/Singapore	37,429,668	1,369,290	38,798,958
Revenue from contracts with customers	\$954,264,928	\$181,575,665	\$1,135,840,593



	2019		Total
	Revenue recognized over time	Revenue recognized at point in time	
Philippines			
Parent Company	\$227,466,226	\$—	\$227,466,226
PSi	18,381,775	—	18,381,775
China	258,300,064	—	258,300,064
Europe	322,701,152	1,986,185	324,687,337
Mexico	157,852,371	1,708,187	159,560,558
Germany/UK	93,569,019	154,028,071	247,597,090
USA/Japan/Singapore	—	14,372,864	14,372,864
Revenue from contracts with customers	\$1,078,270,607	\$172,095,307	\$1,250,365,914

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

	2020	2019	2018
Europe	\$675,265,274	\$777,467,488	\$797,205,895
America	164,835,520	197,209,628	238,841,358
Japan	73,620,703	71,563,832	51,634,368
Rest of Asia/Others	222,119,096	204,124,966	261,718,824
	\$1,135,840,593	\$1,250,365,914	\$1,349,400,445

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 8.34%, 8.51% and 5.88% of the Group's total revenue in 2020, 2019 and 2018, respectively.

The following table presents revenues per market segment:

	2020	2019	2018
Automotive	\$521,070,692	\$601,996,871	\$571,123,693
Industrial	355,463,462	380,061,711	379,753,654
Consumer	85,591,512	95,446,491	172,044,981
Telecommunication	64,928,610	80,762,597	89,004,663
Aerospace/defense	47,317,163	53,181,362	56,827,484
Medical	38,013,836	17,592,584	14,273,519
Multiple market/others	23,455,318	21,324,298	66,372,451
	\$1,135,840,593	\$1,250,365,914	\$1,349,400,445

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

	2020	2019
Europe*	\$217,770,002	\$211,101,116
America**	36,579,308	45,076,036
Rest of Asia/Others	120,653,101	139,502,988
	\$375,002,411	\$395,680,140

*Pertains to Europe, Germany and UK

**Pertains to Mexico and USA

Noncurrent assets include property, plant and equipment, goodwill, intangible assets and right of use assets.



The following table presents the depreciation and amortization expense based on their physical location:

	2020	2019	2018
Europe*	\$21,591,738	\$21,958,792	\$14,147,465
America**	6,417,245	4,575,137	4,054,506
Rest of Asia/Others	27,423,586	22,194,744	19,335,596
	\$55,432,569	\$48,728,673	\$37,537,567

*Pertains to Europe, Germany and UK

**Pertains to Mexico and USA

30. Lease Commitments

Set out below are the carrying amounts of the Group's right-of-use assets presented under non-current assets, and the movements during the period:

	2020	2019
As at January 1, 2020	\$32,027,604	\$39,099,942
Additions	8,450,830	-
Amortization expense	(9,818,095)	(6,955,732)
Cumulative translation adjustment	2,000,381	(116,606)
As at December 31, 2020	\$32,660,720	\$32,027,604

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

	2020	2019
As at January 1, 2020	\$33,797,712	\$39,099,942
Additions	10,050,921	-
Interest expense on lease liabilities	1,644,189	1,368,494
Rental payments	(10,799,326)	(7,603,732)
Waived rentals	(422,841)	-
Cumulative translation adjustment	1,142,605	933,008
As at December 31, 2020	\$35,413,260	\$33,797,712
Current	\$7,785,039	\$4,074,866
Noncurrent	\$27,628,221	\$29,722,846

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

	2020	2019
Amortization expense of right-of-use assets (Notes 20 and 21)	\$9,395,254	\$6,955,732
Interest expense on lease liabilities (Note 23)	1,644,189	1,368,494
Expense related to short-term leases and low-value assets (included in cost of sales)	1,300,718	2,552,296
Expense related to short-term leases and low-value assets (included in operating expenses)	394,971	409,527
	\$12,735,132	\$11,286,049

Amortization expense of right-of-use assets recorded in the consolidated statements of income is net of the recognized effect of waived rentals for COVID-19-related rent concessions amounting to \$0.42 million (see Note 3).

The Group's lease agreements have terms of fixed payments and there are no variable payment provisions.



The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019 follow:

	2020	2019
Within one year	\$11,615,891	\$8,451,525
After one year but not more than five years	26,108,092	27,268,012
More than five years	10,098,182	10,694,962
	\$47,822,165	\$46,414,499

Lease Commitments

Parent Company

In 2018, the Parent Company entered into a lease agreement related to warehouse building located in Laguna. The non-cancellable lease is for a period of five years from September 1, 2018 to August 31, 2023 without renewal and termination option.

The Parent Company entered into an amended lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The previous lease contract which will expire on December 31, 2022 was extended by another five years up to 2027 subject to new lease rates beginning 2023 based on market with annual escalation thereafter until the end of the term.

On March 7, 2014, the Parent Company executed a Lease Agreement with PEZA for the use of land located at the Blk 16 Phase 4 PEZA, Rosario, Cavite to be used exclusively for IMI Cavite's registered activities. The lease is for a period of 50 years renewable once at the option of the lessee for a period of not more than 25 years. In 2020, the lease agreement was cancelled in line with the sale of the building to a third party.

The Parent Company also entered into an agreement involving the lease of residential houses and lots located in Sta. Rosa, Laguna covering a period of five years from January 1, 2016 to December 31, 2020.

IMI Singapore and STEL Group

STEL Group have various operating lease agreements on office premises, plant and equipment, leasehold building and improvement, and motor vehicles. These non-cancellable lease contracts have lease terms of between two to eight years. There are no lease commitments for IMI Singapore.

In 2017, the new entity, IMI SZ, entered into a lease agreement on its manufacturing facility covering a period of six years from May 2017 to May 2023. The lease premise is a five floor building with 29,340 square meters located in an industrial park in Pingshan district of Shenzhen. In 2020, IMI SZ executed a renewal of lease agreement for its 30,430 square meters plant in Kuichong. The coverage of the lease is from November 2019 to November 2022.

In January 2020, IMI CD entered a five year lease agreement, from January 2021 to January 2026, for its electronic production, office and staff accommodation. The lease premises is a three floor building and a dormitory located at Xindu district, Chengdu City.

IMI BG

IMI BG have lease agreements related to office and warehouse building rent lease terms of five years. These leases have renewal options.



IMI CZ

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

IMI MX

IMI MX have various lease agreements related to building and automobiles used in operation with lease terms of three to five years

PSi

PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity with a term of four years. The operating lease agreements will expire in 2022.

VIA and VTS

VIA and VTS lease production buildings with terms ranging from 10 to 20 years. Other agreements involve lease of vehicles and other equipment for periods ranging from one to eight years.

STI

STI have various lease agreements in respect of manufacturing facilities, office premises and vehicles both in the UK and Philippines. These non-cancellable lease contracts have remaining non-cancellable lease terms of between three to fifty years. There are no restrictions placed upon the lessee by entering into these leases.

IMI Japan

IMI Japan entered into a six-year lease for the lease of office premises which matured in 2018. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor.

IMI USA

On June 5, 2020, IMI USA entered into a fourth amendment to a standard industrial commercial single tenant lease contract for an extended term of five years commencing from November 1, 2020 to October 31, 2025 for the lease of office premises. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties.

31. Related Party Transactions

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

The Group, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans and reimbursement of expenses. Sales and purchases of goods and services as well as other income and expenses to and from related parties are made at normal commercial prices and terms.

Terms and Conditions of Transactions with Related Parties

The Group has a Related Party Transactions (RPT) Committee that evaluates and governs related party transactions. Prior to finalization of any related party agreement, the management shall report for review and approval to the RPT Committee all new and proposed significant related party transaction above the threshold set by the RPT Committee.

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the years ended December 31, 2020, 2019 and 2018, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is



undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Group transacts with its related parties. The transactions and balances of accounts with related parties follow:

- Transactions with BPI, an affiliate

As of December 31, 2020 and 2019, the Group maintains current and savings accounts and short-term investments with BPI amounting to nil and \$1.14 million, respectively.

Total interest income earned from investments with BPI amounted to \$0.01 million, \$0.01 million and \$0.31 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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

	Receivables/Deposits		Payables	
	2020	2019	2020	2019
KTM Asia Motor Manufacturing Inc. (KAMMI)	\$184,412	\$256,167	\$-	\$-
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	99,862	135,751	-	-
AC Industrials Technology Inc. (AC Industrials)	14,979	48,055	-	-
BPI	-	-	20,873	-
Innovate Communication, Inc. (ICI)	-	-	6,460	-
Globe Telecom, Inc. (GTI)	-	-	-	2,024
	\$299,253	\$439,973	\$27,333	\$2,024

- Transaction with KAMMI and MSTPI pertains to trade related receivables.
- Transaction with AC Industrials pertains to management fee on corporate and support services.
- Payable to BPI pertains to employee related transactions.
- Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.
- Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

- Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2020	2019	2018	2020	2019	2018
KAMMI	\$1,040,797	\$1,361,041	\$3,845,192	\$-	\$-	\$-
MSTPI	857,807	668,115	872,118	-	-	-
AC Industrials	42,801	49,370	-	-	-	-
BPI	3,851	9,740	223,944	-	-	-
IADI	-	-	110,900	-	-	-
HCFI	-	-	66,540	-	-	-
ACEI	-	-	15,430	-	-	-
TLI	-	-	-	1,407,557	1,094,592	1,032,845
Laguna Water (LAWC)	-	-	-	961,519	608,094	571,938
AC	-	-	-	676,738	1,913,224	1,664,336
AG Legal	-	-	-	172,011	113,111	131,289
ICI	-	-	-	135,011	210,871	132,578
GTI	-	-	-	103,492	147,337	108,812
ACEHI	-	-	-	-	463,874	4,633,019
	\$1,945,256	\$2,088,266	\$5,134,124	\$3,456,328	\$4,551,103	\$8,274,817



Revenue/income from its affiliates pertains to the following transactions:

- i. Revenues from KAMMI and MSTPI pertain to subcontracting services related to registered activities.
- ii. Revenues from AC Industrials, IADI, HCMI and ACEI represent recoveries for the provision of corporate and support services.
- iii. Interest income earned from investments with BPI.

Expenses incurred from related party transactions include:

- i. Light and power allocation charged by ACEHI to the Parent Company. The contract with ACEHI ended in January 2019.
 - ii. Administrative services charged by AC related to certain transactions.
 - iii. Rental expense from the lease contract between the Parent Company and TLI.
 - iv. Water allocation charged by LAWC.
 - v. Building rental, leased lines, internet connections and ATM connections with ICI.
 - vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
 - vii. Billings for cellphone charges and WiFi connections with GTI.
- Revenue and expenses eliminated at the Group level follow:
 - i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore and the Parent Company for recovery costs related to the management salaries of key management personnel under IMI ROHQ.
 - ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX, STI and IMI CZ from loans granted by the Parent Company, IMI Singapore and STSN.

Guarantees and Commitments

IMI BG has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH ("C-Con"), a related party and an entity under common control of AC Industrials, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency ("Breach"), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach. As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG.



Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	2020	2019
Short-term employee benefits	\$6,482,928	\$9,513,678
Post-employment benefits	73,519	206,487
	\$6,556,447	\$9,720,165

32. Fair Values of Financial Instruments

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values

Financial assets and financial liabilities that are liquid or are short-term in nature which consist of cash and cash equivalents, receivables, accounts payables and accrued expenses, loans payable and current portion of long-term debt, are assumed to have carrying amounts approximating their fair values.

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of December 31, 2020 and 2019:

	Carrying Amounts		Fair Values	
	2020	2019	2020	2019
Financial assets:				
Financial assets at FVOCI	\$1,124,461	\$1,199,763	\$1,124,461	\$1,199,763
Financial liabilities:				
Noncurrent portion of long-term debt	\$32,210,531	\$114,385,913	\$33,678,393	\$109,757,132
Financial liabilities on put options	1,592,518	22,370,085	1,592,518	22,370,085
	\$33,803,049	\$136,755,998	\$35,270,911	\$132,127,217

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial assets at FVOCI pertain to investments in club shares. Fair value is based on the most recent selling price of the club shares.

Derivatives - These pertain to currency forwards hedged by the Group for risks associated with foreign currency fluctuations. The fair value of the currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturities as advised by the counterparty to the currency forwards contracts.

Financial liabilities on put options - These pertain to the liabilities of Cooperatief and IMI UK arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is (0.72%) and 0.17% for VIA and (1.27%) and 0.74% for STI for 2020 and 2019, respectively. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put options will occur.

The current equity value of VIA prior to derecognition is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.



For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization. Another significant assumption is the probability of trigger event occurring within the put option period.

Contingent consideration - This pertains to the contingent consideration related to the acquisition of STI determined by discounting the probability weighted payout as estimated by management. The payout is estimated using the projected revenue growth rate of STI. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. The contingent liability was fully reversed in 2019.

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2020 and 2019 ranged from 1.67% to 2.33% and from 1.67% to 3.76%, respectively.

Fair Value Hierarchy

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

	December 31, 2020			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets measured at fair value:				
Financial assets at FVOCI	\$-	\$1,124,461	\$-	\$1,124,461
Liabilities measured at fair value:				
Financial liabilities on put options	\$-	\$-	\$1,592,518	\$1,592,518
Liabilities for which fair values are disclosed:				
Long-term debt	\$-	\$-	\$32,210,531	\$32,210,531

	December 31, 2019			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets measured at fair value:				
Financial assets at FVOCI	\$-	\$1,199,763	\$-	\$1,199,763
Liabilities measured at fair value:				
Financial liabilities on put options	\$-	\$-	\$22,370,085	\$22,370,085
Liabilities for which fair values are disclosed:				
Long-term debt	\$-	\$-	\$114,385,913	\$114,385,913



The table below shows reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Dec 31, 2019	Mark-to-market gain-net	Adjustment to APIC	Currency Translation Adjustment	Dec 31, 2020
Financial liabilities on put options	\$22,370,085	(\$6,068,906)	(\$15,328,945)	\$620,284	\$1,592,518

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial liabilities categorized as Level 3:

December 31, 2020

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Probability of trigger events occurring	1%-10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by \$0.01 million.

December 31, 2019

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0%-2% (1%)	1% increase in growth rate would result in an increase in fair value by \$1.59 million. Decrease in growth rate by 1% would result in a fair value decrease of \$1.25 million.
		Discount rate	8%-10% (9%)	1% increase in discount rate would result in a decrease in fair value by \$1.83 million. Decrease in discount rate by 1% would result in a fair value increase of \$2.31 million.
		Probability of trigger events occurring	1%-10% (5%)	Increase in the probability to 10% would result in an increase in fair value by \$0.77 million. Decrease in the probability to 1% would result in a decrease in fair value by \$1.17 million.

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.



The Group's risk management policies are summarized below:

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended December 31, 2020 and 2019. There is no other impact on the Group's equity other than those already affecting income.

Increase/Decrease in Basis Points	Effect on Net Loss before Tax	
	2020	2019
+100	(\$734,980)	(\$1,114,874)
-100	734,980	1,114,874

The following table shows the information about the Group's debt as of December 31, 2020 and 2019 that are exposed to interest rate risk presented by maturity profile:

	2020	2019
Within one year	\$40,879,500	\$78,369,092
One to five years	32,618,457	33,118,322
	\$73,497,957	\$111,487,414

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	2020				Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	
Accounts payable and accrued expenses:					
Trade payables	\$-	\$176,556,142	\$-	\$-	\$176,556,142
Employee-related accruals and contributions	-	22,993,540	-	-	22,993,540
Accrued expenses*	-	26,815,538	-	-	26,815,538
Nontrade payables	-	15,625,138	-	-	15,625,138
Accrued interest payable	-	821,933	-	-	821,933
Due to related parties	-	27,333	-	-	27,333
Others	-	63,315	-	-	63,315
Contract liabilities	-	1,515,095	-	-	1,515,095
Other financial liabilities	1,680,879	-	-	-	1,680,879
Loans payable	-	193,247,087	13,243,340	-	206,490,427
Current portion of long-term debt	-	-	2,109,394	-	2,109,394
Noncurrent portion of long-term debt**	-	-	-	33,678,393	33,678,393
	\$1,680,879	\$437,665,121	\$15,352,734	\$33,678,393	\$488,377,127

* Excluding statutory payables.

** Including future interest payments.



	2019				Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	
Accounts payable and accrued expenses:					
Trade payables	\$-	\$188,022,901	\$-	\$-	\$188,022,901
Accrued compensation and benefits	-	20,768,163	-	-	20,768,163
Accrued expenses*	-	14,887,159	-	-	14,887,159
Nontrade payables	-	30,288,964	-	-	30,288,964
Accrued interest payable	-	2,364,614	-	-	2,364,614
Due to related parties	-	2,024	-	-	2,024
Others	-	470,296	-	-	470,296
Contract liabilities	-	4,742,170	-	-	4,742,170
Financial liabilities on put options	22,370,085	-	-	-	22,370,085
Loans payable	-	109,861,945	16,189,602	-	126,051,547
Current portion of long-term debt	-	-	28,037,902	-	28,037,902
Noncurrent portion of long-term debt**	-	-	-	117,999,395	117,999,395
	\$22,370,085	\$371,408,236	\$44,227,504	\$117,999,395	\$556,005,220

* Excluding statutory payables.

** Including future interest payments.

The financial liabilities in the above tables are gross undiscounted cash flows and these amounts are to be settled through cash and cash equivalents. Furthermore, liquid assets such as cash and cash equivalents and trade receivables, and available credit lines are used by the Group to manage liquidity.

Credit lines

The Group has credit lines with different financing institutions as of December 31, 2020 and 2019, as follows:

Financial Institution / Currency	2020		2019	
	Credit Limit	Available Credit Line	Credit Limit	Available Credit Line
Local:				
USD	112,000,000	9,000,000	68,000,000	26,000,000
PHP	300,000,000	300,000,000	300,000,000	300,000,000
Foreign:				
USD	106,500,000	25,403,436	110,500,000	40,120,045
JPY	600,000,000	258,900,000	600,000,000	102,940,000
Singapore Dollar (SGD)	32,000,000	11,075,000	32,000,000	27,679,595
EUR	18,769,597	14,650,130	27,430,000	17,585,654
GBP	5,000,000	2,721,751	5,000,000	3,648,121

Credit Risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group defines a financial asset as in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. Such internal or external information includes discontinuance of orders, financial difficulty or insolvency, probable bankruptcy or other financial reorganization. Actual historical experience shows low defaulted accounts which were also substantially recovered subsequently resulting to insignificant write-offs.



The Group's maximum exposure to credit risk as of December 31, 2020 and 2019 is the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 20% and 25% of trade receivables relating to three major customers as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the aging analysis of receivables, contract assets and miscellaneous deposits follows:

December 31, 2020								
	Total	Neither Past Due nor Impaired	Past Due but not Impaired					Specifically Impaired
			<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	
Receivables:								
Trade	\$273,278,729	\$225,019,629	\$26,442,860	\$10,695,524	\$3,153,478	\$1,009,684	\$5,453,985	\$1,503,569
Nontrade	2,825,231	2,469,447	65,695	66,214	18,250	2,219	55,310	148,096
Receivable from insurance	1,095,700	-	-	-	-	-	-	1,095,700
Receivable from employees	329,548	329,548	-	-	-	-	-	-
Due from related parties	299,253	299,253	-	-	-	-	-	-
Others	540,695	540,695	-	-	-	-	-	-
Contract assets	54,525,401	54,525,401	-	-	-	-	-	-
Miscellaneous deposits	1,547,045	1,547,045	-	-	-	-	-	-
	\$334,441,602	\$284,731,018	\$26,508,555	\$10,761,738	\$3,171,728	\$1,011,903	\$5,509,295	\$2,747,365

December 31, 2019								
	Total	Neither Past Due nor Impaired	Past Due but not Impaired					Specifically Impaired
			<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	
Receivables:								
Trade	\$284,594,422	\$243,321,981	\$20,071,061	\$6,174,046	\$4,368,587	\$449,142	\$9,157,890	\$1,051,715
Nontrade	6,080,113	5,765,890	26,151	46,769	43,508	3,284	37,388	157,123
Receivable from insurance	1,086,673	-	-	-	-	-	-	1,086,673
Receivable from employees	642,995	642,995	-	-	-	-	-	-
Due from related parties	439,973	439,973	-	-	-	-	-	-
Others	94,696	94,696	-	-	-	-	-	-
Contract assets	58,908,123	58,908,123	-	-	-	-	-	-
Miscellaneous deposits	1,558,138	1,558,138	-	-	-	-	-	-
	\$353,405,133	\$310,731,796	\$20,097,212	\$6,220,815	\$4,412,095	\$452,426	\$9,195,278	\$2,295,511

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2020 and 2019:

December 31, 2020						
	Neither Past Due nor Impaired				Past Due or Individually Impaired	Total
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		
Cash and cash equivalents	\$244,355,425	\$-	\$-	\$-	\$-	\$244,355,425
Receivables:						
Trade	6,730,485	218,297,025	-	-	48,251,219	273,278,729
Nontrade	2,469,473	-	-	-	355,758	2,825,231
Receivable from insurance	-	-	-	-	1,095,700	1,095,700
Receivable from employees	329,548	-	-	-	-	329,548
Due from related parties	299,253	-	-	-	-	299,253
Others	540,695	-	-	-	-	540,695
Financial assets at FVOCI	1,124,461	-	-	-	1,753,589	2,878,050
Miscellaneous deposits	1,547,045	-	-	-	-	1,547,045
	\$257,396,385	\$218,297,025	\$-	\$-	\$51,456,266	\$527,149,676

December 31, 2019						
	Neither Past Due nor Impaired				Past Due or Individually Impaired	Total
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		
Cash and cash equivalents	\$152,660,116	\$-	\$-	\$-	\$-	\$152,660,116
Receivables:						
Trade	7,639,505	235,682,476	-	-	41,272,441	284,594,422
Nontrade	5,765,890	-	-	-	314,223	6,080,113
Receivable from insurance	-	-	-	-	1,086,673	1,086,673
Receivable from employees	642,995	-	-	-	-	642,995
Due from related parties	439,973	-	-	-	-	439,973
Others	94,696	-	-	-	-	94,696
Financial assets at FVOCI	1,199,763	-	-	-	1,753,589	2,953,352
Miscellaneous deposits	1,558,138	-	-	-	-	1,558,138
	\$170,001,076	\$235,682,476	\$-	\$-	\$44,426,926	\$450,110,478



The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable LC and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by movements in the USD versus these currencies. In 2020 and 2019, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 62% and 61% of the Group's sales for the years ended December 31, 2020 and 2019, respectively, and 58% and 48% of costs for the years ended December 31, 2020 and 2019, respectively, are denominated in currencies other than USD.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Renminbi (RMB)

	2020		2019	
	In USD	In RMB	In USD	In RMB
Cash and cash equivalents	\$2,351,896	RMB15,345,793	\$12,454,756	RMB87,035,335
Receivables	20,873,053	136,193,743	57,840,044	404,193,179
Accounts payable and accrued expenses	(26,081,420)	(170,177,605)	(44,575,728)	(311,500,545)
Net foreign currency-denominated assets (liabilities)	(\$2,856,471)	(RMB18,638,069)	\$25,719,072	RMB179,727,969

Philippine Peso (₱)

	2020		2019	
	In USD	In PHP	In USD	In PHP
Cash and cash equivalents	\$1,096,126	₱52,639,248	\$1,006,890	₱50,983,899
Receivables	2,015,909	96,809,988	903,770	45,762,395
Miscellaneous deposits	718,605	34,509,570	681,536	34,509,570
Accounts payable and accrued expenses	(18,288,415)	(878,264,558)	(12,508,462)	(633,365,998)
Net retirement liabilities	(8,989,957)	(431,724,693)	(7,549,797)	(382,283,970)
Net foreign currency-denominated liabilities	(\$23,447,732)	(₱1,126,030,445)	(\$17,466,063)	(₱884,394,104)



Euro (€)

	2020		2019	
	In USD	In EUR	In USD	In EUR
Cash and cash equivalents	\$2,990,044	€2,443,046	\$2,919,381	€2,622,277
Receivables	10,264,297	8,386,549	10,341,564	9,289,108
Accounts payable and accrued expenses	(16,388,400)	(13,390,309)	(9,088,738)	(8,163,782)
Net foreign currency-denominated assets (liabilities)	(\$3,134,059)	(€2,560,714)	\$4,172,207	€3,747,603

Information on the Group's USD-denominated monetary assets and liabilities of the Parent Company's subsidiaries with functional currencies other than USD and which is also affected by movements of USD compared with their respective functional currencies as at December 31, 2020 and 2019 follows:

	2020			
	In USD	In EUR	In RMB	In GBP
Cash and cash equivalents	\$100,824,850	€80,925,059	RMB1,936,150	£1,098,723
Receivables	16,739,927	5,511,729	24,914,721	4,572,554
Accounts payable and accrued expenses	(48,618,830)	(15,520,948)	(158,942,289)	(3,896,969)
Net foreign currency-denominated assets (liabilities)	\$68,945,947	€70,915,840	(RMB132,091,418)	£1,774,308

*The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for \$1, RMB6.5249 for \$1 and GBP0.74041 for \$1.

	2019			
	In USD	In EUR	In RMB	In GBP
Cash and cash equivalents	\$2,592,288	€1,043,813	RMB1,064	£1,096,419
Receivables	13,763,749	3,194,786	359,633	7,786,193
Accounts payable and accrued expenses	(27,643,450)	(12,978,500)	(31,648,618)	(6,643,847)
Net foreign currency-denominated assets (liabilities)	(\$11,287,413)	(€8,739,901)	(RMB31,287,921)	£2,238,765

*The USD-denominated monetary assets and liabilities are translated using EUR0.8982 for \$1, RMB6.9881 for \$1 and GBP0.7667 for \$1.

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2020 and 2019. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

Currency	Increase/Decrease in USD Rate	Effect on Net Income before Tax	
		2020	2019
RMB	+1%	\$31,134	(\$284,898)
	-1%	(31,134)	284,898
PHP	+1%	246,365	167,699
	-1%	(246,365)	(167,699)
EUR	+1%	49,052	(42,366)
	-1%	(49,052)	42,366
USD*	+1%	1,123,204	(138,146)
	-1%	(1,160,951)	141,162

* The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for \$1, RMB6.5249 for \$1 and GBP0.74041 for \$1.



Derivatives

As of December 31, 2020, and 2019, the outstanding forward contracts have a net fair value of \$88,361 (liability) and \$5,321 (asset), respectively. The changes in fair value of currency forwards recognized in 2020 and 2019 amounted to \$0.1 million loss and \$0.02 million gain, respectively. The changes in fair value of currency forwards are recognized in the consolidated statements of income under "Foreign exchange gains (losses) - net" account.

Fair Value Changes on Derivatives

The net movements in the fair value of the Group's derivative instruments as of December 31, 2020 and 2019 follow:

	2020	2019
Financial assets:		
At beginning of year	\$5,321	\$3,521
Fair value of currency forwards	-	15,373
Fair value of settled instruments	(5,321)	(13,555)
Foreign currency exchange difference	-	(18)
At end of year	\$-	\$5,321
Financial liabilities:		
At beginning of year	\$-	\$-
Fair value of currency forwards	92,122	-
Fair value of settled currency forwards	-	-
Foreign currency exchange difference	(3,761)	-
At end of year	\$88,361	\$-

34. Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The outcome of these cases is not presently determinable.

The Group's expanding global activities, while continuing to present a myriad of growth opportunities, also tend to increase its exposure to potential disputes with customers and suppliers. Such exposure could, in turn, directly or indirectly, affect the Group's ability to realize its short and long-term target revenues and operating margins from its services as well as adversely impact its net assets, financial position and results of operations. In this connection, the Group is currently involved in an ongoing arbitration proceeding arising from a contractual dispute with its customer.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

35. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing activities include capitalization by the Group of depreciation related to the development phase of certain projects amounting to nil and \$1.57 million for 2020 and 2019, respectively. During the year, the Group transferred property, plant and equipment with a net book value of \$2.56 million to other noncurrent assets, and licenses to intangible assets amounting to \$2.11 million.



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

	Cash Flows			Non-cash Changes					2020	
	2019	Availment	Settlement/ Payment	Reclass	Addition	Declaration	Accretion of interest expense	Waived rentals		Foreign currency translation
Dividends payable	\$-	\$-	(\$6,504,083)	\$-	\$-	\$6,504,083	\$-	\$-	\$-	\$-
Loans payable	126,051,547	82,665,635	(4,974,751)	-	-	-	-	-	2,747,996	206,490,427
Current portion of long-term debt	28,037,902	-	(28,288,035)	2,062,455	-	-	-	-	297,072	2,109,394
Long-term debt	114,385,913	-	(80,209,436)	(2,062,455)	-	-	-	-	96,509	32,210,531
Lease liabilities	33,797,712	-	(10,799,326)	-	10,050,921	-	1,644,189	(422,841)	1,142,605	35,413,260
Other noncurrent liabilities	3,623,257	1,640,002	-	-	-	-	-	-	-	5,263,259
	\$305,896,331	\$84,305,637	(\$130,775,631)	\$-	\$10,050,921	\$6,504,083	\$1,644,189	(\$422,841)	\$4,284,182	\$281,486,871

	Cash Flows			Non-cash Changes					2019	
	2018	Availment	Settlement/ Payment	Reclass	Addition	Declaration	Accretion of interest expense	Foreign currency translation		
Dividends payable	\$-	\$-	(\$4,436,707)	\$-	\$-	\$4,436,707	\$-	\$-	\$-	
Loans payable	136,338,960	11,099,338	(20,540,547)	-	-	-	-	-	(846,204)	126,051,547
Current portion of long-term debt	63,431,844	-	(46,510,457)	11,167,522	-	-	-	-	(51,007)	28,037,902
Long-term debt	124,543,174	903,420	-	(11,167,522)	-	-	-	-	106,841	114,385,913
Lease liabilities	39,099,942	-	(7,603,732)	-	1,174,346	-	1,368,494	-	(241,338)	33,797,712
Other noncurrent liabilities	5,249,903	-	(1,626,646)	-	-	-	-	-	-	3,623,257
	\$368,663,823	\$12,002,758	(\$80,718,089)	\$-	\$1,174,346	\$4,436,707	\$1,368,494	(\$1,031,708)	\$305,896,331	

Most of the loans are from existing revolving credit lines.

36. Other Matters

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On February 3, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, ratified the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). Some of the key features of the CREATE bill are the following:

- Reduction in current income tax rate from 30% to 25% or 20%, whichever is applicable, effective July 1, 2020;
- Reduction of non-deductible interest expense
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%;
- Exemption to tax on foreign-sourced dividends received subject to certain conditions;
- Imposition of improperly accumulated earnings tax is hereby repealed;
- Rationalization of fiscal incentives

As at February 24, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.

COVID-19 Pandemic

The manufacturing operations of IMI was highly affected by various government mandated lockdowns in China, Philippines and Mexico and voluntary shutdowns in the Europe factories to align with the demand slowdown during the first half of the year. Revenues in the second half of the year recouped, 39% better than first half and 7% higher year-on year on the back of strong demand recovery and subsequent normalization of operations. The global demand for security and I-o-T products boosted industrial revenue while mobility-focused European and North American facilities benefitted from the rapid rise of global automotive production. In addition, IMI's growing foothold in the profitable medical segment also led to increased higher margin sales for its manufacturing plants in Asia.

To mitigate the impact of the lockdowns, various sites affected obtained approvals to run essential businesses, optimized manpower resources and implemented various cost cutting initiatives. The Group also collaborated with local government units to secure various forms of employee related subsidies as a result of the shutdowns in Bulgaria, China, Czech Republic, France, Mexico, Serbia,



and Singapore. These, along with improved manufacturing efficiency drove improved margins and lower losses compared to last year.

The effects of potential recurrence of pandemic related shutdowns after the reporting period may pose risks and unfavorable impact to the Company but will not materially affect the Company's ability to continue as going concern.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.

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

March 2, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

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

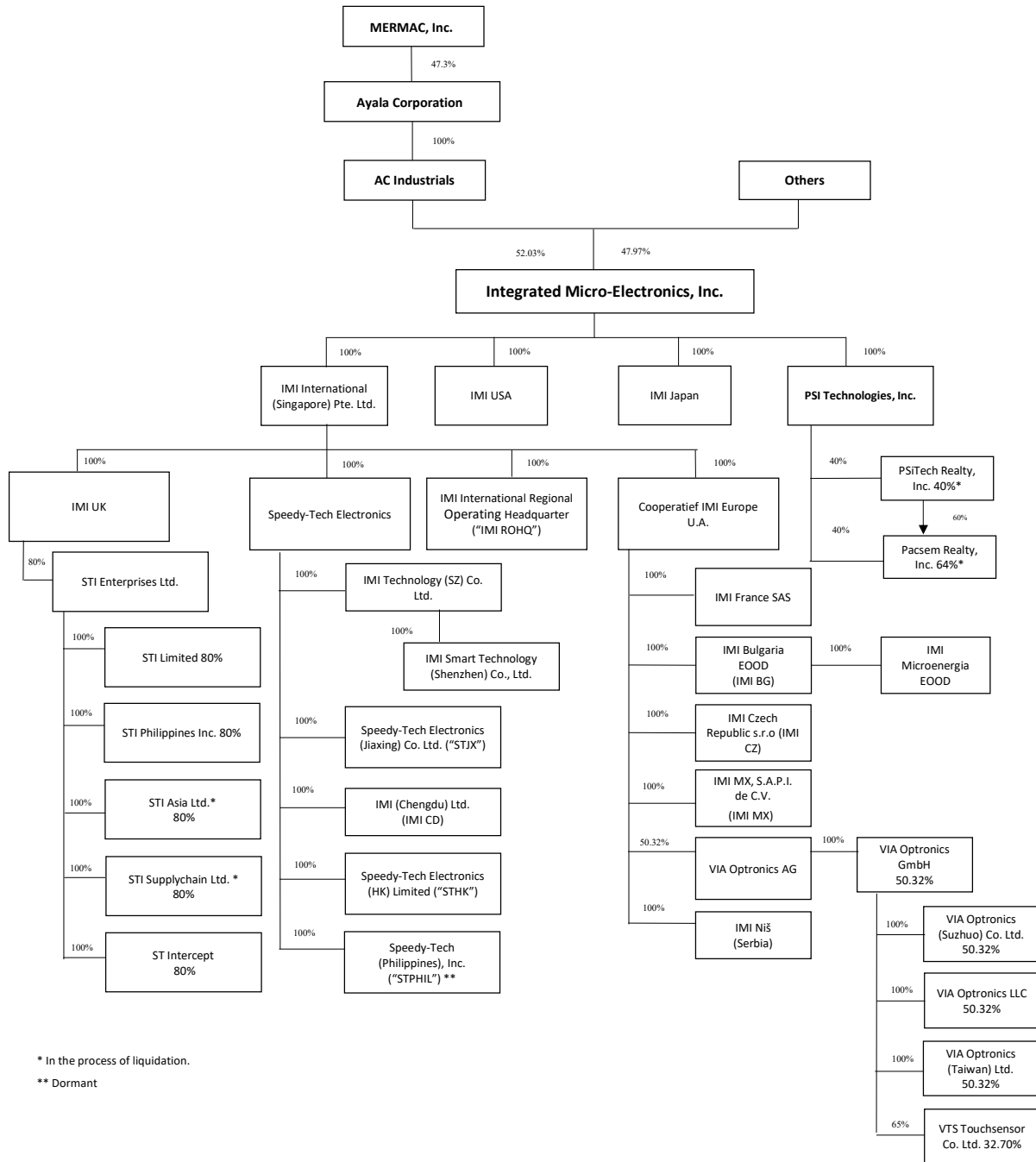
SYCIP GORRES VELAYO & CO.

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March 2, 2021



**Integrated Micro-Electronics, Inc.
as of December 2020**



* In the process of liquidation.

** Dormant

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

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

Integrated Microelectronics, Inc. and Subsidiaries

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2020

(in U.S. Dollars)

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

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

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

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

Related party payables eliminated during consolidation:

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

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

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

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

(in US\$'000)

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