INTEGRATED MICRO-ELECTRONICS, INC.
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Engineering Sustainable Solutions

INTEGRATED REPORT 2022

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About the Cover

IMI recently partnered with Zero Motorcycles USA, a global leader in electric motorcycles and powertrains, to help reduce carbon footprint and promote sustainable transportation. The strategic manufacturing collaboration will enable the company to provide modular and complete motorcycle assemblies to markets in Europe, Asia and North America while increasing access to the world's leading full-sized all-electric motorcycles.

About this Integrated Report

IMI is on a sustainable journey addressing our WHY. Why are we here? What is the reason for our existence? Why do we do what we do? Over the past 42 years, our company has partnered with global organizations and companies in designing and manufacturing technology and product solutions that SAVE LIVES, SAVE ENERGY, and IMPROVE QUALITY OF LIFE. While doing so, we positively impact PEOPLE and the PLANET and carry out our PURPOSE for a shared PROSPERITY.

This report is a closer look at our story through a snapshot of 2022 on where we are and where we are headed. As we look ahead, there is still a lot of work to do. Yet we remain confident with our goal of reducing 50 percent of our carbon footprint by 2030. We reaffirm our commitment to a healthier and safer working environment, with the well-being of our stakeholders being central to our strategy. We shall continue to monitor global practices and standards so they remain relevant to our business. This will enable us to help our partners, suppliers, industries, governments, and communities achieve their targets and help the world become a better place. We may still be far from our goal, but we are hopeful that each step we take allows us to remain deeply immersed in our efforts to attain a sustainable future.

Reporting Standards & Frameworks

This report is guided by combination of standards using as reference the Global Reporting Initiative (GRI), International Integrated Reporting Framework (IR), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosure (TCFD).

Vision

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

Mission

Passionately create a unique product realization experience that our partners love

Core Values

Integrity

Honesty, trustworthiness, and consistency in words and actions

Customer Focus

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

Concern for Others

Caring for co-employees, community, and country

Excellence

Doing the best and continuously exceeding expectations

#BrigadangAyala Ayala group employees bring holiday cheer to 6,000 families in 6 provinces

Last December 17, over 500 employee–volunteers from the WeAreAyala Business Club (WAABC) went to 15 locations in 6 provinces to distribute noche buena packs to 6,000 families.

Each noche buena pack contained ₱1,000 worth of grocery items that could feed a family of five. The beneficiaries were selected from vulnerable communities in Pampanga, Cebu, Negros, Iloilo, Cagayan de Oro, and Davao.

The noche buena packs were distributed by various WAABC chapters, comprising employees from the different Ayala group business units. In the areas they are present, WAABC chapters drive the pillars of business synergy, community engagement, external relations, and culture building.

In December 2021, #BrigadangAyala implemented a 12-week food distribution program for 10,000 families in select locations across Metro Manila. These families were provided a weekly supply of rice, vegetables, and fruits, among others, so they did not have to worry how to feed their families. Beneficiaries consisted of families whose breadwinners lost their livelihood during the pandemic.

#BrigadangAyala serves as the banner under which social development and corporate social responsibility initiatives across the Ayala group of companies is implemented. The initiatives covered under #BrigadangAyala range from disaster relief and response, assistance for public education, championing of social enterprises, and public health advocacy, among others.

WAABC Central Luzon
#BrigadangAyala volunteers from WAABC Central Luzon Chapter lead the noche buena distribution in Pampanga.

WAABC CDO
A senior citizen from Cagayan de Oro City shakes the hand of an Ayala group employee as she receives her noche buena pack.

WAABC Cebu
Trucks of noche buena in #BrigadangAyala bags are distributed in Barangay Sudlun in Cebu City and Looc in Mandaue City.

WAABC Iloilo
Volunteers from WAABC Iloilo Chapter don Santa hats during the #BrigadangAyala noche buena distribution.

WAABC Davao
Davao-based Ayala group employees lead the distribution of 1,000 noche buena packs in Davao City.

WAABC Negros
Residents of Talisay and Bacolod City in Negros Occidental receive noche buena packs from WAABC Negros Chapter.

IMI at a Glance

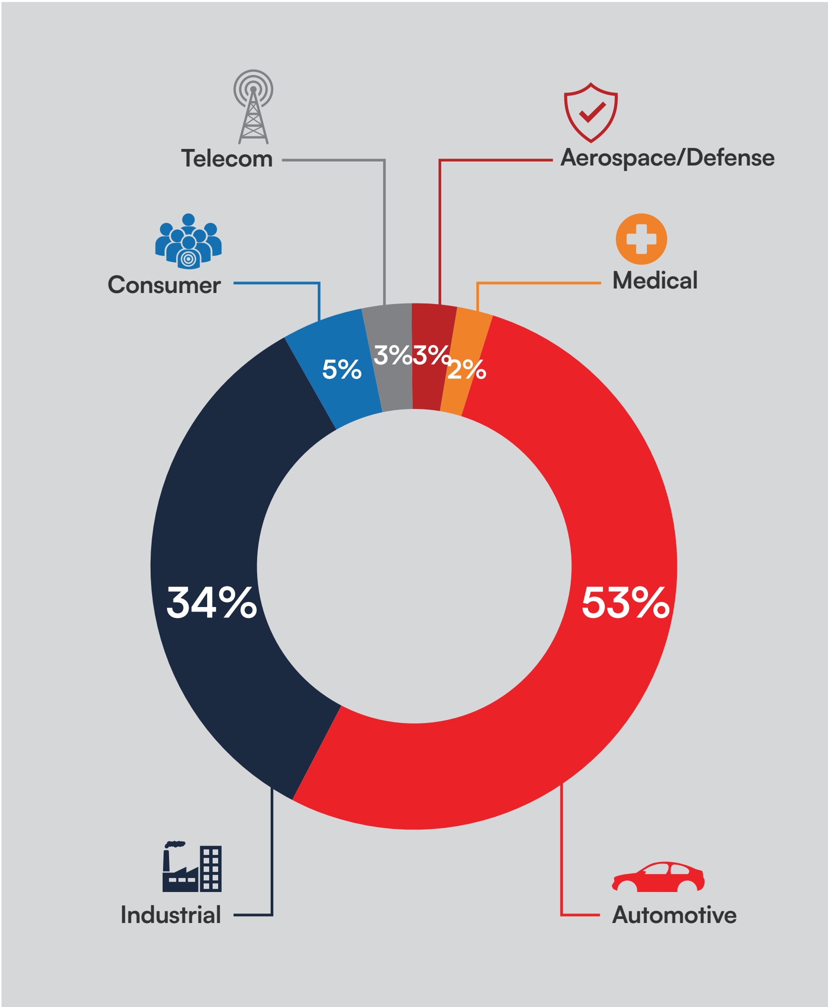
Below is a snapshot of 2022 on where we are and where we are headed.

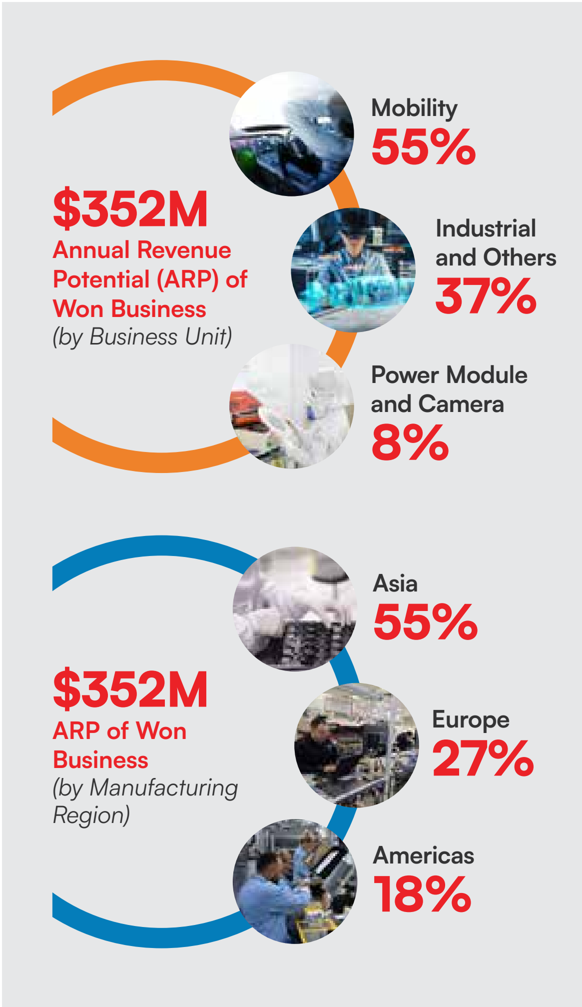
IMI ranks 19th among the top EMS providers in the world by the Manufacturing Market Insider based on 2022 revenues. In the automotive market, we are the 8th in the world per New Venture Research.

We continue to strengthen and establish strategic partnerships as we collaborate closely with our stakeholders in their growth and sustainability efforts while providing high-quality electronics manufacturing services. Such is our commitment.

(in US$ millions)	2022	2021	2020
Key Performance Indicators			
Revenues	1,409.0	1,300.6	1,135.8
Net Loss	(6.8)	(10.6)	(3.5)
EBITDA	47.1	46.4	58.9
Financial Position			
Total Assets	1,103.9	1,123.2	1,133.7
Capital Expenditures	21.2	31.0	18.7
Financial Ratios			
Current Ratio	1.51	1.59	1.54
Debt-to-Equity Ratio	0.83	0.69	0.41
Stock Information			
Stock price (year-end) (in PHP)	4.87	8.40	9.10
Issued and outstanding shares	2,217,293,215	2,217,293,215	2,217,293,215
Market capitalization (in PHP)	10,798,217,957	18,625,263,006	20,177,368,257
Earnings/Loss per Share	(US$ 0.003)	(US$ 0.005)	(US$ 0.002)

Revenues by Market Segment





January

IMI China built the electronics and assembled the power supply system of the EV charging and transport system installed in malls in the Philippines.

June

VIA optronics AG opened its new production site in the Philippines for the design and development of camera solutions.

August

IMI Mexico receives Labor Best Practice Certificate.

October

IMI along with Ayala Land Inc. put up 20 fast EV charging stations in collaboration with a global infrastructure provider and other partners.


Integrated Micro-Electronics, Inc.
A Global Electronics Manufacturing Leader

October

IMI was featured in *Newsweek Asia* “The Philippines: Reforming to Grow” through an interview with CEO Arthur R. Tan.

October

STI Limited was one of the exhibitors at the 2022 LAND FORCES International Land Defense Exposition in Australia.

December

IMI Bulgaria received “Employer of the Year” award for the fourth consecutive year.

Global Footprint

IMI continues to establish its foothold across continents, providing electronics manufacturing and technology solutions that push the boundaries of global EMS through partnerships and ventures in many areas of new technologies and emerging markets.

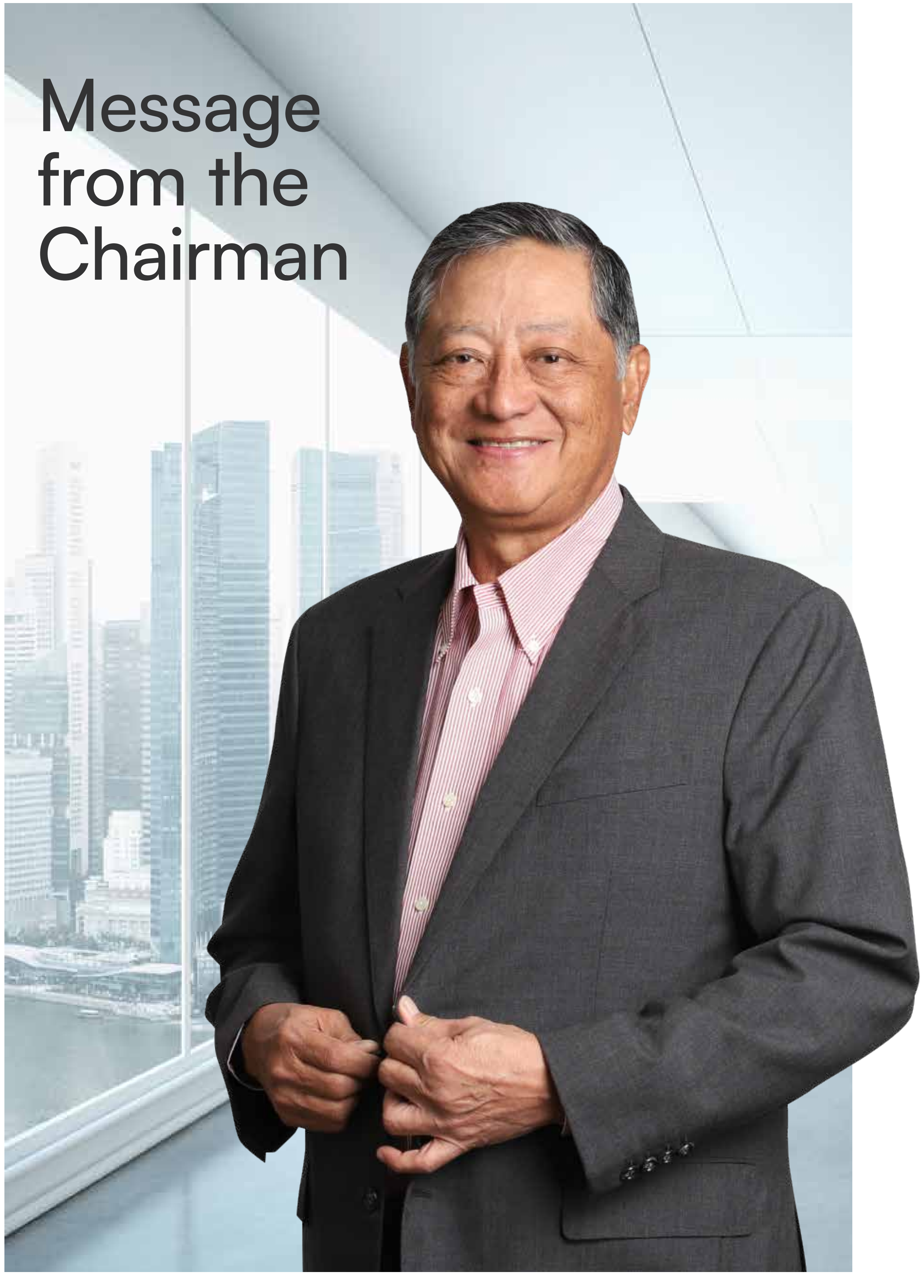
Through the years the company has effectively demonstrated that its strength lies, among other things, in synergy, a remarkable combination of cultural energies generated by the company's diverse management team.

14,076
Total Headcount
Including STI and VIA

330,072 M²
Total Factory Space
**Includes offices and non-manufacturing sites in Asia (Taiwan, Singapore and Malaysia)*

Map includes the sites of the following subsidiaries: STI (UK & PH) and VIA (GER, CH, JP & PH)

Message from the Chairman



Dear Shareholders,

I am privileged to be elected Chairman of your company on October 21, 2022. I hope I will be able to help serve the best interest of all stakeholders after these past few challenging years.

With the effects of COVID largely in control, we were optimistic that 2022 would be a turnaround year given the rise of global trade. However, the world economy last year provided a challenging post-pandemic landscape. Industries were negatively affected by lingering supply chain challenges, increasing inflationary pressures, the ongoing conflict between Russia and Ukraine, and the zero-Covid policy in China that prevailed for most of the year.

"As we iron out the challenges, we are committed to strengthening our core operations with a focus on being more resilient and better prepared for industry-wide disruptions."

IMI's recovery has not been as swift as we had hoped. While the financial results of the core business have been positive for two consecutive years in spite of the material constraints and the impact of a weakened Euro, a diminished group-wide performance still remains due to prevailing challenges with VIA optronics and Surface Technology Int'l, Ltd. Notwithstanding the delays in the recovery, strong structural tailwinds are present in the markets where these subsidiaries operate.

As we iron out the challenges, we are committed to strengthening our core operations with a focus on being more resilient and better prepared for industry-wide disruptions. In anticipation of pockets of growth in emerging sectors resulting from the convergence of new technologies and the alignment with sustainability, we strive to continuously improve our processes cost-efficiently and open inroads for new opportunities.

As more uncertainty grips international trade given the macro-economic trends and the movement toward regionalization, we at IMI continue to lay the groundwork for a more robust supply chain with business strategies that are built for every region across our 20 factories in ten countries. We are strengthening our North American presence as the electronics industry decouples from a China-centric supply chain structure. And with increasing new business wins in the areas of emerging technologies, we see the future with optimism as we build sustainable solutions and address problems of the environment and society.

Thank you.

Delfin L. Lazaro
Chairman

Message from the CEO

Dear Shareholders,

In 2022, the global economy faced significant challenges, resulting in a slower GDP growth of only 3.2 percent — almost half of the previous year. While the world began to recover from the COVID-19 pandemic, a worldwide electronic component crisis and international conflicts posed substantial economic and social costs. These challenges caused economic activities to slow down and resulted in high inflation, which peaked at 9.8 percent in November 2022, leading to a restrained recovery of the electronics supply chain.

Despite the considerable burdens, IMI recorded an 8 percent revenue growth to US$1.4 billion, with a gross margin that improved from 7.0 percent in 2021 to 7.8 percent. Our non-wholly owned subsidiaries were severely impacted by limited component availability and push out of demands, both negatively affecting our group's net income. However, our core operations performed much better, with two consecutive years of profitability, a testament to our continued efforts to effectively address disruptions.

"As a purpose-driven company, we continue to deepen our commitment to the global environment, social and governance standards as they are directly tied to our long-term value creation."

Our program wins were highly encouraging, giving us confidence for the future. At the end of the year, annual revenue potential from new program wins amounted to US$352 million. As the eighth largest automotive EMS company globally, we are proud to see how major Automotive Tier 1 suppliers, OEMs, power semiconductor companies, and heavily funded startups trust and rely on IMI for technologies and design related to the electric vehicle ecosystem and vehicle electrification.

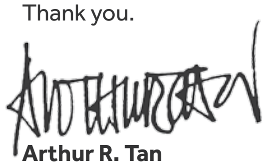
Today, sustainable business practices inspire us to transform the way we do business further. Beyond developing new technologies in the automotive and industrial segments, we are re-engineering our processes with automation, data intelligence, and real-time data analysis for more efficient decision-making. While we implement our digitalization roadmap, we continue to streamline and simplify our supply chain management with faster data acquisition and a more robust and predictive vendor management system that can better protect us from shortages and geopolitical upheavals. One of our key initiatives includes firming up our regional supply chain and procurement strategies from a globalized viewpoint, giving us more flexibility to address local issues using our network and resources in the same area. Lastly, we are also ensuring that connectivity among all major areas of our global operations from supply chain, design and development, human resources, prototyping, manufacturing and commercial are seamless and cost-efficient.

As a purpose-driven company, we continue to deepen our commitment to the global environment, social and governance standards as they are directly tied to our long-term value creation. Pursuing this further, we align our direction with our parent company, Ayala Corporation, as it outlines Net Zero Targets for 2050. By 2030, we aim to reduce our greenhouse gas emissions in Scopes 1 and 2 by 50 percent. We also intend to reduce our carbon footprint in Scope 3 by 25 percent. We are working with Ayala Corporation and third-party consultants to firm up science-based metrics and targets to achieve a healthy and safe working environment and a corporate-wide adherence to ethical business practices.

As we continue to grow and achieve our objectives for more than four decades, we remain optimistic that together we can achieve sustainable business growth and prosperity. Over the next five years, we are aware that markets will further change. Electric vehicles will break the 20 percent barrier, artificial intelligence will hasten product, system and process life cycles, more electronics manufacturing will take place outside of China through regionalization, and available manpower will be more skilled in the digital arena. At IMI, we are ready to be at the forefront of these forces of change while creating shared value through the lens of our quadruple bottom line: People, Planet, Purpose, and Prosperity for all.

We extend our sincere thanks to our dedicated employees, loyal customers, and supportive stakeholders for your valuable contributions to our continuing journey. As always, we remain committed to creating value for you — our stakeholders while driving sustainable growth for our company.

Thank you.



Arthur R. Tan
Chief Executive Officer

Report from the President

2022 — A year of driving recovery amidst continued geopolitical and industry challenges

Most industry analysts billed 2022 as a year of recovery when economies would finally move on from the challenges the pandemic brought us since 2020. However, lingering supply chain shortage issues and geopolitical matters continued to dampen the entire electronics manufacturing industry, significantly affecting IMI's financial performance for the year.

With electronic component supply levels struggling to cope with the increased production in the automotive industry and the surge of demand for connectivity solutions, raw material prices remained elevated last year. China's strict enforcement of its Zero-COVID policy further disrupted operations in the region, which caused complications in the global supply chain and contributed to high international freight costs that persisted throughout 2022. The Russia-Ukraine war also strained the manufacturing environment as it led to increased energy prices and further troubled an already tight labor supply situation in Eastern Europe. IMI management teams across the globe worked tirelessly in mitigating these headwinds. Even before the year started, we prepared various contingency plans and enacted several programs that drove operational efficiency. Overhead costs were improved and through efficiency initiatives, we were able to alleviate the challenges of competitive labor markets in the areas we operate in. Furthermore, our deeply ingrained partnerships with key players in the industry allowed us to renegotiate prices and share the increased costs of manufacturing with our suppliers and customers.

IMI Bulgaria

"IMI management teams across the globe worked tirelessly in mitigating these headwinds. Even before the year started, we prepared various contingency plans and enacted several programs that drove operational efficiency."

For the year 2022, IMI posted total revenues of US$1.4 billion, an 8.3 percent increase year on year. Profitability likewise improved, with gross profit margin increasing from 7.0 percent in 2021 to 7.8 percent and total net loss narrowing from US$10.6 million to US$6.8 million. A majority of the improvement was driven by IMI wholly-owned sites which reached revenues of US$1.1 billion, and a net income of US$11.5 million, a growth of 74 percent compared to 2021. Non-wholly-owned subsidiaries were more adversely affected by the market environment as their market segments, particularly aerospace and defense still lag in their supply chain recovery. These subsidiaries ended the year with US$298 million in sales and a total net loss of US$18.2 million.

Global Challenges

With more than 50 percent of the business coming from the automotive segment, the health of the global electronics supply chain plays a central role in determining the company's profitability. Contracts in this market are almost exclusively long term with fixed pricing models and less flexibility to pass on costs. As such, coping with a component shortage that has persisted for more than two years, along with rising inflation and logistic cost increases had been difficult for all players in the industry. The segment is further constrained by strict component certification requirements that limited the opportunities to utilize alternative parts for automotive products. Business backlog levels across multiple IMI sites ballooned during the year, leading to inefficient utilization of facilities and diminished profitability for this core segment.

Various geopolitical issues also impeded the recovery of various IMI operating sites. In China, COVID remained relevant as the government continued to


Manufacturing assembly line at IMI Czech Republic

enact strict policies and occasional lockdowns that disrupted daily operations. Meanwhile, in Europe, the Russia-Ukraine war led to a marked increase in utility costs for our Bulgaria, Serbia, and Czech Republic facilities. In addition, the Euro weakened against the US dollar in the middle of the year as the US Federal Reserve aggressively raised interest rates to fight inflation, curtailed our revenues from the region which has mostly Euro-denominated business contracts. The rising inflation environment also aggravated the tight labor supply in the region, leading to an extremely competitive environment for skilled labor, driving employee attrition and forcing higher labor costs. A similar situation has also started to emerge in Mexico, as companies begin to see the value of regionalizing their manufacturing requirements within North America to insulate their business against conflicts in Europe and China.

Mitigating Headwinds

We have been proactive in preparing for the uncertainties of 2022. When we entered the year, action plans had already been formulated and enacted, greatly reducing the impact of the challenges. For instance, our procurement department has skillfully coordinated with our global supply chain network to improve lead-times on critical components and drive the cost reduction in PCBs and passive components. We also placed a greater emphasis on the regionalization of our supply chain to reduce our reliance on expensive freight logistics and protect the business from similar disruptions in the future. In addition, our manufacturing and industrial excellence teams remain active in identifying opportunities to further drive efficiency. Best practices were regularly shared, and advancements in processes, technologies, and automation were utilized across all our manufacturing facilities.

Given the difficult market environment for the past three years, our commercial team leveraged our position as a key player in the electronics manufacturing industry and collaborated with our customer partners to renegotiate selling prices. This allowed us to share the burden of increased material and labor expenses and protect the profitability of the company. More than US$20 million worth of elevated costs have been successfully realigned with customer pricing this year. We have also decided to prune the low-performing businesses within our portfolio and replace them with high-growth, high-margin customers that fit within IMI's vision of serving the key markets of the future.

"Best practices were regularly shared, and advancements in processes, technologies, and automation were utilized across all our manufacturing facilities."

Future Growth Drivers

In 2016, we identified the key markets where we could help shape the future of technology. Since then, we have established the company as a vital cog in the technological space while pushing the development and adoption of electric vehicles, automated driving, connectivity, and smart energy. In the past two years, half of our new customer pipeline wins in the mobility space were from dedicated electric vehicle (EV) projects. We have added to that by partnering with Zero, a global leader in EV motorcycles, which will be served by our facilities in the Philippines. We also expanded to bring in more business to our e-bike program in Bulgaria. Further to that, to support the adoption of EVs worldwide, we aim to serve the rest of the EV ecosystem through the development of various charging platforms. One example is our existing EV charging program in China, which we launched five years ago. As it continues to grow, we have also taken on a new customer in Mexico that positions us to penetrate the American EV charging market. Our subsidiary, VIA Optronics, also expanded its partnership with a leading EV manufacturer in the USA to which it has dedicated an entire manufacturing site in Nuremberg, Germany.

Another area where we see ourselves contributing to further advancement is in solutions that enable connectivity through the Internet of Things. We have seen substantial growth in telemetry applications that extend beyond cars and asset tracking of valuable cargo. There is also meaningful interest in technology to support intelligent manufacturing to serve the growing need for interoperability of machines, and products that make the shift to interconnected smart cities a reality. Smart meters also progressively supply the necessary data to allow efficient management of energy and utilities, further driving our societies to a more sustainable future.

Our European facilities remain to be strong contributors to our revenues and profit, particularly in our target segments in the mobility and industrial markets. Our site in Botevgrad, Bulgaria has always achieved a high degree of utilization with strong margin returns, while our manufacturing plant in the Czech Republic grew 42 percent in revenues this year with even more new businesses ramping up in the next five years. The success of these two sites puts our newest factory in Nis, Serbia in a prime position to capture the increased level of demand we are seeing from the European automotive industry. The site's topline grew by 19 percent in 2022, with enough capacity to accommodate the additional manufacturing machinery, we are bringing in to cater to the business expansions they have in the pipeline for 2023 and beyond. With a robust design and development network within our sites in Europe, our Serbian capabilities have also reached the level of expertise that allowed us to manufacture complex EV applications in the country.

Zero electric motorcycle

Geographically, we have identified a trend of customers onshoring manufacturing activities back to North America. In our view, this will isolate business operations from the geopolitical tensions that China and Europe have brought to the industry. In this context, we are excited to bring focus on two expansion initiatives in the North American region. First, in Mexico, we will be utilizing our capacity in the region to bring in more scale and complex capabilities to cater to the uptick in both existing and new customer demand we have been seeing for the site. Second is our facility in Tustin, California which specializes in advanced engineering and prototyping which have been crucial to our success in the EV market as well as other next-generation technologies that are being developed in the USA. The investments we will deploy will expand its capacity and technological capabilities that will enable it to manufacture small-scale mass production projects within its facilities. In sum, we believe these investments will enable us to improve our market share in the next-generation platforms in the USA.

Outlook

With China gradually reopening and the electronics supply chain beginning to show signs of improvement, we are bullish on our ability to pivot and capture new opportunities. We are confident that we are in a strong position underpinned by the breadth and depth of our products and services, which have been refocused for growth. As a key pillar in the cutting edge of technology, we will continue to drive manufacturing efficiency, target the reduction of component costs, and aim to further improve the working environment of our employees, making sure IMI remains a space where talent is cultivated and appreciated.

In closing, I am grateful to our Board of Directors for their unwavering support for IMI. We deeply appreciate all our stakeholders who have continued to believe in the company through this challenging period. I would also like to thank the more than 14,000 IMI employees who have shown that with teamwork, even the most turbulent of storms can be weathered. Thank you for your dedication and commitment to delivering the high-quality, high-reliability technological solutions that have made IMI world-renowned.

As we move forward to 2023 and beyond, we remain committed to serving the needs of our shareholders, customers, and partners in the industry as we strive to create the technology that will bring us a safer, more sustainable, and more connected future.

Thank you.

Jerome S. Tan
President

Global Sites Certification

We remain committed to total quality management constantly understanding the needs of our partners, customers and all our stakeholders. Our processes promote a proactive risk-based thinking while driving continuous improvement in our journey to zero defect.

IMI SITE LOCATION	(ISO 9001:2015)			IATF 16949:2016			(ISO 14001:2015)			(ISO 13485:2016)			(ISO 45001:2018)			(ISO/IEC 27001:2013		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
IMI PH Laguna (EMS 1, ATC Laboratory)	SGS	17-Apr-21	16-Apr-24				SGS	07-Sep-21	13-Aug-24	SGS	21-Jan-22	16-Dec-24				LRQA	28-Feb-22	27-Feb-25
IMI PH Laguna (EMS 2, Camera, Captive, Power Module)	SGS	17-Apr-21	16-Apr-24	SGS	17-Apr-21	16-Apr-24	SGS	07-Sep-21	13-Aug-24	SGS	21-Jan-22	16-Dec-24				LRQA	28-Feb-22	27-Feb-25
IMI PH Laguna (Warehousing and Testing - additional facility)	SGS	17-Apr-21	16-Apr-24	SGS	17-Apr-21	16-Apr-24	SGS	07-Sep-21	13-Aug-24	SGS	21-Jan-22	16-Dec-24				LRQA	28-Feb-22	27-Feb-25
IMI CN - Chengdu	SGS	9-Aug-21	8-Aug-24	SGS	9-Aug-21	8-Aug-24	SGS	27-Nov-22	26-Nov-25				SGS	31-Oct-22	30-Oct-25			
IMI CN - Jiaxing	TÜV -SUD	12-Mar-21	11-Mar-24	TÜV -SUD	12-Mar-21	11-Mar-24	SGS	24-Jul-21	23-Jul-24									
IMI CN - Kuichong	SGS	7-Aug-21	6-Aug-24	SGS	7-Aug-21	6-Aug-24	SGS	04-Jan-21	03-Jan-24	SGS	28-Dec-22	27-Dec-25						
IMI CN - Pingshan	SGS	1-Sep-22	31-Aug-25				SGS	04-Jan-21	03-Jan-24									
IMI Bulgaria	Lloyd's Register	23-May-21	22-May-24	Lloyd's Register	30-Apr-21	29-Apr-24	LRQA	12-Dec-22	11-Dec-25									
IMI Serbia	Lloyd's Register	20-May-20	20-May-23	Lloyd's Register	20-May-20	19-May-23	LRQA	22-Nov-22	11-Dec-25				LRQA	22-Nov-22	11-Dec-25			
IMI Czech Republic	Lloyd's Register	14-Jul-21	13-Jul-24	LRQA	14-Jul-21	13-Jul-24	URS	22-Feb-22	16-Feb-25									
IMI USA	DNV-GL	12-Jun-21	11-Jun-24							DNV	27-Jun-22	26-Jun-25						
IMI Mexico	TÜV Rheinland	7-Jan-22	6-Jan-25	TÜV Rheinland	7-Jan-22	6-Jan-25	TÜV Rheinland	11-Oct-21	10-Oct-24									

IMI SITE LOCATION	PNS ISO/IEC 17025:2017				
	SCOPE OF CERTIFICATION	CERTIFYING BODY	VALID FROM/Issued Date	"VALID UNTIL (Certification)"	"VALID UNTIL (Accreditation)"
IMI PH Laguna (ATC Laboratory)	Chemical Testing	DTI/PAB	2-Dec-2021	14-Jun-2023	6-Jan-2026
	Mechanical Testing	DTI/PAB	2-Dec-2021	14-Jun-2023	6-Jan-2026
	Electrical Testing	DTI/PAB	2-Dec-2021	14-Jun-2023	6-Jan-2026
	Analytical Testing And Calibration	DTI/PAB	2-Dec-2021	-	26-Apr-2024

Global Sites Certification

SITE LOCATION	(ISO 9001:2015)			IATF 16949:2016			(ISO 45001:2018)			(ISO 14001:2015)		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
STI Cebu, Philippines	Lloyd's Register	24-Apr-21	25-Apr-24	Lloyd's Register	26-Apr-21	25-Apr-24	TÜV Nord	15-Nov-22	14-Nov-25	TÜV Nord	2-Dec-22	1-Dec-25
STI Hook, United Kingdom	LRQA	21-Jun-22	20-Jun-25									
STI Poynton, United Kingdom	Lloyd's Register	28-Apr-20	27-Apr-23				AFAQ	30-Jan-22	29-Nov-23	AFAQ	30-Nov-20	29-Nov-23
Via optronics - Suzhou, China	DQS	2-Jan-21	1-Jan-24	DQS	2-Jan-21	1-Jan-24				DQS	22-Nov-20	21-Nov-23
Via optronics GmbH -Nürnberg Germany	DQS	12-15-21	12-14-24	DQS	12-15-21	12-14-24						

SITE LOCATION	AS 9100D			(ISO 13485:2016)			ISO/IEC 27001:2013			Nadcap		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
STI Cebu, Philippines	LRQA	6-Feb-22	5-Feb-25	Lloyd's Register	21-Sep-20	20-Sep-23						
STI Hook, United Kingdom	LRQA	21-Jun-22	20-Jun-25	LRQA	14-Jan-23	23-Jan-26				PRI	-	29-Feb-24
STI Poynton, United Kingdom	Lloyd's Register	28-Apr-20	27-Apr-23							AFAQ	-	29-Feb-24
Via optronics - Suzhou, China												
Via optronics GmbH -Nürnberg Germany												

ISO 9001:2015 - Quality Management Systems
IATF 16949:2016 - Automotive Quality Management Systems
ISO 14001:2015 - Environmental Management Systems
ISO 45001:2018 - Occupational Health and Safety
ISO 13485:2016 - Quality Management Systems for Medical Devices
ISO/IEC 17025:2005 - General Requirements & Standards for Calibration and Testing
ISO 27001:2013 - Information Security Management Systems AD9100D - Quality Management Systems - Requirements for Aviation, Space, and Defense Organizations

Our Leadership

Board of Directors

Delfin L. Lazaro
Filipino, 76
Non-Executive Director, Chairman

Date of Appointment: May 1987

Length of Service: 34 years

Professional Qualifications:
- BS Metallurgical Engineering at the University of the Philippines in 1967
- MBA (with Distinction) at Harvard Graduate School of Business in 1971
- Chairman of the Board of Directors on October 21, 2022

He holds the following positions in publicly listed companies: Director of Ayala Corporation, ACEN Corporation; and Globe Telecom Inc. His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings Inc. and AYC Holdings Ltd.; Co-Vice Chairman and President of Asiacom Philippines Inc.; Director of AC Energy and Infrastructure Corporation, AC Industrial Technology Holdings Inc., AC International Finance Ltd., Purefoods International Limited and Probe Productions Inc. He is an Independent Adviser to the Board of Directors of Ayala Land Inc. and a member of the BPI Advisory Council.

Arthur R. Tan
Filipino, 63
Executive Director, Vice Chairman, and Chief Executive Officer

Date of Appointment: April 2002

Length of Service: 20 years

Professional Qualifications:
- B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982
- Attended post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.
- Re-elected as President effective 1 January 2020 and served as such until 28 June 2021
- Elected as Vice Chairman on 28 June 2021
- Chief Executive Officer since 2002

He has been as Senior Senior Managing Director of Ayala Corporation since January 2007 and has been a member of the Ayala Group Management Committee since 2002. Concurrently, he is the Group President and CEO of AC Industrial Technology Holdings Inc. He is also the Chairman of the Board and Chief Executive Officer of Merlin Solar Technologies (Phils.) Inc.; Chairman of the Board of PSi Technologies Inc.; President and CEO of Speedy-Tech Electronics Ltd.; Director of Surface Technology International Ltd., Member of the Board of Advisors of Via Optronics; Chairman of the Advisory Board of MT-CCON Technologies; Chairman and CEO of AC Motors, American Motorcycles Inc. and Skyeye Analytics Inc.; and an Independent Board Member of SSI Group Inc., Lyceum of the Philippines University, and East Asia Computer Center/FEU Institute of Technology. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001.

Jerome S. Tan
Singaporean, 61
Executive Director and President

Date of Appointment: June 2021

Length of Service: 2 years

Professional Qualifications:
- B.A. in Economics under the Honors Program from De La Salle University in 1982
- MBA in General Management from the Darden Business School at University of Virginia in 1987
- Senior Managing Director and the Global Chief Financial Officer and Treasurer of IMI from January 2011 to June 28, 2021
- President since June 28, 2021

Concurrently, he is also an Independent Director of PAL Holdings Inc. and Philippine Airlines Inc. He brings more than 30 years of broad experience and various achievements in finance, strategic planning, business development and acquisition/integration. He had assumed regional leadership roles in multi-national Banking and Finance companies, and Food and Beverage industry located in different countries in the Asia Pacific Region. Prior to joining IMI, he was with GE Capital holding various regional and operating roles in Finance and Business Development including CFO for CNBC / NBC Universal Asia Pacific, CFO of GE Money Singapore and GE Money Bank in the Philippines. Before taking on operating CFO positions, he was the Regional FP&A Leader for GE Money Asia; and a Business Development Director for GE Capital responsible for mergers and acquisition. Prior to joining GE, he was also a key member of the management team of San Miguel Brewing International Ltd., managing Treasury and Financial Planning, and Corporate Planning and Business Development. He started his career in banking as an Associate in Robert Fleming, Inc. based in New York and was also an Assistant Director in First Pacific Bank Asia, Ltd. in Hong Kong.

Rafael C. Romualdez
Filipino, 60
Non-Executive Director

Date of Appointment: May 1997

Length of Service: 25 years

Professional Qualifications:
- Bachelor of Arts degree in Mathematics from Boston College in 1986
- Masters in Business Administration from George Washington University in 1991

He is a Director of Resins Incorporated (RI) and sits in the boards of several of its affiliates: RI Chemical Corporation, Chemserve Incorporated, Pacific Resins, Incorporated (PRI), and Bio Renewable Energy Ventures Incorporated (BIOREV); he is also Chairman of Philippine Iron Construction and Marine Works, Incorporated (PICMW), a subsidiary of RI. He is a Director of Lakpue Drug Incorporated and La Croesus Pharma Incorporated.

Jose Ignacio A. Carlos
Filipino, 53
Non-Executive Director

Date of Appointment: December 2006

Length of Service: 14 years

Professional Qualifications:
- BS Management degree from the Ateneo de Manila University in 1991
- Master of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

Concurrently, he is the Chairman of the Board of AVC Chemical Corporation, Vice Chairman of the Board of Mindanao Energy Systems Inc. and Cagayan Electric Power and Light Co., and President of Polymer Products Philippines Inc. and Minergy Power Corporation. He is also a member of the Board of Directors of Resins Inc., Riverbanks Development Corporation, and Philippine Iron Construction and Marine Works Inc. He is not a director of any publicly listed company in the Philippines other than IMI.

Roland Joseph L. Duchatelet
Belgian, 75
Non-Executive Director

Date of Appointment: October 2022

Length of Service: less than a year

Professional Qualifications:
- Degrees in Engineering and Applied Economics, and Master in Business Administration from the University of Louvain

He worked for several enterprises in Belgium and Germany. He created several businesses throughout his career, meanwhile, organizing approximately 50 acquisitions or sales of businesses. One of them was EPIQ, now part of IMI. Together with his business partners Rudi De Winter and Françoise Chombar, he created Melexis, a company which yielded them the title of "Enterprise of the Year" in 2000. In the year 2000, Mr. Duchâtelet became active in the internet business. Between 2007 and 2010 he was a member of the Belgian Senate.

Alberto M. de Larrazabal
Filipino, 67
Non-Executive Director

Date of Appointment: April 2021

Length of Service: 1.5 years

Professional Qualifications:
- Bachelor of Science degree in Industrial Management Engineering from De La Salle University
- Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head of Ayala Corporation

He is also a Director of publicly listed companies, namely, ENEX Energy Corp. and Manila Water Company Inc. He is the Chairman, President and CEO of AC Ventures Holdings Corp., Chairman of Darong Agricultural and Development Corporation and LiveIt Investments Limited; President and CEO of AYC Finance Limited, and Bestfull Holdings Limited; Vice Chairman of Lagdigan Land Corporation; President of Liontide Holdings Inc. and of Philwater Holdings Company Inc.; CEO of Azalaea International Venture Partners Limited, Director of Ayala Hotels Inc., AC Infrastructure Holdings Corporation, AC Energy and Infrastructure Holdings Inc., Ayala Healthcare Holdings Inc., AC Energy International Inc., AC Industrial Technology Holdings Inc., Affinity Express Holdings Limited, Ayala Aviation Corporation, Asiacom Philippines Inc., Ayala Group Legal, Michigan Holdings Inc., A.C.S.T Business Holdings Inc., Merlin Solar Technologies Inc., Pioneer Adhesives Inc., BF Jade E-Services Philippines Inc., Cartera Interchange Corporation, AC International Finance Limited, AYC Holdings Limited, AG Holdings Limited, Fine State Group Limited, AG Region Pte. Ltd., Ayala International Holdings Limited, Ayala International Pte. Ltd., Strong Group Limited, Total Jade Group Limited, VIP Infrastructure Holdings Pte. Ltd., Purefoods International Limited ("PFIL NA") and AI North America Inc. Albert has over two decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations. Prior to joining Ayala Corporation, Albert served as Chief Commercial Officer and Chief Finance Officer of Globe Telecom, a business unit of Ayala Corporation. Before he joined Globe Telecom, he held positions such as Vice President and CFO of Marsman Drysdale Corporation, Vice President and Head of the Consumer Sector of JP Morgan, Hong Kong, and Senior Vice President and CFO of San Miguel Corporation.

Jaime Z. Urquijo
Filipino, 34
Non-Executive Director

Date of Appointment: October 2022

Length of Service: less than a year

Professional Qualifications:

- Bachelor of Arts degree in Political Science from University of Notre Dame, Indiana, USA
- Master of Business Administration in INSEAD, France in 2018

He is currently a director of the Bank of the Philippines Islands, BPI MS Insurance, AC Industrial Technology Holdings Inc., Merlin Solar Technology Inc., Merlin Solar Technology (Phils.) Inc., and ACE Enexor Inc. He is the Assistant Vice President of Business Development of the International Business unit of ACEN. Prior to this, he was a Strategy and Development Manager at Ayala Corporation. From 2014 to 2016, he was seconded to AF Payments Inc., where he served as head of Business Development overseeing the launch of the Beep Card payment system. Prior to joining the Ayala Group, he was an associate at JP Morgan in New York. He is an advisor to the board of the Philippine Rugby Football Union and is the current President of the Notre Dame Club of the Philippines. He is also an executive committee member of the INSEAD Alumni Association of the Philippines, and a member of the National Advisory Council of WWF Philippines.

Edgar O. Chua
Filipino, 66
Independent Director

Date of Appointment: April 2014

Length of Service: 8 years

Professional Qualifications:

- Bachelor of Science Degree in Chemical Engineering from De La Salle University in 1978
- Attended various international seminar and courses including the senior management course in INSEAD, France
- Lead Independent Director since August 16, 2017

He is currently an independent director of Metropolitan Bank and Trust Company, a publicly listed company, First Gen Corp, Philcement, JGSummit Olefins Corp., and PHINMA Corp. He is also in the advisory boards of Mitsubishi Motors Philippines Corporation and Coca Cola Bottlers Corp. He is the Chairman of the Makati Business Club, University of St. La Salle Bacolod, and the Philippine Eagle Foundation. He is also President of De La Salle Philippines. He is also a trustee of various civic and business organizations. He was the Country Chairman of the Shell Companies in the Philippines from September 2003 to October 2016. He had corporate responsibility for the various Shell companies in the exploration, manufacturing and marketing sector of the petroleum business. Likewise, he also oversaw the Shared Services operations and various Shell holding companies. Outside the Philippines, he held senior positions as Transport Analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia.

Sherisa P. Nuesa
Filipino, 68
Independent Director

Date of Appointment: April 2018

Length of Service: 4 years

Professional Qualifications:

- Master of Business Administration degree from the Ateneo Graduate School of Business in Manila
- Post-graduate courses in Harvard Business School and in Stanford University
- Summa cum laude with a degree of Bachelor of Science in Commerce from the Far Eastern University in 1974, which named her as one of its Outstanding University Alumni
- Certified Public Accountant

Currently, she is an Independent Director of other publicly listed companies namely, Manila Water Company Inc., ACEN Corporation (formerly AC Energy Philippines Inc.), and Ayala Land Inc. She is a non-executive Director of Far Eastern University, also a publicly listed company, and of FERN Realty Corporation. She is a Senior Adviser to the Boards of Metro Retail Stores Group Inc. and Vicsal Development Corporation. She is a member of the boards of trustees of the Justice Reform Initiative (JRI), and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. In the recent past, from 2012 to early 2021, she held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee of the Institute of Corporate Directors (ICD). In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and is an accredited lecturer of both ICD and the FINEX Academy. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corporation and had served in various capacities in Ayala Corporation, Ayala Land Inc., and Manila Water Company Inc. She co-led the Initial Public Offering (IPO) teams of Ayala Land, Inc., Cebu Holdings, Inc., Manila Water, and IMI. She was awarded the ING-FINEX CFO of the Year for 2008.

Hiroshi Nishimura
Japanese, 69
Independent Director

Date of Appointment: June 2020

Length of Service: 12 years

Professional Qualifications:

- Degree in Electronics Engineering Course at Kurame University in 1976
- He served as an Independent Director of the Company from April 2010 to April 15, 2020
- He was reelected as Independent Director in June 2020 up to present

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.

Management Committee

1 **Arthur R. Tan**
Chief Executive Officer

2 **Jerome S. Tan**
President

3 **Mary Ann S. Natividad**
Chief Commercial Officer

4 **Nick Davey**
Chief Technology Officer

5 **Eric De Candido**
Chief Operations Officer

6 **Ernest Ang**
Chief Procurement Officer

7 **Rosalyn O. Tesoro**
Chief Information Officer

8 **Laurice S. Dela Cruz**
Chief Finance Officer (OIC)

9 **Margarita V. Del Rosario**
Chief Human Resources Officer (OIC)

Management Team

OPERATIONS GROUP

PHILIPPINES
Andrew C. Carreon

CHINA
Joselito S. Bantatua

MEXICO
Thomas Caveneget

EUROPE
Eric de Candido (OIC)

GLOBAL INDUSTRIAL EXCELLENCE
Lionel Clouet

GLOBAL QUALITY
Onur Bayulgen

GLOBAL NPI
Paul Tomlinson

GLOBAL MANUFACTURING SOLUTIONS
Jawaharlal K. Milanes

SINGAPORE
Jerome S. Tan

USA
Timothy Patterson

COMMERCIAL BUSINESS UNITS

MOBILITY
Thibaut de Vaureix

POWER MODULE
Jean Marc Renard

INDUSTRIAL
Adriaan Dick Glimmerveen

CAMERA
John Roderick Javate

TECHNOLOGY & INNOVATION GROUP

Lucrecio B. Mendoza

SUPPORT GROUP

FINANCE
Anthony Raymond P. Rodriguez
Imelda Oei

SALES
Otsubo Atsushi (Japan)
Julien Fournial (Europe)
Terence Gan
Ma. Alicia Carla G. Buencamino
Mike Greenlee

SUPPLY CHAIN
Zheng Xianlai (Peter)
Philippe Antunez
Joy A. Bondoc
Jiz Ling
Pooh Choon Yong (Max)
Elizabeth Pacuno
Vincent Chin

FACILITIES
Marcelino Sin

PSI TECHNOLOGIES, INC.

Andrew Carreon
Blesilda Santiago

VIA OPTRONICS

Jürgen Eichner

STI

Simon Best

Beyond ESG & Sustainability

As we continue to grow and innovate, we are committed to ensuring that our business practices are aligned with our purpose and values. For us, sustainability is not just an option but a way of life, integrating it into our business strategy to reduce our environmental impact, promote social responsibility, and ensure good governance.

We support the United Nations Sustainable Development Goals with special focus on SDG #9 Industry Innovation and Infrastructure, and #12 Responsible Consumption and Production. These goals focus on building resilient infrastructure, promoting sustainable industrialization, and fostering innovation. By setting clear targets, we are confident that we can deliver real business value and contribute to a more sustainable future.

Laurice Dela Cruz
Chief Sustainability Officer

Our Integrated Value Chain

Our ESG roadmap toward a sustainable future in 2050 begins with how we utilize our inputs from the capital, labor and intellectual capabilities and align them with our purpose to save lives, save energy, and improve the quality of life to create shared value among all our stakeholders. We believe that through our core values of integrity, customer focus, excellence, and concern for others, what we do can create larger-scale impacts that can benefit our People and our Planet, while ensuring that our Purpose will attain Prosperity for all. By 2030, we are targeting the reduction of our GHG Emissions by 50 percent in Scopes 1 and 2 and 25 percent in Scope 3.

OUR SUSTAINABLE FUTURE - NET ZERO 2050

ENVIRONMENT

SOCIAL

GOVERNANCE

INPUTS

Financial Capital

- Equity
  US$ 415.3 million
- Asset
  US$ 1.1 billion
- Debt
  US$ 343.1 million

Human Capital

- Global headcount
  14,076
- Number of Engineers
  1,246

** Excluding STI UK, VIA, VTS Japan*

- Cadetship Programs Across multiple sites

Social & Relationship Capital

- No. of customers
  300+
- Number of active suppliers
  2,015
- Continuous collaboration with Government and Academe in various geographies

Manufactured Capital

- **20** Manufacturing plants across ten countries
- Capital expenditure of
  US$ 21.2 million

Natural Capital

- Electricity
  136M KWh
- Water
  1.3M m3

Intellectual Capital

- Design & Development
- Advanced Engineeribg
- Patents

VALUE CREATED - - - IMPACT

Financial

- Revenues
  US$ 1.4 billion
- Gross Profit
  US$ 110.4 million
- Net Loss
  (US$6.8) million
- EBITDA
  US$ 47.1 million

Commercial

- New Programs
  US$ 352 million
  - Mobility - **55%**
  - Industrial - **37%**
  - Others - **8%**

Process & Operations

- Customer Satisfaction
  4.52
- Implementation of Updated Supplier Code of Conduct
- **1,475** Kaizen projects with total cost savings of
  US$ 8.9 million

People

- Engagement survey - **94%**
- Training hours - **853K**

Planet

- Recycled - **2.2 M**
- ICT Digital Transformation

Purpose

- We partner with global companies to co-design and manufacture technology solutions that save lives save energy and improve quality of life

Prosperity

- Manufacturing Value Add
  US$ 432 million

Governance

At IMI, we are uncompromising when it comes to governance. Over the past 40-plus years, we have built a robust governance framework and strategy that form the basis of our competitive advantage. Our principles reinforce accountability, fairness, and transparency, and have been the foundation for the development and implementation of our value-creating activities.

These principles set forth appropriate supervision and management that allow us to achieve our objectives while ensuring that the interests of all of our stakeholders are balanced, including that of our customers, employees, suppliers, and shareholders. In this way, we are safeguarding their rights as well as promoting their participation in the governance process.

As we continue to expand to more advanced technologies and multiple market segments, we seek to improve our positive impact on the world, the environment, and the communities in which we operate. We are enhancing our practices around processes and controls and our approach to measuring impact and progress. In 2021, we took action to become aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Being a TCFD supporter means that we have committed to increasing transparency through adopting and reporting consistent disclosure of relevant information on our climate-related risks and opportunities. This year, we have mapped out and highlighted the core areas of focus for us in consideration of climate issues, which are discussed in the succeeding sections of this report.

In this context, we are honored to be recognized for our work on good environmental, social practices, and corporate governance. On January 20, 2023, we received the Golden 3-Arrow recognition from the Institute of Corporate Directors in relation to our 2021 performance. We are proud of this achievement, which is one level higher than the previous Golden 2-Arrow award, because it represents our conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance standards based on the ASEAN Corporate Governance Scorecard (ACGS).

The company and its respective directors, management, officers and employees commit themselves to the principles and best practices of good corporate governance as embodied in its Corporate Governance Manual. The company makes a continuing effort to create awareness of good corporate governance within the organization, while being fully committed to the company's vision and mission.

IMI receives Three Golden Arrow awards from the Institute of Corporate Directors (ICD) for its exemplary corporate governance performance

The company is compliant with the Code of Corporate Governance for Publicly Listed Companies set forth by the Securities and Exchange Commission (SEC), except for the following deviations:

DEVIATIONS FROM THE CODE	EXPLANATION
Executive remuneration not disclosed on an individual basis	For executive remuneration, only the aggregate remuneration of the top five highest-paid officers is disclosed for the protection and privacy of the individual officers.
Notice of Annual and Special Shareholders' Meeting not sent at least 28 days before the meeting.	The 2022 Definitive Information Statement was distributed to stockholders on March 29, 2022, at least 24 calendar days before the Annual Stockholders' Meeting on April 22, 2022, in compliance with SEC's required timeline of at least 21 business days before the date of the Annual Stockholders' Meeting.
Independent director serving for a term of more than nine years	As discussed in the 2022 Definitive Information Statement, Mr. Nishimura has served the recommended nine-year term for independent directors (reckoned from 2012). His continued nomination was endorsed in view of his commitment and dedication in fulfilling his mandate and his invaluable contribution to Board discussions with his expert insights. Mr. Nishimura was duly elected by IMI's stockholders' during the 2022 annual stockholders meeting.

Supporting this compliance is an attestation from the company's Chief Executive Officer, Compliance Officer and the Chief Audit Executive for 2022 on the adequacy of the company's system of internal controls, risk management, compliance, and governance processes. The Attestation is available at www.global-imi.com.

BOARD STRUCTURE AND PROCESS

THE BOARD OF DIRECTORS

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

The Board is responsible to promote and adhere to the principles and best practices of corporate governance, to foster long-term success of the Company and to ensure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility.

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

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

The Board also reviews and affirms the adequacy of internal control mechanism and risk management practices, accuracy and reliability of financial reporting, and compliance with applicable laws and regulations, and the proper implementation of the Company's Code of Conduct.

The Board reviewed and affirmed the true and fair representation of the annual financial statements.

The Board's roles and responsibilities are formalized in its Charter found in the company website, including its responsibility of overseeing the business affairs and being accountable to the shareholders for the long-term performance of the company.

As a commitment to TCFD, the Board responsibility shall extend to managing the risks and opportunities associated with climate change which is rightly a pressing matter for both the corporation and the wider world. Our CEO and President have directed the company to focus on sustainability / ESG / climate action. As such, we continue to develop our understanding and integrate our learnings from the risks and opportunities associated with climate change into our business operations.

Acting in the best interests of its stockholders and all other stakeholders, the Board's aim is to create long-lasting success in the competitive global environments in a manner consistent with its corporate objectives.

In line with the corporate goals, IMI participates in governance summits and internal councils, as part of Ayala Corporation's (Ayala Corp) oversight controls to put management decisions in check and ensure that we conform to regulatory requirements and global best practices. IMI is also part of Ayala Corp's sustainability council to ensure that we are kept abreast of current sustainability matters concerning Ayala Corp. Furthermore, as a member of the sustainability council, we are able to learn from shared experiences which is crucial given sustainability and climate change are developing subject areas with research and practical guidance constantly being produced.

"We have a good number of shared value initiatives, making sure that our business remains innovative, at scale, and profitable while at the same time addressing a social or environmental issue. These include safety electronics in cars, automotive camera, and airbag control to help prevent road accidents, pollution reduction systems to help care for our environment, theft prevention systems for homes and buildings, and medical diagnostic devices."

BOARD COMPOSITION

It is the responsibility of the Corporate Governance and Nomination Committee to review and monitor the structure, size, and composition of the Board and ensure the appropriate mix of competencies of directors that are aligned with the Company's vision, mission, and strategic objectives. The Board is composed of 11 members who are elected individually by the Corporation's stockholders entitled to vote at the annual meeting and shall hold office for one year until their successors are elected in the next annual meeting. Majority of the directors have no executive responsibility and do not perform any work related to the operations (Non-Executive Directors). Among the board members are three independent non-executive directors.

BOARD DIVERSITY POLICY

IMI's board diversity policy encourages the selection of an appropriate mix of competent Directors, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies. Diversity includes business experience, age, gender and ethnicity. With respect to gender, the Board shall strive to be composed of at least 30 percent or two (2) female directors, whichever is lower, by 2025 as stated in its board diversity policy.

LEAD INDEPENDENT DIRECTOR

In 2022, Mr. Edgar O. Chua was appointed Lead Independent Director by the Board. As stated in the Board's Charter, it is the lead independent director's role, among others, to act as an intermediary between the Chairman of the Board and the other Directors, when the need arises; to convene and chair the periodic meetings of the non-executive and the independent directors with the external auditor and head of internal audit, compliance and risk, as needed; and to contribute to the performance evaluation of the Chairman of the Board.

INDEPENDENT DIRECTORS

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

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

The Corporation has set a term limit of nine years in accordance with the rules set by the SEC.
As discussed in the 2022 Definitive Information Statement, Mr. Nishimura has served the recommended nine-year term for independent directors (reckoned from 2012). His continued nomination was endorsed in view of his commitment and dedication in fulfilling his mandate and his invaluable contribution to Board discussions with his expert insights. Mr. Nishimura was duly elected by IMI's stockholders' during the 2022 annual stockholders meeting. Moreover, none of the directors or senior management have worked for the Corporation's external auditing firm within the three years immediately preceding the date of their election or appointment.

Economic officer from the US Embassy visits IMI Philippines

BOARD PERFORMANCE

BOARD MEETING AND ATTENDANCE

The Board meets at least six times each fiscal year, with the schedule of meetings determined and approved before the start of each financial year. As provided in the company's By-Laws, the presence of at least two-thirds of the number of directors constitutes a quorum for the transaction of corporate business.

All members of the board, including independent directors, are expected to attend and actively participate in all of the Board, Committee and Shareholders in person or remote communication, such as videoconferencing, teleconferencing or other alternative modes of communication allowed by the Commission. The director should also review meeting materials and, if called for, ask the necessary questions or seek clarifications and explanations.

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

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

BOARD REMUNERATION

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

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

Report of the President portion during the ASM 2022

Executive directors Arthur R. Tan and Jerome S. Tan, who are the company's CEO and President, respectively, do not receive remuneration for attending Board meetings.

Non-executive and independent directors receive a per diem of P100,000 for each Board meeting attended and a per diem of P20,000 for each Committee meeting attended.

In 2022, the following directors received gross remuneration as follows:

Non-Executive and Independent Directors	Gross Remuneration (in PhP)
Jaime Augusto Zobel de Ayala*	500,000
Fernando Zobel de Ayala**	300,000
Delfin L. Lazaro***	840,000
Jose Ignacio A. Carlos	720,000
Rafael C. Romualdez	1,080,000
Alberto M. de Larrazabal	1,020,000
Jaime Z. Urquijo****	200,000
Roland Joseph L. Duchâtelet*****	-
Hiroshi Nishimura	800,000
Sherisa P. Nuesa	740,000
Edgar O. Chua	800,000
TOTAL	**7,000,000**

** Resigned from the Board effective October 21, 2022.*
*** Resigned from the Board effective September 12, 2022.*
****Mr. Delfin L. Lazaro was appointed as the Chairman of the Board vice Mr. Jaime Augusto Zobel de Ayala on October 21, 2022.*
*****Elected on October 21, 2022 to serve the unexpired term of Mr. Fernando Zobel de Ayala.*
****** Elected on October 21, 2022 to serve the unexpired term of Mr. Jaime Augusto Zobel de Ayala; Mr. Duchatelet waived his director's fees for the meetings attended.*

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

BOARD COMMITTEES

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

EXECUTIVE COMMITTEE

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

FINANCE COMMITTEE

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

PERSONNEL AND COMPENSATION COMMITTEE

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

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

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

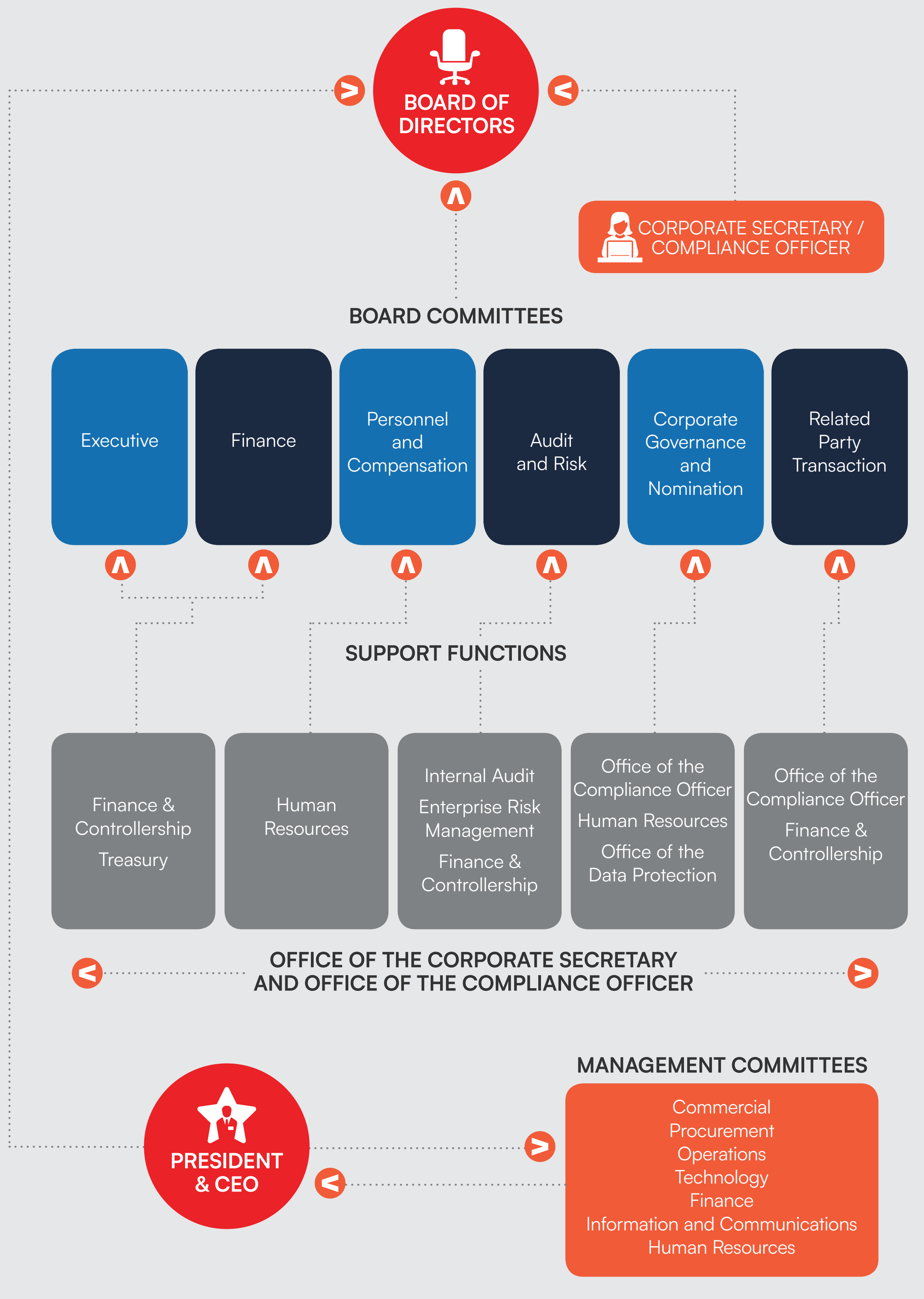
AUDIT AND RISK COMMITTEE

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

RELATED PARTY TRANSACTION COMMITTEE

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

BOARD STRUCTURE



BOARD AND BOARD COMMITTEE MEMBERSHIP
STOCKHOLDERS, BOARD, BOARD COMMITTEE MEETINGS, AND DIRECTORS' ATTENDANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

DETAILS	MEMBERSHIP AND ATTENDANCE							
	STOCKHOLDER & BOARD		BOARD COMMITTEE					
MEETINGS	**AS**	**BOD**	**EC**	**ARC**	**FC**	**CGNC**	**RPTC**	**PCC**
NO. OF MEETINGS	1	6	6	4	9	4	-	1
Jaime Augusto Zobel de Ayala Non-Executive Director	C 1/1	C 4/4	-	-	-	-	-	-
Fernando Zobel de Ayala Non-Executive Director	- 1/1	M 2/3	-	-	-	-	-	-
Delfin L. Lazaro Non-Executive Director	- 1/1	C 6/6	-		C 7/9	-	-	-
Arthur R. Tan Executive Director	- 1/1	VC 6/6	C 6/6	-	-	-	-	-
Jerome S. Tan Executive Director	- 1/1	M 6/6	-	-	-	-	-	-
Jose Ignacio A. Carlos Non-Executive Director	- 1/1	M 6/6	-	-	-	-	-	M 1/1
Rafael C. Romualdez Non-Executive Director	- 1/1	M 6/6	M 6/6	M 4/4	M 9/9	-	M	-
Alberto M. de Larrazabal Non-Executive Director	- 1/1	M 6/6	M 6/6	-	M 9/9	-	M	M 1/1
Jaime Z. Urquijo Non-Executive Director	- 0/0	M 2/3	-	-	-	-	-	-
Roland Joseph L. Duchâtelet Non-Executive Director 4	- 0/0	M 3/3	-	-	-	-	-	-
Hiroshi Nishimura Independent Director	- 1/1	M 6/6	-	M 4/4	-	M 4/4	C	-
Sherisa P. Nuesa Independent Director	- 1/1	M 6/6	-	-	-	C 4/4	-	C 1/1
Edgar O. Chua Independent Director	- 1/1	M 6/6	-	C 4/4	-	M 4/4	M	-

C - Chairman
VC - Vice Chairman
M - Member
AS - Annual Stockholder
BOD - Board of Directors
EC - Executive Committee

ARC - Audit and Risk Committee
FC - Finance Committee
CGNC - Corporate Governance and Nomination Committee
RPTC - Related Party Transaction Committee
PCC – Personnel and Compensation Committee

PERFORMANCE ASSESSMENT

In a landscape of rising competitive and regulatory pressures, oversight from a strong and effective board goes a long way in guiding the company to success. As such, the Board engages in an annual process of self-assessment and evaluation of the performance of the Board, its Committees, the individual members, the CEO and the President to measure the effectiveness of the company's governance practices and identify areas for improvement, and to adopt new methodologies toward further strengthening the company's corporate governance standards. Every three years, an independent consultant is appointed to assist in the evaluation process of the Board. AON plc facilitated the 2020 board evaluation exercise.

In 2022, each director was requested to complete a

self-assessment form which includes criteria such as: Part I: Board effectiveness; Part II: Committee effectiveness; Part III: Individual effectiveness; and Part IV: President and CEO and President effectiveness.

The board assessment survey resulted to a favorable overall perception on board effectiveness. The evaluation report also included relevant comments of the Board members that will help in enriching and improving board effectiveness to carry out its responsibilities.

TRAINING OF DIRECTORS

Prior to assuming office, all new directors are required to undergo at a minimum an eight-hour orientation program on the company's business and corporate structure, vision and mission, corporate strategy, Articles, By-Laws and Corporate Governance Manual, Board and Committee Charters, and SEC-mandated topics on corporate governance and other relevant matters essential for the effective performance of their duties and responsibilities. This ensures that directors are equipped with the knowledge and skills required to perform their roles effectively.

Directors shall likewise attend at least once a year, a four-hour annual continuing training program involving courses on corporate governance matters relevant to the Corporation. It is the responsibility of the Compliance Officer to ensure that each director has undergone the necessary trainings for the year.

Trainings and seminars were administered by Institute of Corporate Directors, an accredited training provider of the Securities and Exchange Commission.

As part of the Board's commitment to climate governance, the board and management team attend annual integrated summits held by Ayala Corporation which covers materials on climate action and sustainability.

In 2022, a summit with a theme "The Board Agenda 2022: Mindset Shifts for Sustainable and Equitable Future," was held on October 18, 2022 which included sessions on Sustainability, Governance and Risk Management.

Prior to this, the Integrated CG, RM and Sustainability Summit conducted by the Ayala Group in collaboration with the Institute of Corporate Directors (ICD) was held on October 21, 2021. These summits have been held since 2014 which reinforce our commitment to continuous education.

Corporate Governance Programs Attended in 2022

Director	Program	Training Institute	Date of Training
Delfin L. Lazaro (NED) Jaime Augusto Zobel de Ayala (NED) Fernando Zobel de Ayala (NED) Alberto M. de Larrazabal (NED) Arthur R. Tan (ED)	Sustainability and the Future of Business – Part 1	World Business Council for Sustainable Development (WBCSD)	May 19, 2022 (Through Zoom Webinars)
Jaime Augusto Zobel de Ayala (NED) Fernando Zobel de Ayala (NED) Alberto M. de Larrazabal (NED) Delfin L. Lazaro (NED)	Sustainability and the Future of Business – Part 2	World Business Council for Sustainable Development (WBCSD)	July 14, 2022 (Virtual Workshop)
Jerome S. Tan (ED), President	Corporate Governance	Sycip, Gorres, Velayo and Co. (SGV & Co.)	September 14, 2022 (Through Zoom Webinars)
Jaime Augusto Zobel de Ayala (NED), Chairman of the Board Arthur R. Tan (ED), Vice Chairman of the Board and CEO Jerome S. Tan (ED), President Delfin L. Lazaro (NED) Alberto M. de Larrazabal (NED) Edgar O. Chua (ID) Sherisa P. Nuesa (ID) Jose Ignacio A. Carlos (NED) Rafael C. Romualdez (NED) Hiroshi Nishimura (ID)	The Board's Agenda 2022: Mindset Shifts for Sustainable and Equitable Future (Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit)	Institute of Corporate Directors (ICD)	October 18, 2022 (Through Zoom Webinars)
Roland Joseph L. Duchâtelet (NED)	Aspire, Rise and Sustain Series 100% Renewable Energy Within Reach: Empowering Entities through the Green Energy Option Program	Institute of Corporate Directors (ICD)	November 11, 2022 (Through Zoom Meetings)
Roland Joseph L. Duchâtelet (NED)	Aspire, Rise and Sustain Series Social Governance Factors in the Post-Pandemic Landscape	Institute of Corporate Directors (ICD)	November 18, 2022 (Through Zoom Meetings)
Jaime Z. Urquijo (NED)	ICD Masterclass: Disruptive Strategy	Institute of Corporate Directors (ICD	November 25, 2022 (Through Zoom Meetings)
Roland Joseph L. Duchâtelet (NED) Jaime Z. Urquijo (NED)	Aspire, Rise and Sustain Series Accelerating the Energy Transition and Inclusive Development Episode 3: Towards a Prosperity Agenda	Institute of Corporate Directors (ICD)	November 25, 2022 (Through Zoom Meetings)
Roland Joseph L. Duchâtelet (NED)	ICD Masterclass: ESG Strategy: A Boardroom Topic for Directors	Institute of Corporate Directors (ICD)	December 9, 2022 (Through Zoom Meetings)

NED – Non-Executive Directors
ID – Independent Directors
ED - Executive Director

Management Oversight

The Management Committee ensures that everything the organization does supports its vision, purpose and aims. The Committee sets the strategic direction to guide and direct the activities of the organization. The members are responsible for ensuring that all decisions are taken in the best interests of the organization and that their roles are carried out effectively.

Management also supports and implements the Board's strategic goals and objectives, as such play a crucial role in delivering upon the Board's vision for addressing the risks and opportunities associated with climate change.

Management Committee

Name	Position
Arthur R. Tan	Chief Executive Officer
Jerome S. Tan	President
Mary Ann S. Natividad	Chief Commercial Officer
Eric de Candido	Chief Operations Officer
Ernest Ang	Chief Procurement Officer
Rosalyn O. Tesoro	Chief Information Officer **also serves as Data Protection Officer*
Nick Davey	Chief Technology Officer
Margarita V. Del Rosario	Chief Human Resource Officer (OIC)
Laurice S. Dela Cruz	Chief Finance Officer (OIC) ** also serves as Chief Risk Officer / Chief Sustainability Officer / Compliance Officer*

Through the Enterprise Risk Management department, management is informed of both internal and external large-scale climate risks and opportunities that could affect the company. This can range from natural calamities and events to climate-related risk and opportunities.

The Chief Sustainability Officer (CSO) is primarily accountable for climate oversight and disclosure.

ACCOUNTABILITY AND AUDIT

EXTERNAL AUDITORS

The Audit Committee has the primary responsibility to recommend the appointment and removal of the external auditor. The external auditors are directly accountable to the Audit Committee in helping ensure the integrity of the company's financial statements and financial reporting process. Their responsibility is to assess and provide an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process. The Audit Committee oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable performance of the required audit.

The Committee meets with the external auditors without the presence of the management team to discuss any issues or concern. To ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance, the Audit Committee had approved all audit, audit-related, and permitted non-audit services rendered by the external auditor. Non-audit services expressly prohibited by regulations of the SEC were awarded to other audit firms to ensure that the company's external auditor carries out its work in an objective manner.

During the Annual Stockholders' Meeting last April 22, 2022, the shareholders re-appointed Sycip, Gorres, Velayo and Co. (SGV & Co.) as the company's external auditor for the year 2022, with Ms. Cyril Jasmin B. Valencia as the lead engagement partner for the fourth audit year. The audit partner principally handling the company's account is rotated every five years in accordance with Securities and Exchange Commission (SEC) regulations.

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

	2022	2021	2020
Audit and Audit-related fees*	5.43	4.65	4.17
Tax Fees	-	-	-
All other fees**	0.13	0.06	0.06
TOTAL	**5.56**	**4.71**	**4.23**

In ₱ Millions

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

***All Other Fees. This category includes other services rendered by SGV & Co. such as agreed-upon procedures and validation of votes during Annual Stockholders' meetings.*

GLOBAL INTERNAL AUDIT

Global Internal Audit (GIA) serves as a vital support in the effective discharge of the Board of Directors Audit and Risk Committee (ARC) oversight role and responsibilities. The main role of the Global IA is to undertake independent and systematic review of the system of internal controls, risk management, governance, and compliance, with the view to provide reasonable assurance that the system of internal controls is adequate and continued to operate effectively in all material aspects.

Global IA through the Chief Audit Executive, Lorlyn Arceo, reports functionally to the Board's Audit and Risk Committee, with its operations governed by an Internal Audit Charter reviewed on annual basis, presented to senior management, and approved by ARC and the Board, thus ensuring its independence and objectivity. Periodically, the Committee also meets the Chief Audit Executive without the presence of Management.

Global IA activities conform with the International Standards for the Professional Practice of Internal Auditing and its Code of Ethics, complies with the Code of Corporate Governance for publicly listed companies and are continuously evaluated through an independent Quality Assessment Review conducted every five (5) years.

In carrying out Global IA mandate, it adopts a risk-based audit approach with coverage of the most critical processes/systems in its assurance/advisory reviews and annual internal audit plan. The internal audit plan and any changes thereto is reviewed and approved by the ARC and is reassessed quarterly to consider emerging risks, dynamic business, market, industry, and customer conditions to allow maximum and timely coverage of key risk areas.

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

All members of Global IA are free from any relationships or conflicts of interest, which could impair their objectivity and independence, and this is confirmed annually, in all audit projects/reviews. Moreover, on an annual basis and as needed, members of Global IA also confirm to Company's mandated annual compliance declaration to Code of conduct and related governance policies and procedures including conflict of interest.

As of 2022, the audit team has an average of 14.4. years audit experience with various professional qualifications, namely Certified Public Accountant, Certified Risk Manager, Lean Six Sigma, Verband der Automobilindustrie (VDA) 6.3 Process Audit, Qualified Persons in Industrial Regulatory Affairs (QPIRA), ISO 14001 and 9001 Certified Lead Auditors and Technical Reviewer and members of the Institute of Internal Auditors.

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

DISCLOSURE AND TRANSPARENCY

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

OWNERSHIP STRUCTURE

As of December 31 ,2022, IMI's outstanding common shares were held as follows:

Name of Shareholder and Beneficial Owner	Total Share Outstanding*	% to Total Share
AC Industrial Technology Holdings, Inc.	1,153,725,046	52.03%
Resins, Inc.	291,785,034	13.16%
Shares owned by the Public	728,110,822	32.84%
AC, ESOWN, Directors and Officers	43,672,313	1.97%
TOTAL	**2,217,293,215**	**100.00%**

**Based on the Public Ownership Report as of December 31, 2022*

RELATED PARTY TRANSACTIONS

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

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

No RPTs classified as financial assistance to entities other than wholly-owned subsidiaries were entered into in 2022. There were also no cases of noncompliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years.

POLICY ON INSIDER TRADING

To protect the shareholders of the company, all directors, officers, consultants and employees, including their immediate family members living in the same household, who may have knowledge of material non-public information about the company are strictly prohibited from trading IMI shares during the trading blackout period.

IMI updated its Insider Trading Policy in 2021 to clarify the definition of Covered persons and to reiterate the reporting obligations of the covered persons as indicated in the revised policy.

The blackout period starts from five trading days before and two trading days after the disclosure of quarterly and annual financial results for structured disclosures. While for non-structured disclosures, the blackout period is two trading days after disclosure of any material information other than the quarterly and annual financial results. The Compliance officer issues a black-out period notice via e-mail before the release of structured reports or disclosure of other material information to ensure compliance with the policy.

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

Sales Conference at IMI Serbia

CHANGES IN SHAREHOLDINGS

Reported trades in IMI securities of the directors and officers in 2022:

		Number of Shares			
	Security	**As of Jan. 1, 2022**	**Acquired/ Assigned**	**Disposed of**	**As of Dec. 31, 2022**
DIRECTORS					
Delfin L. Lazaro	Direct	100	-	-	100
Arthur R. Tan	Direct	1,955,452	-	-	1,955,452
	Indirect	19,268,100	-	-	19,268,100
Jerome S. Tan	Indirect	2,884,733	-	-	2,884,733
Alberto M. de Larrazabal	Direct	100	-	-	100
Edgar O. Chua	Direct	100	-	-	100
Sherisa P. Nuesa	Direct	112,807	-	-	112,807
	Indirect	740,578	-	350,000	390,578
Jose Ignacio A. Carlos	Direct	1	-	-	1
Rafael C. Romualdez	Direct	1	-	-	1
Hiroshi Nishimura	Direct	115	-	-	115
	Indirect	712,463	-	-	712,463
Jaime Zobel de Ayala Urquijo	Direct	-	100	-	100
Roland Joseph L. Duchâtelet	Direct	-	1,000	-	1,000
OFFICERS					
Laurice S. Dela Cruz	Indirect	157,221	-	-	157,221
Eric De Candido	Indirect	-	-	-	-
Mary Ann S. Natividad	Direct	75,204	-	-	75,204
	Indirect	1,360,036	-	-	1,360,036
Rosalyn O. Tesoro	Indirect	19,505	15,000	-	34,505
Anthony Raymond P. Rodriguez	Direct	-	-	-	-
Solomon M. Hermosura	Indirect	15	-	-	15
Rosario Carmela G. Austria	Direct	-	-	-	-
TOTAL		**27,286,531**	**16,100**	**350,000**	**26,952,631**

WHISTLE BLOWER POLICY

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

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

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

STAKEHOLDER RELATIONS

SHAREHOLDER MEETING AND VOTING PROCEDURES

Notice of Annual Stockholders' Meetings is sent to all shareholders at least twenty-eight (28) days before the meeting by adopting SEC-allowed alternative modes of distributing the notice and other meeting materials. The notice includes the agenda and a detailed explanation of the same, the allowed means of participation and voting, and sets the date, time, and place for validating proxies, which must be done at least five business days prior to the meeting.

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

In response to the challenge brought about by the pandemic, the company has held its virtual stockholders' meeting since 2020. The company ensures that its shareholders have active participation through attendance by remote communication, voting in absentia using the enhanced Voting in Absentia and Shareholder (VIASH) System, voting through proxy forms assigning the Chairman as a proxy, and sending their questions and comments through the company's established communication channels. Shareholders who notified the corporation of their participation in the meeting by remote communication were included in the determination of a quorum as well as those who voted in absentia, either electronically or through proxy.

The requirements and procedure for electronic voting in absentia are included in the Notice and the Definitive Information Statements (Annex "C") which are sent to the stockholders at least 28 business days prior to the date of the meeting. The Company also provides non-controlling or minority shareholders the right to nominate candidates for the board of directors and to propose items for inclusion in the meeting agenda.

DIVIDEND POLICY

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

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

SHAREHOLDER AND INVESTOR RELATIONS

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

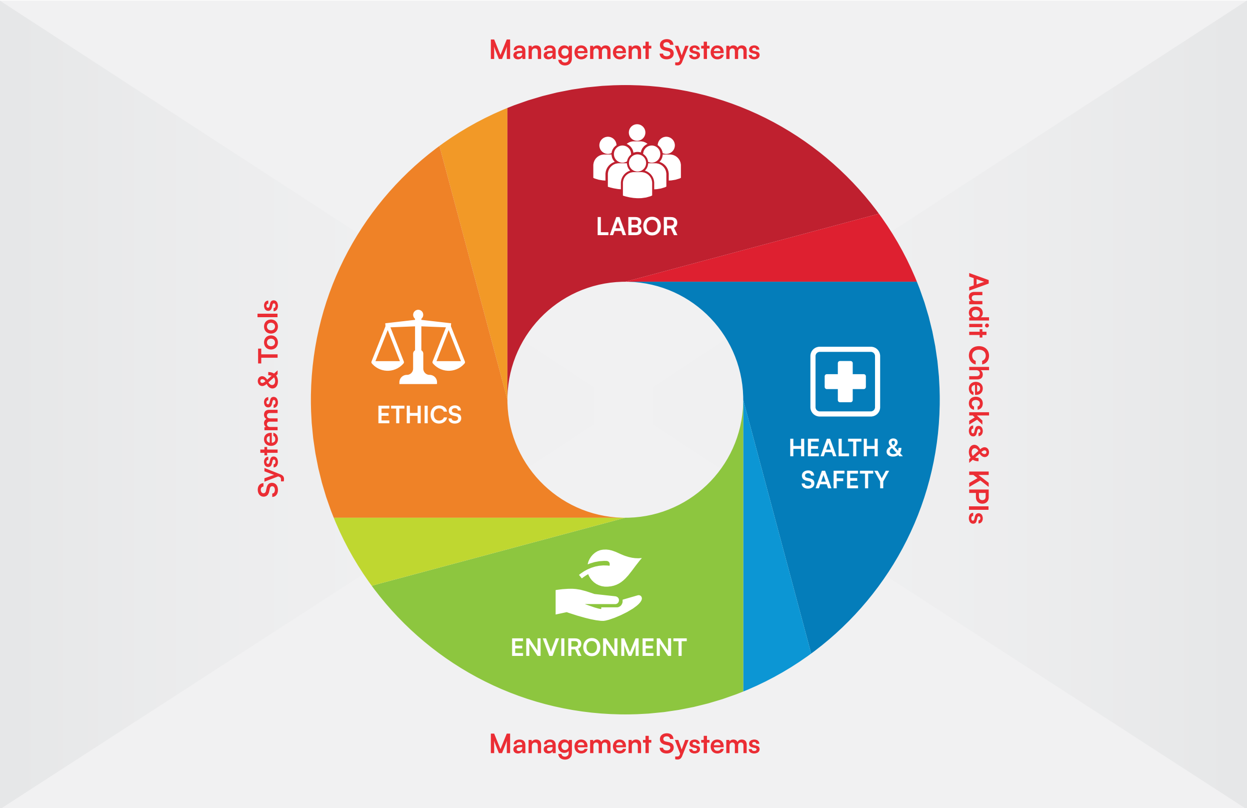
After the release of quarterly financial results, the company management team conducts briefings for the media, investors, and credit analysts. In 2022, these briefings were done virtually through the online app Zoom.

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

When travel is possible, the company conducts roadshows two or three times a year to engage potential investors from other regions.

IMI has won "Most Improved Investor Relations" in the 11th Institutional Investor Corporate Awards 2021. The annual poll aims to find Southeast Asia's top companies and is the leading perceptions-based poll on financial management, adherence to corporate governance, integrated reporting, corporate social responsibility, and investor relations.

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



IMI Code of Conduct & Sustainability Framework

Labor
Treat employees with dignity and respect

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

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

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

Ethics
Uphold the highest standards

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

Environment
Protect the environment

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

Health & Safety
Maintain a safe and healthy work environment

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

Strategy

At IMI, we continually set the bar high to create a positive impact on our people, our communities, and the environment. We start by finding ways to incorporate ESG into our business strategy and establishing a foundation against which we can monitor and measure progress on our goals. Our ESG strategy aims to establish the purpose and scope of the organization's activities and the nature of our businesses, taking into account the risks and opportunities we face and the environment in which we operate.

DEFINE THE PURPOSE

One of the first things we undertook in IMI is to define our purpose. A company's purpose in the context of ESG and overall strategy is the organization's reason for existence. It answers the question "Why?". With our current mission and vision, IMI's purpose is to partner with global organizations to design and manufacture technology solutions that save lives, save energy, and improve quality of life. This purpose has measurable impacts in all our human touchpoints—people and the environment—to ensure that we achieve prosperity in all areas where we are involved in.

DEFINING METRICS AND TARGETS

Using our overarching purpose, we then determine objectives in specific areas under Environment, Social and Governance. However, these would only be possible when we are able to gather accurate and validated data from our global operations, human resources, and supply chain. As we continue to become more efficient and cost-effective in how we gather data, we expect to be able to validate the information more accurately and set appropriate targets year on year.

IDENTIFYING RISKS AND OPPORTUNITIES

Like all companies, we understand that IMI has a unique risk profile given the volatility and disruptions happening within and around the industry. It is important that a risk assessment is conducted in the areas of climate, supply chain, labor, global economy, geopolitics, and trade. In the same study, a list of opportunities must be identified and mapped as well to institute initiatives related to the likelihood of any risk.

DEVELOP ESG POLICIES AND PROCEDURES

IMI's code of conduct contains all corporate, employee, and supplier-related policies and procedures that are aligned with global standards, primarily from the Responsible Business Alliance (RBA). The standards set forth in the RBA Code of Conduct reflect the shared sustainability expectations and good practice requirements of our stakeholders including our customers and suppliers.

ESG ENGAGEMENT AND COMMUNICATION

Another important aspect of ensuring that ESG is embedded in the organization is in communicating the IMI narrative to all stakeholders. Continuous training and onboarding to IMI's ESG objectives and code of conduct will strengthen the company's position and create shared value for all. Innovative and inclusive collaboration with customers, suppliers, governments, and academic institutions will further help IMI extend its contribution to the community and society.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

In 2021, IMI committed to supporting TCFD (https://www.fsb-tcfd.org), joining Ayala and other subsidiaries in committing to Net Zero by 2050. Among the subsidiaries of the conglomerate, IMI is one that potentially has a big role to play in the "new carbon economy" as the world shifts more toward renewable energy sources and technologies that produce lower levels of greenhouse gas emissions.

The new carbon economy focused on reducing carbon emissions and mitigating the effects of climate change presents IMI with opportunities to develop

Code of Conduct Orientation

technologies for customers and their consumers that save lives, save energy, and improve quality of life.

In 2022, we saw significant increase in customer base asking for alignment with their own carbon ambition targets. IMI committed to midterm 2030 GHG goal of 50 percent Scopes 1 & 2 and 50 percent Scope 3 by 2030 as we implement interventions and programs in carbon reduction and neutrality to get us to our goal of Net Zero 2050.

IMI gives equal importance to the Social and Governance component of ESG, and continues to review, update, and improve policies that focus on managing relationships with employees, financial stakeholders, the communities where we operate, as well as the broader political environment in all IMI Locations.

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS & TARGETS
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.
RECOMMENDED DISCLOSURES			
A Describe the Board's oversight of climate-related risks and opportunities. IMI Audit Risk Committee has oversight of climate-related risks and opportunities.	A Describe the climate-related risks and opportunities identified by the organization over the short, medium, and long term.	A Describe the organization's processes for identifying and assessing climate-related risks.	A Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
B Describe management's role in assessing and managing risks and opportunities. Chief Risk Officer role to be expanded to include the assessment and management of climate-related risks and opportunities.	B Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	B Describe the organization's processes for managing climate-related risks.	B Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
	C Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios.	C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	C Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Disclosures are Present

On-going development

Needs significant enhancing

DIGITAL TRANSFORMATION

We continue our digital transformation journey, which now includes initiatives and programs that support the company's ESG and sustainability aspirations. These programs aim to increase value through innovation, customer experience, and efficiency. To achieve this, we will utilize new technologies and business workflows to optimize, automate, and modernize our business operations.

For companies like IMI, technology can act as a major accelerant. We call this mindset "Technology Eco-advantage" which uses advanced technologies and ways of working to enable profitable solutions that also have a positive impact on net zero and other environmental, social, and governance goals.

- **ROSALYN O. TESORO**
Chief Information Officer

Figure: IMI's Information and Communications Technology group focuses on uniting technology with sustainability

With this "Technology Eco-advantage" mindset, IMI has defined a roadmap for new tech adoption that will speed the journey to sustainability by helping to embed it as a core value—particularly in the areas of digitized operations, digital products and service design, cloud computing, Internet of Things (IoT), Artificial Intelligence (AI), analytics, and data sharing.

DIGITAL TRANSFORMATION ROADMAP AS OF MARCH 2023

2025

- Global HCM Deployment
- Continuation Global Business Blueprint (SAP HANA Migration)
- Global MES (MX1, Bulgaria)
- RPA Projects
- IoT Deployments
- AI, Chatbots, etc.
- Start HANA Migration (per site)

2024

- Global HCM
- Product Lifecycle Management (PLM)
- Commence Global Business Blueprint (SAP HANA Migration)
- Global MES (MX2, Serbia)
- RPA Projects
- IoT Deployments
- AI, Chatbots, etc.

2023

1%

- ISO27001/TISAX Certification (EU,CN, MX)
- Global Costing Tool (Implementation)
- Strengthen IT governance across all sites
- Increase cyber risk posture
- Implement Data Lake
- Continue with RPA Deployments
- Global MES (PH-Automotive & Power Module)/China
- Industry 4.0 via IoT
- Strategize on HANA Migration
- CN/CZ SAP Migration
- AI, Chatbots, etc.

2022

99%

- ISO 27001 Certification (PH)
- SAP ERP on Cloud (Rise)
- Global Replication (SAP Data Intelligence)
- Next Generation HCM
- Enterprise Hub through APIs
- Maximize investments on RPA, ANAPLAN, o365
- Global IT Risk Assessment/Data Privacy Review
- Data Intelligence
- Global Costing Tool (Assessment)
- Sales Information System
- Global MES (CZ)
- Enterprise Content Management (SharePoint on-cloud)
- Supplier Portal

2020-2021

100%

- AWS Landing Zone (Cloud)
- Robotics Process Automation (RPA)
- QLIK (Analytics)
- Consolidated Planning (Anaplan)
- Contract Management (Concord)
- MS Teams, One-Drive
- ISO27001 Certification (PH)
- Business Process Re-Engineering
- Change Control Management System
- Global Replication (SAP Data Intelligence)
- Cyber Security Posture (Security Scorecards)
- Start Global MES Development
- Develop/Migrate applications cloud
- Global Connectivity -NaaS
- Revamp IMI Web
- Global MES (US)

2014-2019

100%

- Global SAP ECC 6.0 Roll-out (PH, CN, BG, CZ, MX)
- Office 365
- SAP ECC 6.0 (Serbia, PSI)
- SMARTGEP
- Buy Manager
- Data Privacy Compliance (DPA)
- Wombat
- SAP ECC 6.0 (Cebu)
- SOC/SIEM
- Secure Email Gateway

FOUR AREAS OF FOCUS ON IMI'S DIGITAL TRANSFORMATION JOURNEY

Four Ways Technology Can Speed Up the Journey to Net Zero

	Process optimization	Carbon data transparency	Circular products and services	Data ecosystems and ventures
Average CO2 reduction	5% - 10%	30% - 40%	5% - 10%	5% - 10%
Emission reduction refers to lowering the greenhouse gas (GHG) emissions generated by an individual, organization or country	Cloud-native architecture for AI and data-driven optimization of processes and operations • Cloud-based data and digital platforms • AI-driven cost and emissions optimizations	System-wide visibility to drive sustainable decision-making and behavior across organization • IoT and blockchain tracking solutions • Data visualization and impact reporting	Digital products and services to incentivize sustainable consumer behavior within the industry • Human-centered design and digital products • Behavioral analytics	Cross-industry/sector data partnership for joint abatement initiatives across the ecosystem • Data sharing and ecosystems • Cyber resilience

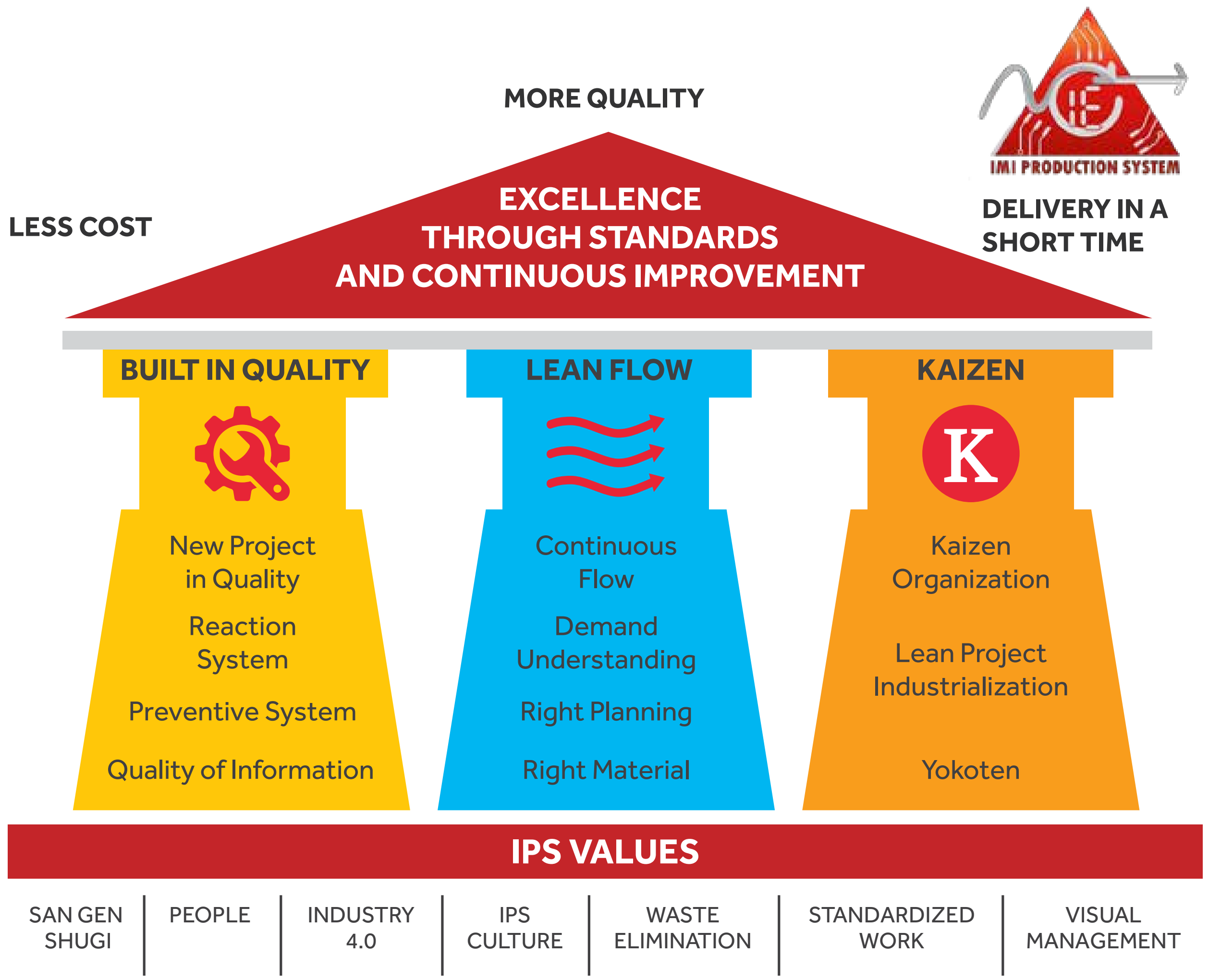
CONTINUOUS IMPROVEMENT THROUGH IMI PRODUCTION SYSTEM (IPS)

In attaining excellence through standards and continuous improvement in our global operations, we ensure that the sustainable principles we adhere to are founded on solid understanding of quality concepts and frameworks. These foundations include having the right quality mindset and right behavior by the application of San Gen Shugi and the Golden Triangle, continuously improving the customer experience and cost optimization with the use of LEAN (the elimination of waste in all processes).

In 2022, completed KAIZEN projects reached 1,475 across all IMI's factories which generated a total combined savings of US$8.9 million from labor, materials, overhead, and improvement savings.

The IPS HOUSE symbolizes our core values and the key items to reach them with the involvement of everyone from Top Management to operators. IPS is our standard of production, and IMI uses the same methodology and principles to manufacture among all IMI sites consistently living a culture of improvement.

IMI IPS Regional Convention November 2022



SUPPLY CHAIN AND PROCUREMENT

The dynamics of the supply chain today has changed since the pandemic. Longer lead times, elevated cost of inputs, and component shortages have weighed down on the global operations of IMI. With the uncertainty of delivery dates, inventory levels have surged, raising the risks and overhead cost.

In 2022, we carried out initiatives to significantly reduce the risks on inventory by implementing tools to track and claim unfavorable purchase price variances of components we buy, to track and monitor in real time freight costs to make quick adjustments, and to resolve shortages and inventory balancing between sites.

Together with some digital initiatives, we also ensure that we communicate well with our suppliers and customers to improve on material profit, gain more visibility on customer-controlled items, manage loading and demand, and to reduce people risk by automating certain processes.

OUR PROCUREMENT MANAGEMENT APPROACH

Our business covers a broad geographical spread, and a range of services and market segments. With such reach, we hold ourselves to high standards and always strive to be better. This means our approach to advance sustainability is at the core of our sourcing network and supply chain. To do so, we work with customers to understand their needs and ensure our engagements are fulfilled in a manner that reflects their sustainability expectations and good practice guidance. In parallel, we communicate our expectations to business partners and carry out due diligence checks. Through this process, we establish accountability and assess compliance by conducting supplier audits once a year. In 2020, our Sustainability Team organized training and assessment programs for key IMI suppliers in the Philippines and China based on the RBA Code of Conduct Version 6.0 (2018). It includes labor, ethics, data protection, environmental, health and safety, and overall management system. We also provided risk management seminars to suppliers designed to help them adopt a risk mindset throughout their organization as well as to raise awareness of their impact in the achievement of IMI's and its customers' long-term goals and business strategy.

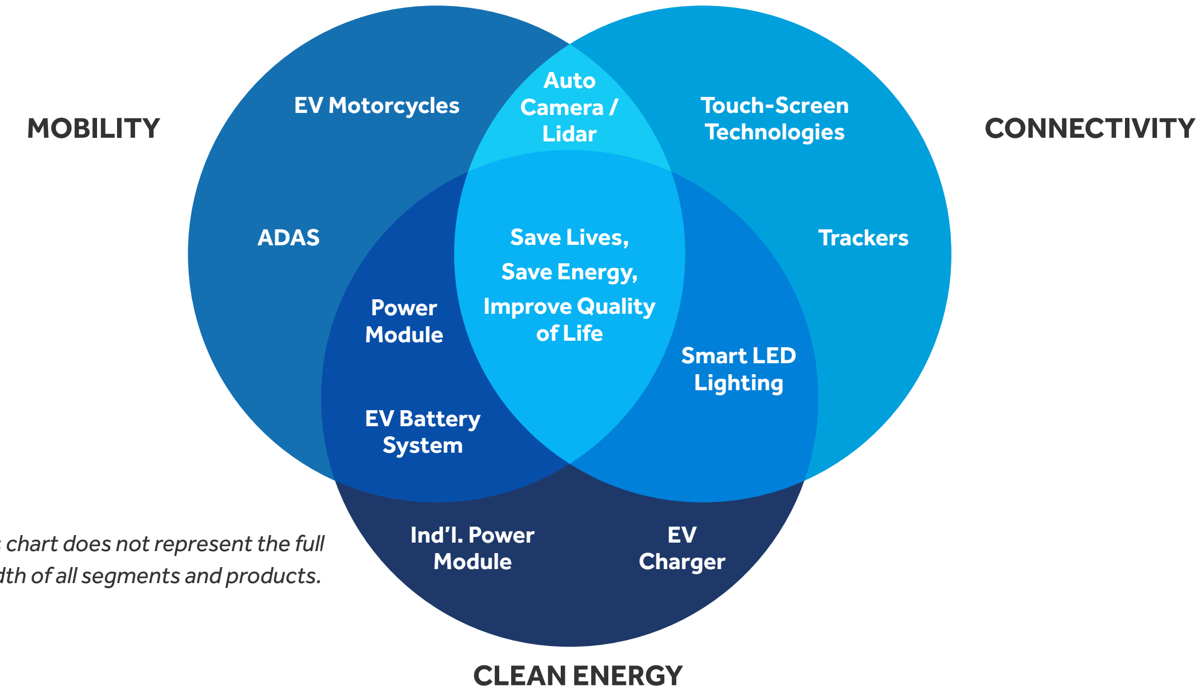
In 2022, the IMI Supplier Code of Conduct was also updated together with the IMI Employee Code of Conduct.

OUR POLICY ON CONFLICT MINERALS

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

EMERGING TECHNOLOGIES

Anchored in our purpose to save lives, save energy, and improve quality of life, IMI focuses on the following areas using the cutting-edge technologies available and utilized in the industry: Mobility, Connectivity and Clean Energy.



This chart does not represent the full breadth of all segments and products.

ON THE ROAD TOWARD NET ZERO 2050

ESG ROADMAP 2023					
	2022	2023	2024	2025	2030 TARGETS
Environment	Targeting of GHG Reduction by 2030	Engagement with SouthPole - Validate Carbon Footprint Supply Chain Code of Conduct ESG Supplier Audit	Projects and initiatives to reduce CO2; Renewable energy targets, Aligned Digitalization roadmap Supply Chain Data & Targets		50% Reduction in Scopes 1 & 2 GHG Emissions; 25% Reduction in Scope 3
Social	Firming up of Social Targets; Compliance with RBA standards, communication to organization; Embedding of ESG targets at KPI level		RBA Certification	Continuous Validation and more efficient data gathering	Healthy and Safe Working Environment
Governance	ESG Organization; Allignment to business strategies First Independent Assurance Audit-DNV	First Global ESG Roadshow	Internal Audit Support; No Major non-comformance from 3rd party audits		Ethical business practices aligned with global standards

Risk Management

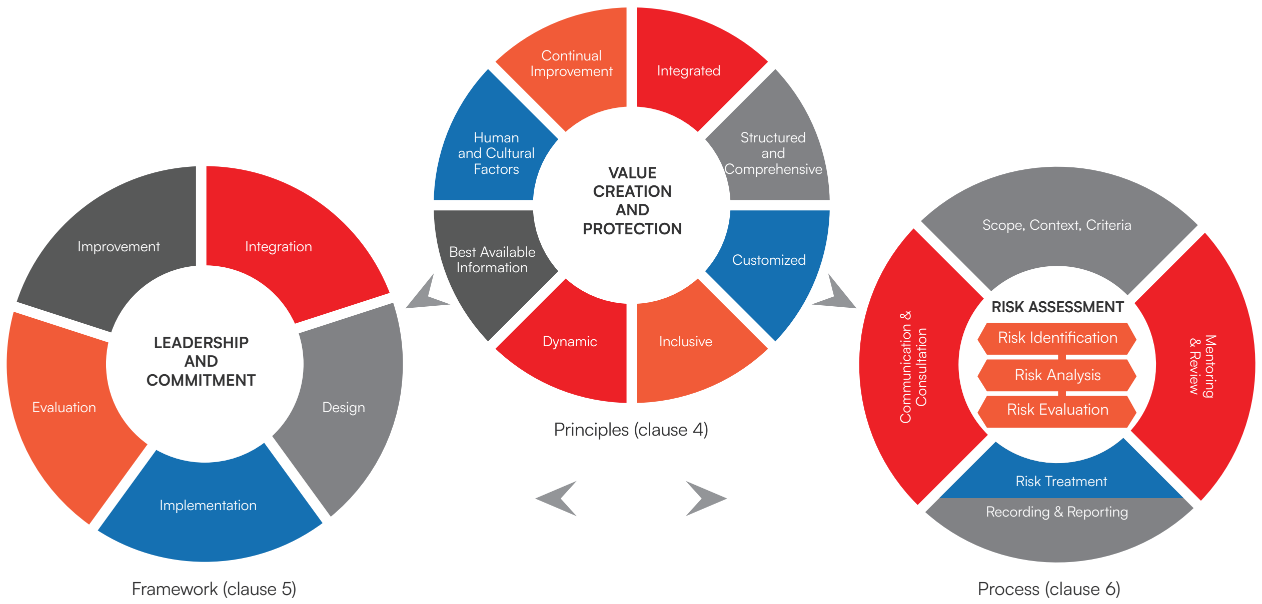
IMI has laid a strong foundation for the future, supported by our effective Enterprise Risk Management program. As an EMS company with operations in several countries, we face a range of risks, both internal and external, that impact our operations, financial stability, and overall performance.

As we look back on the year 2022, supply chain issues continued to persist and were magnified by geopolitical risk related to the ongoing conflict between Russia and Ukraine. Being a company with a complex global supply chain, we experienced challenges related to sourcing and logistics, including shortages of critical components and materials, delays in shipping and high logistics costs, and fluctuations in pricing and availability. The ongoing conflict between Ukraine and Russia added an additional layer of complexity to our supply chain, with further disruptions to shipping routes and port operations.

Looking ahead to 2023, we will continue to monitor and manage these risks, as well as other emerging risks. Our ERM program will remain a key focus, and we will continue to take a proactive approach to identifying and addressing potential risks. This includes regular monitoring and review of our risk management framework for its effectiveness and the provision of regular reports to senior management and the board of directors.

ENTERPRISE RISK MANAGEMENT POLICY

Our ERM Policy establishes the overall direction for the company's risk management process and practices, which includes climate risk. Guided by ISO 31000:2018 risk management principles, IMI defines a common and structured approach that governs the risk management process toward value creation and protection, improves performance, encourages innovation, and helps mitigate climate change.



RISK REPORTING

Throughout IMI, we have well-defined reporting lines that set out accountability and ownership across operations. Our focus on quality promotes risk-based thinking in all processes at all levels, including the identification and management of top risks. The Audit and Risk Committee (ARC) oversees the Company's internal control systems and risk management framework, which includes determining the Company's exposure to physical and transition risks connected to climate change as defined by the Taskforce on Climate-Related Financial Disclosures (TCFD). The Committee's oversight includes analysis and guidance on material financial and non-financial risks and the corresponding measures in addressing such risks. The risk assessment may include climate-related hazards, their nature, likelihood, and effects, as well as management activities and initiatives to reduce risks. The ARC also monitors the risk management activities of the Company and evaluates the effectiveness of the risk mitigation and action plans, with the assistance of the Global Internal Audit.

The Chief Risk Officer (CRO) ensures that regular internal reporting on the implementation of the ERM framework, its effectiveness and outcomes are accomplished. Supporting the CRO is the ERM leader who communicates and coordinates with site risk owners and designated risk leads on programs, activities, and initiatives that will strengthen the risk management framework, including the identification and management of climate-related risks. The CRO and ERM leader reports to the ARC on a quarterly basis.

CLIMATE-RELATED RISKS, OPPORTUNITIES, AND FINANCIAL IMPACT

In addition, our updated internal ISO 31000-based processes utilize several third-party resources and guidelines to incorporate climate-related risk and opportunities and ensure that our approach is appropriately relevant. These include:

- Frameworks for reporting that are globally accepted to improve the way we keep track of our climate action projects
- Our customer initiatives on ESG, and climate action
- Publicly accessible publications on climate change; and information that is both specific to our industry
- TCFD recommendations
- Our internal assessment of climate risk, Integrated Report, opportunity profile, and CDP 2022 submission
- CDP reports from other manufacturers

IMI Attends Customer Summit to align and collaborate on green initiatives and ESG ambitions

TOP RISKS 2022

An overview of our key risks in the last financial year is provided below.

1 SOURCING AND PROCUREMENT

Inability to source alternative parts in a timely manner due to existing source's limitations can compromise the company's commitments.

For the second consecutive year, our top risk is sourcing and procurement. This primarily includes raw material scarcity and low availability of supply or long lead times of components from authorized suppliers. Supplier capacity constraints on the global market are also contributing to the risk, making it difficult to secure the necessary components to meet demand. Additionally, raw material price increases are driving up costs, while material sourcing competitiveness and shortages are creating challenges in securing the necessary materials at reasonable prices. These drivers are likely to continue to impact the industry's supply chain and operations in the foreseeable future.

To manage the risk, IMI takes proactive measures to develop long-term relationships with suppliers and build a robust supplier network to help us continually access the necessary raw materials and capacity to meet customer demand. We implement regular monitoring of supply chain and supplier performance, identifying alternative suppliers, diversifying sourcing options, developing regional strategy, and establishing wing-to-wing global supply chain organization. We also invest in technologies such as predictive analytics to better anticipate and mitigate potential risks in the supply chain.

2 TALENT

Recruitment and Retention - Failure to recruit and retain qualified employees to ensure optimal staffing levels in a balanced workforce environment.

The lingering effects of the pandemic, such as elevated voluntary departures, continued in the Electronic Manufacturing Services industry including IMI. We also faced challenges related to the resignation of engineers without proper transition due to unavailable replacement from internal or external sources, as well as competitors offering higher pay and setting up facilities close to IMI sites.

In response to these challenges, we carried out a review of compensation, benefits packages, flexible work arrangements, professional development and mentoring opportunities, and work culture enhancement. We are also exploring new recruitment channels to attract top talents and working closely with partners, industry associations, and other Ayala/ACI business units to identify best practices for addressing talent recruitment and retention challenges.

3 SALES AND MARKETING

Inability to develop and execute a sales and marketing strategy to maximize revenue/ contribution margin and /or market share and provide a consistent and compelling incentive for potential consumers and a return on investment to shareholders.

As we progressed through 2022, IMI faced various risks related to slow market growth, lack of new significant customers, customer retention, and low demand in the consumer electronic market. To maintain and enhance our lead, our IMI Technology Group has been working to prioritize innovation and improvement of our products and services focusing on design for manufacturability and aligning advance manufacturing programs with market tech road maps. This focus supports our business development while also solidifying our unique value proposition to stand out in the market. Additionally, by developing an ESG roadmap toward carbon neutrality and leveraging this as a competitive advantage, we believe we differentiated ourselves from competitors and appealed to customers who prioritize sustainability.

4 POLITICAL / STRATEGIC RISK

Geopolitical - Change in one country's foreign policy which affects domestic political and social policy in another country or region. This may include military conflicts, civil wars, terrorist attacks, riots, sanctions, epidemics, cyber-attacks country defaults etc.

Several geopolitical risks impacted our operations this year, particularly the ongoing conflict between Russia and Ukraine, which has significantly affected the global economy, and increased energy costs, logistics, and supply chains. With the efforts of our management team, we continue to diversify our supply chain, awareness of geopolitical developments, and adjust our contingency plans. We are committed to managing geopolitical risks to ensure continuity of supply, maintain profitability, and protect the interests of our stakeholders and investors. By doing so, we believe that we can successfully navigate the complex geopolitical landscape and achieve our strategic objectives.

5 RESILIENCE

Business Interruption (Man-made / Natural / Climate Related) - Failure to undertake the appropriate advanced planning related to critical processes to ensure the ability to recover and maintain business operations in the event of a disruption due to physical or natural circumstances.

Since 2020, COVID-19 has been one of our operational risks, principally business interruption and resiliency risk. The pandemic has caused significant disruptions to global supply chains, affecting our ability to source raw materials and components, and impacting our operations. In China, lockdowns in key geographic regions aggravated supply chain issues even further. Following the end of the zero-COVID policy, we expect pandemic-related disruptions to continue to go down. As part of our global business continuity program, we have updated our disaster response plans from lessons learned to ensure that adequate mitigation plans are in place and to keep up with the evolving threat landscape.

CLIMATE CHANGE

Failure to prepare for physical and transition impacts brought about by climate change may result in significant financial losses and inability to execute and achieve business objectives.

Temperature extremes, such as heat waves and cold snaps, pose a significant physical risk to IMI. These extremes can impact our operations, supply chain, and customers, leading to damage to infrastructure and equipment, increased costs, and potential loss of business. We have established preventative mechanisms to address this risk, such as developing disaster response plans, assessing the risks associated with our facilities, and working with our suppliers and their continuity plans.

Insights from our external factors review inform us that the transition risk from technology in the 2030s is also a risk for IMI as well as an opportunity. In particular, the transition to a low-carbon economy is driving fundamental changes in technology and energy systems, which could disrupt our operations, customers, and markets. Taking into account available market data and considerations, we adopt a comprehensive climate strategy that includes reducing our greenhouse gas emissions, transitioning to renewable energy sources, improving energy efficiency, and calibrating with our customers on their own climate action initiatives. We also focus on innovation and product development, leveraging our strengths in design for manufacturability and advanced manufacturing programs, to ensure we remain competitive in a low-carbon economy.

Metrics & Targets

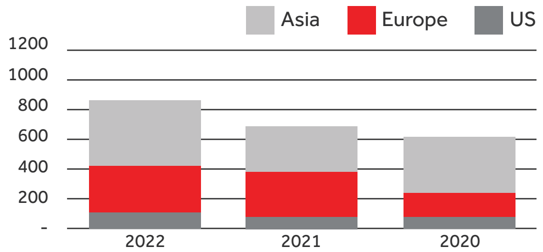
WASTE MANAGEMENT

Our initiatives to mitigate the impact of waste generation and waste disposal are as follows:

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

Hazardous ('000 kg)

	Asia	Europe	US	Total
2022	439	314	98	**851**
2021	298	299	83	**680**
2020	348	183	80	**611**

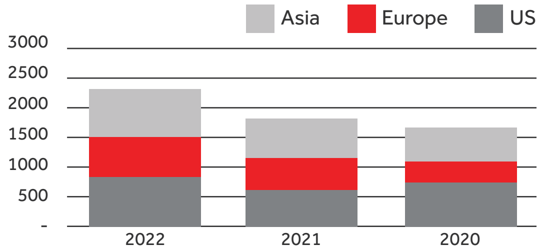


Increase in 2022 is attributed to increased combined groupwide manufacturing activity.

Non-Hazardous RECYCLED ('000 kg)

	Asia	Europe	US	Total
2022	791	624	806	**2,220**
2021	650*	535	696	**1,880**
2020	532	351	784	**1,667**

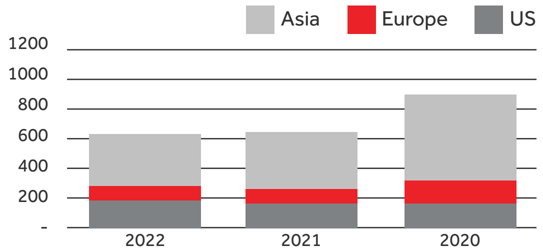
China included in the total of Asia



Increase in 2022 is attributed to increased combined groupwide manufacturing activity.

Non-Hazardous RESIDUAL ('000 kg)

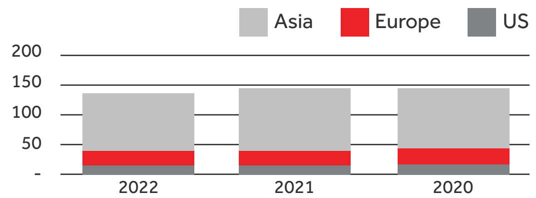
	Asia	Europe	US	Total
2022	356	73	194	**623**
2021	390	71	182	**643**
2020	615	124	178	**917**



ENERGY MANAGEMENT

ENERGY CONSUMPTION - Electricity (million KWh)

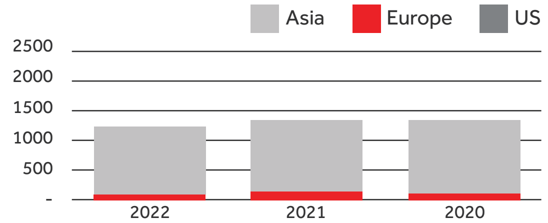
	Asia	Europe	US	Total
2022	93	24	18	**136**
2021	103	24	17	**144**
2020	100	26	17	**144**



Decrease mainly due to Asia – China Zero Covid shutdowns in 2022

ENERGY CONSUMPTION - Water withdrawn ('000 m³)

	Asia	Europe	US	Total
2022	1,184	87	19	**1,291**
2021	1,214	126	12	**1,352**
2020	1,244	96	20	**1,360**



Decrease mainly due to Asia – China Zero Covid shutdowns in 2022

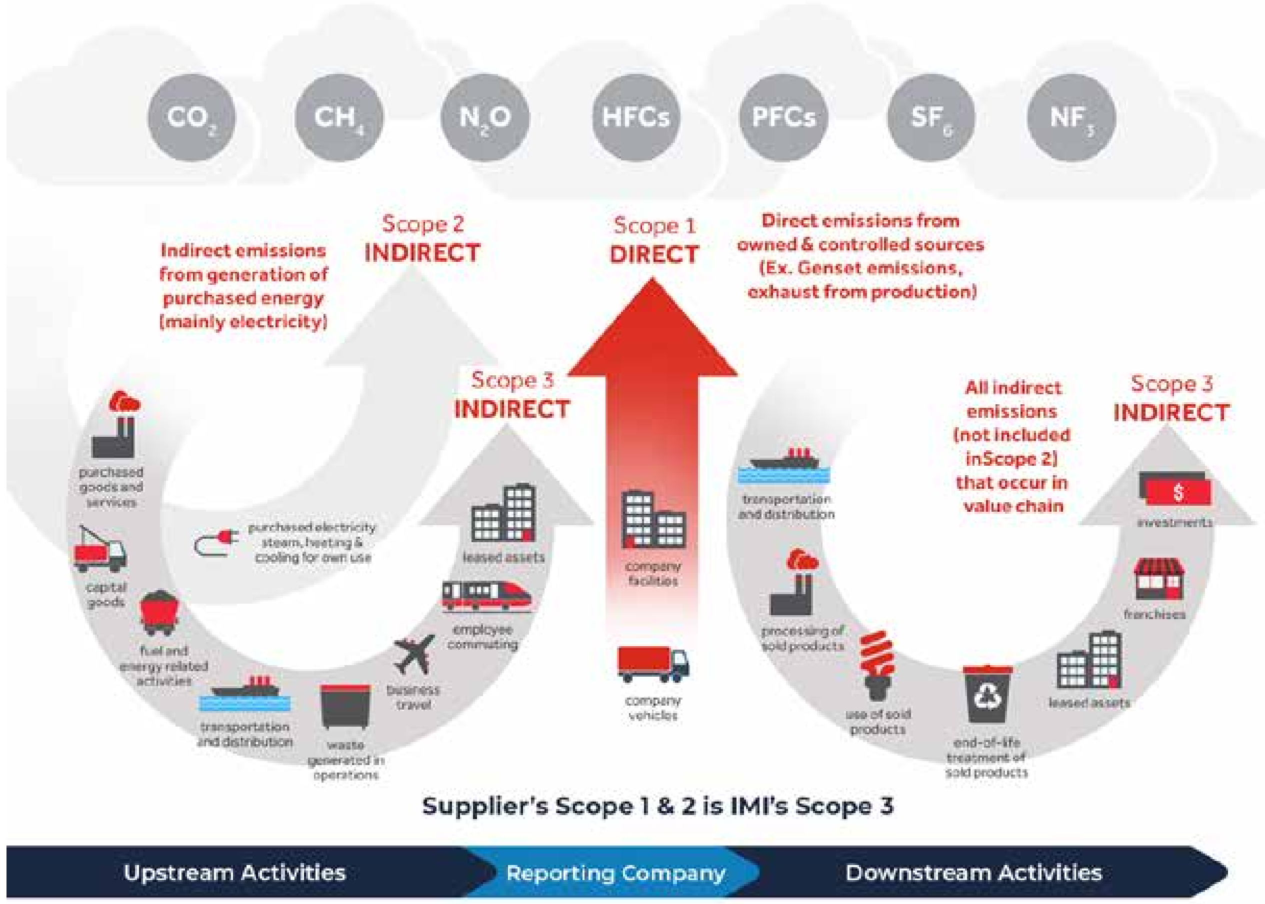
GHG METRICS

According to the Greenhouse Gas (GHG) Protocol, representing the most commonly used international accounting tool, GHG emissions are categorized into three scopes / groups.

Scope 1 Emissions
Represent direct GHG emissions emanating from sources owned or controlled by IMI (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

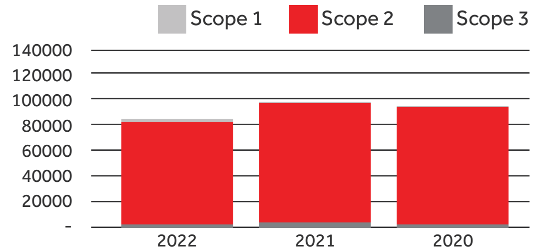
Scope 2 Emissions
Characterized by indirect GHG emissions resulting from IMI's energy usage generated at the company's facilities. Scope 2 emissions are associated with the buying of various forms of energy (e.g. electricity, heat, steam etc.).

Scope 3 Emissions
Represent all other indirect emissions that occur within the value chain of a company.



SUMMARY OF GHG EMISSIONS

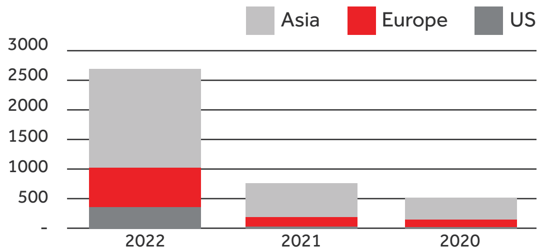
	Scope 1 Tons CO2e	Scope 2 Tons CO2e (million)	Scope 3 Tons CO2e
2022	2,702	78,089	2,346
2021	712	95,835	3,068
2020	503	93,294	1,943



Scope 2 emissions account for the largest share in emissions produced.

Scope 1 (Tons CO2e)

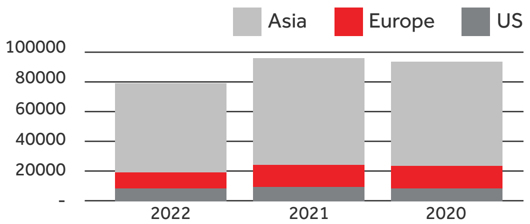
	Asia	Europe	US	Total
2022	1,676	659	367	**2,702**
2021	547	139	26	**712**
2020	363	111	29	**503**



Increase in 2022 is attributed to increased groupwide manufacturing activity.

Scope 2 (million Tons CO2e)

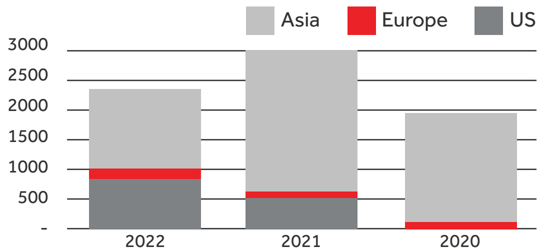
	Asia	Europe	US	Total
2022	60,161	10,115	7,814	**78,089**
2021	73,689	14,004	8,141	**95,835**
2020	70,954	14,443	7,898	**93,294**



Decrease mainly due to Asia – China Zero Covid shutdowns in 2022

Scope 3 (Tons CO2e)

	Asia	Europe	US	Total
2022	1,361	133	853	**2,346**
2021	2,484	81	502	**3,068**
2020	1,854	90	-	**1,943**



Current scope 3 data is based on total Methane and Nitrous Oxide emission.

2022 Energy from renewable sources (KWh)

IMI Site	China	Bulgaria	Mexico	Serbia
Non-renewable	19,287,968	12,932,999	11,048,316	1,157,403
Renewable	17,311,592	3,928,798.93	7,063,677.66	1,618,332
Total electricity consumption	36,599,559	16,861,798	18,111,994	2,775,735
Renewable % Share	47.3%	23.3%	39.0%	58.3%

IMI Site	Czech	Laguna	Cebu	UK
Non-renewable	2,831,172	50,046,348	1,268,512	1,616,905
Renewable	124,122	5,560,705	-	-
Total electricity consumption	2,955,294	55,607,053	1,268,512	1,616,905
Renewable % Share	4.2%	10.0%	0.0%	0.0%

Total

Non-renewable
100,189,623

Renewable
35,607,228

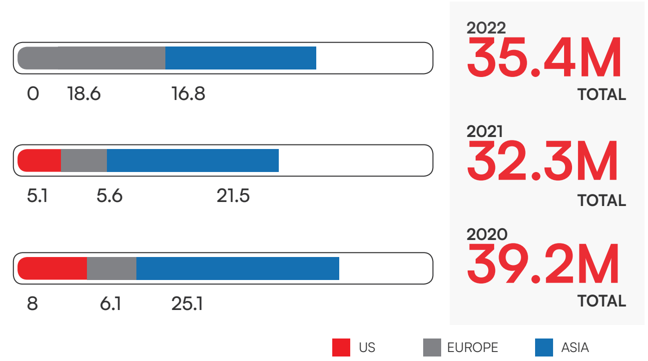
Total electricity consumption
135,796,851

Renewable % Share
26.2%

Data on renewable energy sources were compiled after DNV assessment. As we increase utilization of green sources of energy for 2023, we will include data for 3rd party validation.

OTHER ESG METRICS

SAFE MAN HOURS
(IN MILLIONS)



*Errata for 2020 and 2021 aligned to DOLE's computation

IMI EMPLOYEE ENGAGEMENT SCORE

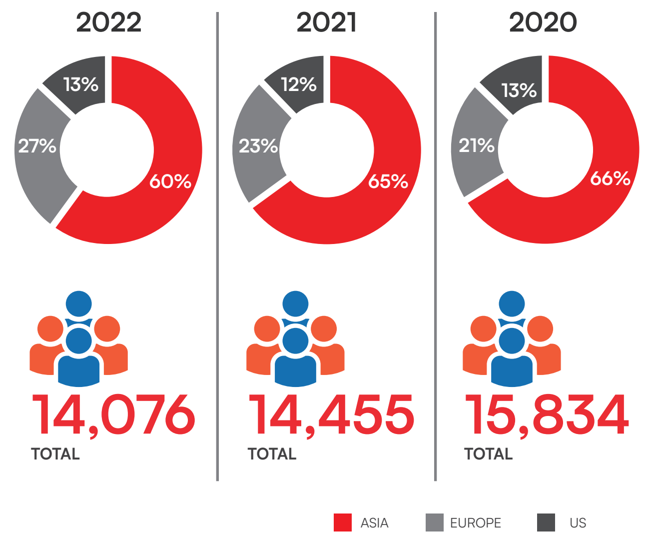
94%

91% Ayala Norm

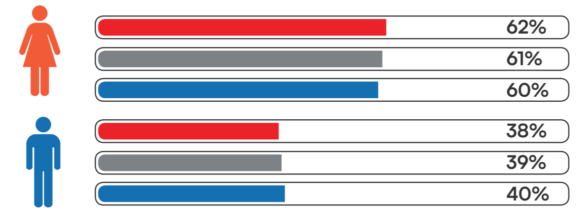
88% Global & PH Norm

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

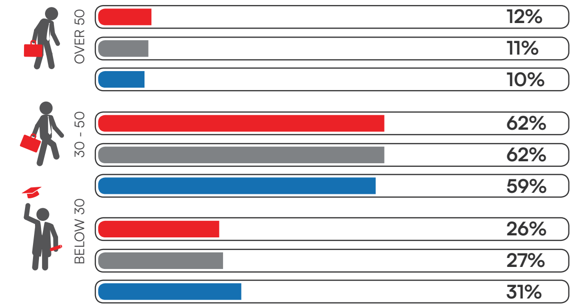
IMI GROUP HUMAN CAPITAL



GENDER DIVERSITY (BY GENDER)*



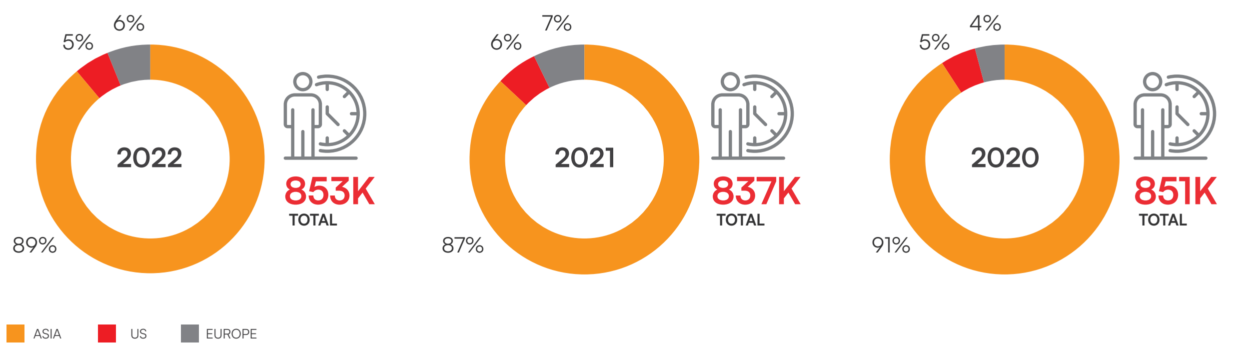
WORKFORCE DIVERSITY (BY AGE)*



Note: Based on total headcount of 13,352 (excluding VIA Germany, VIA Suzhou and VTS Japan)

2022 2021 2020

GLOBAL TRAINING HOURS



SASB INDEX - SUSTAINABILITY ISSUES & TOPICS FOR EMS MANUFACTURING

MATERIAL TOPICS	ACCOUNTING METRICS	SDGS	PAGE NUMBER (S)
Environment	• GHG Emissions • Air Quality • Energy Management • Water Management • Waste & Hazardous Materials • Ecological Impact	6, 11, 12, 13, 14, 15	64 - 65
Human Capital	• Labor Practices • Employee Health & Safety • Employee Engagement, Diversity & Inclusion	1, 2, 5, 8, 10, 11	65
Business Model & Innovation	• Product Design & Life Cycle Management • Business Model Resilience • Supply Chain Management • Materials & Resource Efficiency • Physical Impact of Climate Change	9, 11, 12, 13, 17	51 – 57
Leadership & Governance	• Business Ethics • Competitive Behavior • Management of Legal & Regulatory Requirements • Critical Incident Risk Management • Systemic Risk Management	9, 10, 11, 12, 13, 16, 17	36 – 50

IMI Focused SDGs

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

• Saving Lives
• Improving lives
• Saving energy

Ensure sustainable consumption and production patterns

• Reduce
• Reuse
• Recycle

Stakeholder Engagement

IMI is committed to making a positive impact on society and the environment through its corporate social responsibility (CSR) projects and stakeholder engagement initiatives. Focus areas include health and overall well-being, education, community development and livelihood. Over the past year, the company has undertaken several meaningful activities that align with its overall purpose of creating a sustainable and equitable future.

IMI Philippines' turnover of donations to a chosen charity (Children's Village)

IMI Czech Republic donated to a foundation for abandoned children

20th anniversary celebration of IMI China (Jiaxing)

Family marathon held at IMI Mexico

IMI China (Jiaxing) visits the elders

IMI North America's Breast Cancer Awareness project

IMI Japan's Breast Cancer Awareness project

IMI Bulgaria's Table Tennis team

IMI Bulgaria's wellness program for employees

INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV Business Assurance Singapore Pte. Ltd. ('DNV') has been commissioned by the management of Integrated Micro-Electronics, Inc ('IMI', 'the Client' or 'the Company', Securities and Exchange Commission Identification Number: 94419) to undertake an independent assurance of the sustainability / non-financial disclosures in Integrated Micro-Electronics, Inc's 2022 Integrated Report ('the Report') in its printed format for the year ended 31 December 2022. The intended users of this Assurance Statement are the management of the Company.

We performed a limited level of assurance using DNV's assurance methodology VeriSustain™[1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with the Global Reporting Initiative's ('GRI's') Principles for Defining Report Content and Report Quality and the Sustainability Accounting Standards Board's ('SASB's') industry-specific Standards. The verification engagement was carried out from December 2022 to April 2023.

Scope and Boundary of Assurance

The scope of assurance included a review of sustainability related disclosures and performance data from Integrated Micro-Electronics, Inc's operations in the Philippines.

Our assurance engagement included limited level of verification of sustainability performance disclosures for the identified material topics of Integrated Micro-Electronics, Inc as detailed under the section 'Metrics and Targets' in the Report i.e., covering entities over which Integrated Micro-Electronics, Inc has operational control or has seconded employees in operations. Our verification applies a ±5% uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

Responsibilities of the Management of Integrated Micro-Electronics Inc and of the Assurance Provider

The Company's management has sole responsibility for the integrity of the Report and this responsibility includes designing, implementing and maintaining internal controls over collection, analysis, aggregation and preparation of data, fair presentation of the information, ensuring that data is free from material misstatement and maintaining the integrity of their website under digital domain. The Board has complete oversight and is responsible for the Company's sustainability reporting. Integrated Micro-Electronics, Inc has stated that this Report has been prepared based references from various sources including, the Guiding Principles and Content Elements of the International Integrated Reporting Council's <IR> Framework, general disclosures and selected topic-specific disclosures related to identified material topics from the GRI Standards, SASB industry specific standards and TCFD for climate-related financial disclosures.

In performing our assurance work, DNV's responsibility is solely towards the Management of Integrated Micro-Electronics, Inc in accordance with terms of reference agreed, however this assurance statement represents our independent opinion and is intended to inform the outcome of the assurance to the Company's stakeholders. DNV's responsibility is to form an independent conclusion. In doing so, we carried out the sampling procedures required for the evidence for a limited level of assurance based on VeriSustain i.e., DNV is responsible for planning and performing the engagement to obtain assurance about whether the selected information is free from material misstatement and meets the disclosure requirements.

Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion as part of the assurance engagement. We adopted a risk-based approach, i.e., we concentrated our verification efforts on the issues of high material relevance to Integrated Micro-Electronics, Inc and its key stakeholders. A team of sustainability assurance specialists reviewed non-financial disclosures related to IMI HQ and select sample sites at Laguna and Kuichong, based on DNV's sampling plan. We undertook the following activities:

[1] The VeriSustain protocol is available on www.dnv.com
* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

- Review of the non–financial sustainability-related disclosures in this Report;
- Review of approaches to materiality determination and review of outcomes of stakeholder engagement; DNV did not have any direct engagement with external stakeholders;
- Review of information provided to us by the Company on its reporting and management processes related to sustainability performance for the reporting year based on the framework adopted by Integrated Micro-Electronics Inc
- Interviews with select members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support generic disclosures. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and discussed findings and resolved with the Corporate Sustainability Team;
- Carried out on-site assessment at IMI Laguna, and remote assessment for IMI Kuichong to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritized based on risk-based approach, i.e., relevance of identified material topics and sustainability context of the business;
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

Opinion and Observations

On the basis of the assurance engagement undertaken, nothing has come to our attention to suggest that Integrated Micro-Electronics Inc's 2022 Integrated Report does not properly describe the non-financial performance of identified material topics based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework"). Without affecting our assurance opinion, we also provide the following observations against the principles of VeriSustain:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

IMI strives to ensure that expectations, needs, and interests of all stakeholders are balanced. The Report has brought out engagement with key stakeholders (e.g. Shareholders, Employees, Customers and Suppliers etc.) namely ways to strengthen relationships, add value propositions, manage risks and opportunities and informed strategic planning.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

The report describes IMI's material ESG issues against global frameworks on sustainable development, ESG Standards to align with the company's economic, environment, and social impacts.

IMI has identified its key material topics/accounting metrics, has benchmarked against industry specific ESG assessments/SDG's and finally validated by engaging with concerned stakeholders.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out the Company's responses to identified material topics, key challenges faced and significant issues including risks which have arisen during the reporting period through disclosures on Governance, Business Review, strategic responses to key stakeholders' concerns, to deliver shared values. Further the Report also brings out its non-financial performance related to its material topics through selected GRI Topic Specific Standards and SASB industry-specific Standards as Performance Indices. The Report may further strengthen on this Principle in future reporting periods by establishing the link to short, medium and long-term targets towards value creation related to its identified material topics.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of the performance disclosures verified through onsite verification, i.e., at IMI (Laguna) and sampled sites, and through desk reviews, were found to be fairly accurate, reliable, identifiable and traceable to the source. Considering the limited sampling, we did not detect any major errors related to data collection or aggregation. We also reviewed the calculations and related assumptions used for its suitability, taking into account the principle of Reliability, however our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. Some of the data inaccuracies identified during the verification process were found to be attributable to interpretation and aggregation errors. These identified errors were communicated, and the responses and corrections made to the reported data and information were reviewed.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

Completeness

How much of all the information that has been identified as material to the organization and its stakeholders is reported.

The Report discloses the Company's non-financial disclosures based on the <IR> Framework and performance during the reporting period 2022 related to its material issues using appropriate GRI Topic Specific Standards and SASB disclosures, for the identified boundary of operations and covers the Company's approaches to value creation during the reporting period.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The Report presents disclosures related to the Company's performance, challenges and concerns of stakeholders during the reporting period in a neutral, consistent and balanced manner, applying adequate consideration to not unduly influence stakeholders' opinion made based on the reported data and information.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

Limitations

DNV's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith, are true, and is free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. The engagement excludes the sustainability management, performance, and reporting practices of Integrated Micro-

Electronics, Inc's suppliers, contractors, and any third parties mentioned in the Report. The Company's position statements, the statements for the management approach, and case studies and examples are excluded from the scope of our work. We did not interview external stakeholders as part of this assurance engagement.

We understand that the reported financial data and related information are based on statutory disclosures and Audited Financial Statements[#], which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement

The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct[2] during the assurance engagement and maintain independence wherever required by relevant ethical requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV has provided assurance to Ayala Corporation, Bank of the Philippine Islands, Ayala Land Inc., AREIT, AC Energy Corporation, Manila Water Company Inc., Integrated Micro-Electronics, Inc and Globe Telecom, Inc. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV did not provide any services to Integrated Micro-Electronics, Inc in 2022 that could compromise the independence or impartiality of our work.

Purpose and Restriction on Distribution and Use

This assurance statement, including our conclusion has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

For and on behalf of DNV

Nagarajan, Sathishkumar Digitally signed by Nagarajan, Sathishkumar Date: 2023.04.06 14:30:58 +08'00'	Percy Lakdawalla Digitally signed by Percy Lakdawalla Date: 2023.04.10 18:44:34 +08'00'	Astone, Antonio Digitally signed by Astone, Antonio Date: 2023.04.06 17:13:52 +07'00'
N Sathishkumar **Lead Verifier** **Head, Sustainability Services (SEA)** **DNV Business Assurance** **Singapore Pte. Ltd.**	**Percy Lakdawalla** **Regional Manager - Asia Pacific** **Supply Chain and Product Assurance** **DNV Business Assurance** **Singapore Pte. Ltd.**	**Antonio Astone** **Assurance Reviewer** **Global Service Manager** **DNV Business Assurance Italia S.r.l**

06 April 2023, Singapore

DNV, is a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnv.com

2 The DNV Code of Conduct is available from the DNV website (www.dnv.com)
16 March 2023

Financial Statements

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF 2022 PERFORMANCE

Revenues

Despite the ongoing component shortage and the weakening of the euro against the U.S. Dollar, IMI delivered full year revenues of US$1.4 billion, an 8% increase from 2021, on strong performance of our focus market segments: automotive (+15%) and industrial (+15%) driven by successful ramp up of new projects.

Wholly-owned subsidiaries achieved revenues of US$1.1 billion, an 11% growth compared to the previous year. Meanwhile, VIA optronics (VIAO) and Surface Technology International (STI Ltd.) remain constrained by an unfavorable business climate particularly as component allocation in the aerospace/defense and demand for the consumer segments continue to be slower compared to other markets. Combined revenues for these non-wholly owned subsidiaries increased marginally 1% compared to the 10% increase of the past year.

Our global sales teams boosted their efforts to ensure a strong rebound for IMI. At the end of the year, annual revenue potential from new wins amounted to US$352 million, where a significant portion is for electric vehicle projects and trends on digital technology.

Gross Margins and Net Profits

Our full year gross profit of US$110.4 million rose 22%, translating to a margin of 7.8% versus 7.0% in the prior year. This was a result of proactive response to streamline the supply chain, rationalize global headcount, restructure product pricing, and an adjustment to align the company's accounting for the estimated useful life of manufacturing equipment with the rest of the industry from an average of 7 to 10 years.

Execution was incredibly important for us throughout the year, especially given the prevailing inflationary environment and planning constraints in view of delays and resource pressures. We further tightened many areas of operations and performance, including discretionary spend, efficiency, and recruitment, leaving us well positioned in the future. As a result, operating income came in at US$2.7 million from a loss of US$17.7 million last year reflecting improved gross profit margins and reduced general and administrative expenses related to our productivity improvement initiatives.

While the financial results of our wholly-owned subsidiaries have been positive for two consecutive years even amid the material constraints and the impact of a weakened euro, our group-wide performance was still subdued due to prevailing challenges with VIAO and STI Ltd. The core businesses ended the year with US$11.5 million of net income while non-wholly owned subsidiaries incurred US$18.2 million of loss for the year. Our management teams in these companies are revisiting the commercial strategies and organizational structure as we work back towards improved profitability.

Financial Condition

We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a robust balance sheet. As of end 2022, our current ratio stood at 1.51:1 and debt-to-equity ratio of 0.83:1. On cash flows and liquidity, the component shortage prompted an increase in working capital particularly on inventory levels. Because of this, we have been working to improve our loading and execution strategies as well as inventory turnover to best position the business for changing market conditions. Importantly, we continued investing on capital expenditure in preparation for the new programs that we have won, but at slightly lower level compared to previous years. During the year, IMI spent US$21.2 million on capital expenditures related to new programs and capacity expansion, lower than last year's US$31.0 million.

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

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

- All the Audit and Risk Committee members are non-executive directors, with majority being independent directors, including the Chairman.
- We had four (4) regular meetings and executive meetings with the internal auditors and external auditors.
- We recommended for approval of the Board and endorsement to the shareholders the reappointment of E&Y/SGV & Co. as the Company's 2022 external auditor and the related audit fee.
- We reviewed and approved the quarterly unaudited and the annual audited parent and consolidated financial statements of Integrated Micro-Electronics, Inc., and Subsidiaries ("IMI"), including the Management's Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors, and E&Y/SGV & Co. These activities were performed in the following context:
  - Management has the primary responsibility for the financial statements and the financial reporting process; and
  - E&Y/SGV & Co. is responsible for expressing an opinion on the conformity of the IMI's audited parent and consolidated financial statements with the Financial Reporting Standards.
- We approved the overall scope and the respective audit plans and revisions thereto, of the Company's internal auditors and E&Y / SGV & Co. We reviewed the adequacy of resources, the competencies of staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. We also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments.
- We reviewed the reports and updates of the internal and external auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. Based on the assurance provided by internal audit as well as E&Y/SGV & Co., as a result of their audit activities, the Committee assessed that the Company's systems of internal controls, risk management, and governance processes are adequate.
- We reviewed and approved all audit, audit-related and non-audit services provided by E&Y/SGV & Co. to IMI and the related fees. We also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence.
- We reviewed the Audit and Risk Committee Charter and Internal Audit Charter to ensure that it remains relevant and aligned with regulatory requirements.
- We evaluated the performance of the Chief Audit Executive and the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing; and
- We conducted an annual assessment of our performance in accordance with the Security and Exchange Commission guidelines and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Risk Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2022, for filing with the Securities and Exchange Commission and the Philippine Stock Exchange.

We are also recommending the re-appointment of E&Y/SGV & Co. as IMI's external auditors and related audit fee for 2023 based on their performance and qualifications.

16 March 2023

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-electronics, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

DELFIN L. LAZARO
Chairman, Board of Directors

JEROME S. TAN President	**LAURICE S. DELA CRUZ** Chief Finance Officer - OIC

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Integrated Micro-Electronics, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2022, the Group's goodwill attributable to the following cash-generating units (CGUs): Integrated Micro-Electronics, Inc., Speedy-Tech Electronics, Ltd., IMI Czech Republic s.r.o., VIA Optronics GmbH (VIA), and Surface Technology International Enterprises Limited (STI), amounted to $136.25 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which continue to be impacted by the coronavirus pandemic, specifically revenue growth rate, gross margin, cost ratios and discount rates.

The Group's disclosures about goodwill are included in Notes 4 and 11 to the consolidated financial statements.

Audit response

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

Recoverability of property, plant and equipment

Under PFRS, the Group is required to test the recoverability of nonfinancial assets when indicators of impairment exist. In 2022, the continuing gross loss since the start of mass production for the production line for certain customers in Philippines and Mexico has been assessed as an impairment indicator requiring an impairment assessment. Accordingly, the related items of property, plant, and equipment with an aggregate depreciated cost of $44.69 million as of December 31, 2022, which is significant to the consolidated financial statements, were tested for impairment, resulting to recognition of impairment loss amounting to $0.36 million. The management's impairment assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which continues to be impacted by the coronavirus pandemic, specifically revenue growth rate, gross margin, cost ratios and discount rates.

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

Audit response

We obtained an understanding of the Group's impairment assessment process. We involved our internal specialist in evaluating the reasonableness of the discount rate. We tested the parameters used in the determination of the discount rate against market data. We compared the key assumptions used such as revenue growth rate, gross margins and cost ratios against actual historical performance of the above property, plant and equipment and industry outlook, taking into consideration the impact associated with coronavirus pandemic. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is more sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the property, plant and equipment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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

March 16, 2023

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Attributable to Equity Holders of the Parent Company											
							Other Comprehensive Income (Loss)					
	Capital Stock-Common (Note 19)	Subscribed Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable (Notes 19 and 28)	Retained Earnings (Note 19)	Treasury Stock (Note 19)	Other Components of Equity (Note 13)	Cumulative Translation Adjustment (Note 19)	Remeasurement losses on defined benefit plans (Note 27)	Attributable to Equity Holders of the Parent Company (Note 19)	Attributable to Non-controlling Interests (Note 19)	Total
Balances at January 1, 2022	$42,705,563	$708,788	$193,830,800	($2,701,935)	$201,560,230	($1,012,588)	($554,610)	($19,865,348)	($10,072,232)	$404,598,668	$57,114,576	$461,713,244
Issued shares during the year	13,661	(13,661)	–	–	–	–	–	–	–	–	–	–
Collection from subscriptions	–	–	–	45,486	–	–	–	–	–	45,486	–	45,486
Forfeitures during the year	–	(2,673)	(33,581)	36,254	–	–	–	–	–	–	–	–
	42,719,224	692,454	193,797,219	(2,620,195)	201,560,230	(1,012,588)	(554,610)	(19,865,348)	(10,072,232)	404,644,154	57,114,576	461,758,730
Net loss	–	–	–	–	(6,756,929)	–	–	–	–	(6,756,929)	(8,605,423)	(15,362,352)
Other comprehensive income (loss)	–	–	–	–	–	–	587,404	(23,803,135)	2,638,001	(20,577,730)	(10,534,792)	(31,112,522)
Total comprehensive income (loss)	–	–	–	–	(6,756,929)	–	587,404	(23,803,135)	2,638,001	(27,334,659)	(19,140,215)	(46,474,874)
Balances at December 31, 2022	$42,719,224	$692,454	$193,797,219	($2,620,195)	$194,803,301	($1,012,588)	$32,794	($43,668,483)	($7,434,231)	$377,309,495	$37,974,361	$415,283,856

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Attributable to Equity Holders of the Parent Company											
							Other Comprehensive Income (Loss)					
	Capital Stock-Common (Note 19)	Subscribed Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable (Notes 19 and 28)	Retained Earnings (Note 19)	Treasury Stock (Note 19)	Other Components of Equity (Note 13)	Cumulative Translation Adjustment (Note 19)	Remeasurement losses on defined benefit plans (Note 27)	Attributable to Equity Holders of the Parent Company (Note 19)	Attributable to Non-controlling Interests (Note 19)	Total
Balances at January 1, 2021	$42,674,930	$744,823	$193,869,684	($2,888,800)	$215,793,690	($1,012,588)	($874,804)	$9,137,769	($9,750,213)	$447,694,491	$133,168,238	$580,862,729
Issued shares during the year	30,633	(30,633)	–	–	–	–	–	–	–	–	–	–
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–	(70,000,000)	(70,000,000)
Collection from subscriptions	–	–	–	142,579	–	–	–	–	–	142,579	–	142,579
Forfeitures during the year	–	(5,402)	(38,884)	44,286	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(3,668,889)	–	–	–	–	(3,668,889)	–	(3,668,889)
	42,705,563	708,788	193,830,800	(2,701,935)	212,124,801	(1,012,588)	(874,804)	9,137,769	(9,750,213)	444,168,181	63,168,238	507,336,419
Net loss	–	–	–	–	(10,564,571)	–	–	–	–	(10,564,571)	(9,140,948)	(19,705,519)
Other comprehensive income (loss)	–	–	–	–	–	–	320,194	(29,003,117)	(322,019)	(29,004,942)	3,087,286	(25,917,656)
Total comprehensive income (loss)	–	–	–	–	(10,564,571)	–	320,194	(29,003,117)	(322,019)	(39,569,513)	(6,053,662)	(45,623,175)
Balances at December 31, 2021	$42,705,563	$708,788	$193,830,800	($2,701,935)	$201,560,230	($1,012,588)	($554,610)	($19,865,348)	($10,072,232)	$404,598,668	$57,114,576	$461,713,244

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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 47.91% owned by Mermac, Inc. (Ultimate Parent Company) and the rest by the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PSi is a power semiconductor assembly and test services company serving niche markets in the global power semiconductor market. PSi provides comprehensive package design, assembly and test services for power semiconductors used in various electronic devices. In 2021, the principal office of PSi was changed to North Science Avenue, Laguna Technopark – Special Economic Zone (LTSEZ), Bo.Biñan, Biñan, Laguna following the transfer of its manufacturing operations inside the IMI premises. PSi remains to be a separate legal entity.

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

2. Group Information

Information about Subsidiaries

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

Subsidiary	Percentage of Ownership 2022	2021	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ [c]	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ)	**100.00%**	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd.	**100.00%**	100.00%	China	RMB
IMI Innovative Technology (Shenzhen) Co., Ltd. [a]	**100.00%**	–	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH) [c]	**100.00%**	100.00%	Philippines	USD
Cooperatief IMI Europe U.A.	**100.00%**	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	**100.00%**	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	**100.00%**	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš (IMI Serbia)	**100.00%**	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	**100.00%**	100.00%	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	**100.00%**	100.00%	Mexico	USD
IMI France SAS (IMI France)	**100.00%**	100.00%	France	EUR
VIA Optronics AG (VIA)	**50.32%**	50.32%	Germany	EUR
Germaneers GmbH [b]	**100.00%**	100.00%	Germany	EUR
VIA Optronics (Philippines), Inc. [b]	**100.00%**	100.00%	Philippines	PHP
VIA Optronics GmbH (VIA GmbH)	**100.00%**	100.00%	Germany	USD
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	**100.00%**	100.00%	China	USD
VIA Optronics LLC (VIA LLC)	**100.00%**	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd	**100.00%**	100.00%	Taiwan	Taiwan Dollar
VTS-Touchsensor Co., Ltd. (VTS)	**65.00%**	65.00%	Japan	Japanese Yen (JPY)
Integrated Micro-Electronics UK Limited (IMI UK)	**100.00%**	100.00%	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	**80.00%**	80.00%	United Kingdom	GBP
STI Limited	**100.00%**	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	**100.00%**	100.00%	Philippines	USD
STI Asia Ltd [c]	**100.00%**	100.00%	Hong Kong	Hong Kong Dollar (HKD)
ST Intercept Limited [c]	**100.00%**	100.00%	United Kingdom	GBP
IMI USA	**100.00%**	100.00%	USA	USD
IMI Japan	**100.00%**	100.00%	Japan	JPY
PSi	**100.00%**	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [c]	**40.00%**	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [c]	**64.00%**	64.00%	Philippines	USD

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

Business Combinations

Acquisition of Germaneers GmbH ("Germaneers")

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

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

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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

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

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

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

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

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

  The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Group recorded provision for onerous contracts amounting to $1.03 million in 2022 as an impact of applying the amendments (see Notes 4 and 18).

- Annual Improvements to PFRSs 2020-2022 Cycle

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

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

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

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

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

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

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

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

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

    The Group adopted the amendments beginning January 1, 2022.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

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

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

<u>Cash and Cash Equivalents</u>
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.

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

<u>Financial Instruments</u>
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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

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

The financial assets of the Group as of December 31, 2022 and 2021 consist of financial assets at amortized cost (debt instruments) and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

Separated embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

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

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

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

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

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

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

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

b) Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments

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

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

The fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which the fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

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

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

	Years
Buildings	20 - 30
Building improvements	5
Machineries and facilities equipment (Notes 4 and 10)	3 - 13
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Tools and instruments	2 - 5

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

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

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

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

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

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

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

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

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

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

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

	Years
Customer relationships	5
Unpatented technology	5
Licenses	2-5
Intellectual properties	5
Product development costs	5

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

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

<u>Leases</u>
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>Group as Lessee</u>
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease Liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

Extension Options
Some property leases contain extension options exercisable by the Group up to one year before the end of the noncancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group re-assesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Impairment of Nonfinancial Assets
The Group assesses, at each balance sheet date, whether there is an indication that a nonfinancial asset (e.g., deferred charges, property, plant and equipment, right-of-use assets and intangible assets) is impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining EUL.

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

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

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

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

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

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

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

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

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

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

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.

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.

<u>Revenue Recognition</u>
a) Revenue from contracts with customers

The Group is in the business of providing electronic manufacturing and other related services to various customers. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Manufacturing of goods
The Group provides manufacturing services in accordance with the customer's specifications. The Group promises to provide a combined performance obligation comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging.

Contracts with customers are generally classified as turnkey or consignment. In a turnkey contract, the Group procures the materials and provides the assembly services to the customer. In a consignment contract, the Group only provides assembly services to the customer.

For turnkey contracts, revenue is recognized over time since the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised.

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

For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.

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

Revenue from optical bonding technology and metal mesh touch sensors (VIA and VTS)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

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

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., customer options that provide material rights to customers, warranties). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer, if any.

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component
The Group's contracts with its customers are short-term in nature. Using the practical expedient in PFRS 15, the Group does not adjust the promised amount of consideration of the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group does not have significant separate performance obligations wherein the transaction price needs to be allocated as of December 31, 2022 and 2021.

b) Contract balances

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

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

c) Cost to obtain a contract

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

<u>Other Income</u>
Interest income
Interest income is recognized as it accrues using the EIR method.

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

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

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

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

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

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

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

The functional currencies of the Group's foreign subsidiaries are summarized in Note 2 to the consolidated financial statements. As at the balance sheet date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated monthly using the monthly weighted average exchange rates. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity.

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

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

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

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

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

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

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

Net retirement liabilities are the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

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

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

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

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

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

VIA
VIA only has defined contribution plans relating to statutory pension obligations. Funds paid by the employees and employers are not saved or invested but are used to pay current pension obligations. Obligations for contributions to defined contribution plans are recognized as an expense when incurred. VIA Group has no defined benefit plans.

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Determining the lease term of contracts with renewal and termination options - Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

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

Revenue from contracts with customers

- Identifying contracts with customers

  Generally, a valid and approved manufacturing service agreement (MSA), scheduling agreement (SA), customer accepted quote, customer forecast, and/or customer purchase order or firm delivery schedule will be in place before the Group provides services or manufacture goods for the customers. The Group is not obligated to transfer any goods or provide services until the customer submits a purchase order or firm delivery schedule under the MSA or SA, respectively. The purchase order or firm delivery schedule creates the enforceable rights and obligations and is therefore evaluated together with the MSA or SA for revenue recognition in accordance with PFRS 15.

- Determining the timing of revenue recognition

  The Group assessed that revenue from manufacturing of goods shall be recognized over time or point in time. For turnkey contracts wherein the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised, revenue is recognized over time. For goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time. For consignment contracts, revenue is recognized over time as services are rendered since the customer simultaneously receives and consumes the benefits as the Group performs.

- Determining the method of measure of progress for revenue recognized over time

  The Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.

Product development costs

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

Functional currency

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

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

Onerous contracts – costs of fulfilling a contract

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

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

Further details are disclosed in Notes 18 and 22.

Contingencies

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

Further details are disclosed in Note 34.

<u>Estimates and Assumptions</u>

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

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

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

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

Lease commitments - Group as lessee

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of the financial liabilities on put options

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

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

Further details on the valuation of the put options are disclosed in Note 19.

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., industry compounded annual growth rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

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

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

Depreciation and amortization
The Group computes depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets with finite useful life on a straight-line basis over the assets' EUL. The EUL and depreciation and amortization method are reviewed annually to ensure that these are consistent with the expected pattern of the economic benefits from the assets. This requires the Group to make an estimate of the expected asset utilization from business plans and strategies, future technical developments and market behavior to determine the expected pattern of economic benefits from the assets. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation and amortization expense on property, plant and equipment and intangible assets with finite useful lives are recognized in profit or loss, in the expense category, consistent with the function of the property, plant and equipment and intangible assets.

Further details on property, plant and equipment, intangible assets, and right-of-use assets are disclosed in Notes 11, 12 and 30, respectively.

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

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

Details of the impairment loss recognized are disclosed in Notes 10, 12 and 24.

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

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

Further details on taxes are disclosed in Note 25.

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

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

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

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

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

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

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

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

5. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

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

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

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

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

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

6. Receivables

This account consists of:

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

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 70 days from invoice date. VIA has pledged a portion of its trade accounts receivable, up to amounts drawn under the respective loans, in support of the obligations (see Note 16).

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

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

Receivable from Insurance
Receivable from insurance pertains to claims for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 which was fully impaired as of December 31, 2022 and 2021.

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

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

Movements in the allowance for ECLs are as follow:

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

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

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

7. Contract Balances

This account consists of:

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

Contract assets are initially recognized for revenue earned from manufacturing of goods as receipt of consideration is conditional on successful completion of the services. When goods are shipped or goods are received by the customer, depending on the corresponding agreement with the customers, the amounts recognized as contract assets are reclassified to trade receivables. Payments are received from customers depending on the credit terms.

For the years ended December 31, 2022 and 2021, the Group did not recognize a provision for expected credit losses on contract assets.

Contract liabilities includes short-term advances received to render manufacturing services. The increase in contract liabilities was mainly due to higher advance payments received from new and existing customers.

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

8. Inventories

This account consists of:

	2022	2021
Raw materials and supplies	$267,413,402	$225,928,319
Work-in-process	7,995,649	6,946,498
Finished goods	5,984,042	18,171,690
	281,393,093	251,046,507
Less allowance for:		
Inventory obsolescence	12,601,131	12,304,771
Decline in value of inventories	294,710	152,874
	12,895,841	12,457,645
	$268,497,252	$238,588,862

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

Movements in the allowance for inventory obsolescence follows:

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

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

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

The Group recognized gains from sale of materials and scrap amounting to $0.03 million in 2022, $0.10 million in 2021, and $0.04 million in 2020. Gains from sale of materials and scrap are included under "Miscellaneous income (loss) - net" account in the consolidated statements of income (see Note 24).

9. Other Current Assets

This account consists of:

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

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

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

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

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

10. Property, Plant and Equipment

Movements in this account follows:

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

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

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

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

Construction in progress pertains to the construction and development of manufacturing production lines of the Group. Construction in progress transferred to property, plant and equipment amounted to $6.25 million and $10.86 million as of December 31, 2022 and 2021, respectively.

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

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

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

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

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

11. Goodwill

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

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

Movement in goodwill follows:

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

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

STI, VIA, STEL and IMI CZ

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

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

Cash flows beyond the 5-year period are extrapolated using a growth rate of 1% to 3.47%, which does not exceed the compound annual growth rate (CAGR) for the area-specific electronics manufacturing services (EMS) industry, specifically on automotive, industrial equipment, consumer electronics and telecommunications segments.

Key assumptions used in the value-in-use calculations

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

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

No impairment loss was recorded in 2022, 2021 and 2020.

Sensitivity to changes in assumptions

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

Parent Company

The goodwill of the Parent Company pertains to its acquisition of M. Hansson Consulting, Inc. (MHCI) in 2006 and IMI USA in 2005. MHCI was subsequently merged to the Parent Company as testing and development department. IMI USA acts as direct support to the Group's customers by providing program management, customer service, engineering development and prototyping manufacturing services. IMI USA's expertise in product design and development particularly on the flip chip technology is being used across the Group in providing competitive solutions to customers. In 2022 2021 and 2020, the Group assessed the impairment based on value-in-use calculations using cash flow projections of the Parent Company from financial budgets approved by BOD covering a 5-year period.

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

12. Intangible Assets

Movements in this account are as follows:

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

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

Customer Relationships

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

Customer relationships of STEL Group and IMI BG aggregating to $19.67 million were fully amortized as of December 31, 2022, 2021 and 2020. The remaining net book value of the customer relationship in 2021 with net book value $0.13 million pertains to VTS, which was also fully amortized in 2022.

Licenses

This includes acquisitions of computer software, applications and modules.

Intellectual Properties

The Group's intellectual properties (IPs) relate to the acquisition of VIA and VTS. VIA's intellectual properties pertain to display system optically bonded to a display region and enhanced liquid crystal display system and methods while VTS's IP relates to the transfer of the seller of the technology relevant to run the business.

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

Product Development Costs

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

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

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

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

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

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

The table below shows reconciliation of fair value measurements:

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

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

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

14. Other Noncurrent Assets

This account consists of:

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

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

Miscellaneous deposits comprise of utilities and rent deposits.

15. Accounts Payable and Accrued Expenses

This account consists of:

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

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

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

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

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

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

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers. These advances are generally applied against related billings to customers.

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

16. Loans Payable

This account consists of borrowings of the following entities:

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

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

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

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

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

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

VIA and STI incurred interest expense on the short-term loan amounting to $2.22 million, $1.34 million and $1.47 million in 2022, 2021 and 2020, respectively (see Note 23).

IMI CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR or PRIBOR plus 1.20%.

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

17. Long-Term Debt

This account consists of borrowings of the following entities:

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

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

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

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

As of December 31, 2022 and 2021, the Parent Company has complied with all of the above-mentioned loan covenants.

The Parent Company incurred interest expense on its long-term loans amounting to $4.93 million in 2022, $2.96 million in 2021, and $2.36 million in 2020 (see Note 23).

VTS and IMI CZ
VTS and IMI CZ have unsecured long-term loans with Japanese and Czech-based banks that are payable in regular monthly installments both with terms of five years. The VTS and IMI CZ loan has interest rates ranging from 0.80% to 2.31% per annum.

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

18. Other Current Liabilities

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

19. Equity

Capital Stock
This account consists of:

	2022		2021		2020	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized - ₱1 par value						
Common	**2,250,000,000**		2,250,000,000		2,250,000,000	
Preferred	**200,000,000**		200,000,000		200,000,000	
Issued – Common						
At beginning of year	**2,192,778,323**	**$42,705,563**	2,191,315,287	$42,674,930	2,191,273,522	$42,674,027
Issuances from ESOWN	**647,051**	**13,661**	1,463,036	30,633	41,765	903
At end of year*	**2,193,425,374**	**$42,719,224**	2,192,778,323	$42,705,563	2,191,315,287	$42,674,930

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

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

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

Details of this account follow:

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

Additional Paid-in Capital
VIA Initial Public Offering
On September 25, 2020, VIA Optronics, a 76%-owned German subsidiary of IMI, raised some proceeds through an initial public offering (IPO) and was listed on the New York Stock Exchange under the ticker symbol "VIAO". The IPO involves issuance of 6,250,000 American Depositary Shares (ADSs), representing 1,250,000 ordinary shares at a public offering price of $15.00 per ADS, for gross proceeds of $93.75 million (net proceeds of $87.19 million after deducting underwriting discounts and commissions). Corning Research & Development Corporation ("Corning"), one of VIA's commercial partners, has also agreed to purchase additional 1,403,505 ADSs, representing 280,701 ordinary shares, at an aggregate purchase price of approximately $20 million (net $19.6 million after commissions) in a separate concurrent private placement.

As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was increased by $62.52 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attributed it to the owners of the Parent Company. The amount recognized in equity amounted to $32.40 million and was recognized as a credit to the "Additional paid-in capital" account.

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

Subscriptions Receivable
Details of this account follow:

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

Dividends
2022
No dividend payment was declared to common shareholders.

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

2020
IMI SG paid dividends on the redeemable cumulative preferred stocks (RCPS) to ACI SG on the anniversary dates amounting to $3.47 million and $2.02 million in March 2020 and October 2020, respectively. In November 2020, dividends were paid to the redeemed portion of the RCPS that have accrued as of redemption date amounting to $1.01 million. No dividend payment was declared to common shareholders.

Retained Earnings
Accumulated net earnings of the subsidiaries amounting to $176.87 million and $186.98 million as of December 31, 2022 and 2021, respectively, are not available for dividend declaration. This accumulated net earnings of subsidiaries becomes available for dividend upon receipt of cash dividends from the investees.

The retained earnings are restricted to dividend declaration to the extent of the cost of treasury shares amounting to $1.01 million.

In accordance with the Revised Securities Regulation Code Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2022 amounted to $5.12 million.

Treasury Shares
In July 1999, the Company repurchased a total of 8,867,318 Class B common shares issued to a minority stockholder for a price ₱75.00 million.

Cumulative Translation Adjustments

This account pertains to cumulative translation adjustments of subsidiaries with functional currency other than the Group's presentation currency (see Note 2). Exchange differences arising from translation of foreign operations for the period ended December 31, 2022, 2021 and 2020 follows:

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

Non-controlling interest

Issuance of capital stock - preferred by IMI Singapore

In 2019, IMI Singapore, a wholly-owned subsidiary of the Parent Company, issued RCPS, which were subscribed by AC Industrials (Singapore) Pte, Ltd., an entity under common control of AC Industrials. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of IMI Singapore and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore. Total shares issued aggregated to $100 million, $60 million of which was allotted and issued in July 2019 and $40 million in November 2019.

In November 2020, the Board approved the partial redemption of the RCPS amounting to $30.0 million and paid the dividends that have accrued as of redemption date amounting to $1.01 million. Outstanding balance of the RCPS as of December 31, 2020 amounted to $70.0 million.

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

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

No changes were made in the objectives, policies and processes for the years ended December 31, 2022 and 2021.

The Group monitors capital using a gearing ratio of debt-to-equity and net debt-to-equity. The Group considers bank borrowings in the determination of debt, which consist of loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

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

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

20. Cost of Sales

This account consists of:

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

21. Operating Expenses

This account consists of:

	2022	2021	2020
Salaries, wages and employee benefits (Note 27)	**$58,804,816**	$61,950,473	$50,543,361
Depreciation and amortization (Notes 10, 12 and 30)	**7,606,067**	11,891,409	11,997,105
Facilities costs and others (Note 22)	**41,339,423**	34,639,830	29,919,927
	$107,750,306	$108,481,712	$92,460,393

22. Facilities Costs and Others - Net

This account consists of:

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

Others include sales commission, donations, small tools and instruments, spare parts, materials, office supplies, and copying expenses. In 2020, the amount is net of the Covid-related incentives in the form of social insurance refunds, electricity cost subsidies and other job support schemes in China, Europe and Singapore recognized as reduction in cost of sales and operating expenses.

23. **Interest Expense and Bank Charges**

This account consists of:

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

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

24. **Miscellaneous Income - Net**

Miscellaneous income (loss) - net consists of:

	2022	2021	2020
Financial subsidies	**$2,599,524**	$2,817,097	$6,288,982
Other income from customers	**1,260,832**	445,611	404,813
Gain on insurance claims	**415,795**	458,016	61,260
Sale of materials and scrap (Note 8)	**26,916**	96,459	36,332
Mark-to-market gain on put options (Note 19)	**–**	1,627,806	6,068,906
Loss on lease modifications	**–**	(159,630)	–
Reversal (provision) of impairment on property, plant and equipment (Notes 4 and 10)	**(361,185)**	1,612,065	(2,620,779)
Reversal (provision) of impairment loss on product development cost (Notes 4 and 12)	**(1,604,842)**	636,456	(4,693,985)
Gain (loss) on sale and retirement of property, plant and equipment – net (Note 10)	**(2,355,745)**	438,498	657,101
Other income (expense) – net	**457,808**	224,404	(679,701)
	$439,103	$8,196,782	$5,522,929

Financial subsidies are comprised of special subsidy funds such as industrial, economic and technological development fund subsidies provided by the China government, amortization of the grant incentives received from the government of Serbia related to the new manufacturing facility and other Covid-related grants in China, Europe and Singapore. The balance of the Serbia grant incentive included under "Other noncurrent liabilities" account amounted to $3.13 million and $2.84 million in 2022 and 2021, respectively.

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

25. **Income Tax**

Current Tax

Parent Company

The Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2022, there are three remaining project activities with ITH which will expire in 2023 and 2027. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment.

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

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

IMICD, IMISZ and STJX

In accordance with the "Income Tax Law of the People's Republic of China (PRC) for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

STJX and IMISZ have been granted tax preference by the State Taxation Administration of the People's Republic of China for a period of 3 years (from 2020 to 2022) as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of 15% (2021: 15%) on its taxable income as reported in its financial statements, prepared in accordance with the accounting regulations in the PRC.

IMICD is subjected to taxation at the statutory tax rate of 15% (2021: 15%) on its taxable income as reported in the financial statement.

Cooperatief

Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 20% on the first €200,000 and 25% on the taxable amount exceeding €200,000, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities.

IMI BG

Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate is 10%.

IMI NIS

Taxable income is established on the basis of accounting profit. The applicable tax rate is 15%.

IMI CZ

Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of Czech Republic. The tax base comprises the book income from operations, which is increased or decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate is 19%.

IMI MX

The Mexican Income Tax Law (MITL) established a corporate income tax rate of 30% for fiscal years 2022, 2021 and 2020. The MITL established requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the company but should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

IMI France

Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one year. The tax rate applicable is 33% based on net income.

VIA and VTS

VIA AG and GmbH are subject to corporate income tax and trade taxes in Germany. For the years ended December 31, 2022, 2021 and 2020, the statutory German corporate income tax rate applicable to VIA GmbH is 15,0% plus solidarity surcharge of 5,5% thereon. The municipal trade tax is approximately 16.35% in 2022 and 2021 and 16.1% in 2020. Overall tax rate for Germany is 32.17% in 2022, 32.17% for 2021 and 31.9% for 2020.

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

STI

The standard rate of corporation tax in the UK is 19%. STI Philippines is governed by the rules of R.A. No. 7916, which prescribes a final tax rate of 5% on gross income net of certain deductions specifically provided for by the law.

PSi

As a PEZA-registered entity, PSi is subject to a 5% tax on gross income less allowable deductions, as defined in R.A. No. 7916, as amended by R.A. No. 8748, in lieu of all national and local taxes, except real property tax on land being leased by PSi. The 5% tax on gross income shall be paid and remitted as follows: (a) 3% to the National Government; and (b) 2% to the treasurer's office of the municipality or city where the enterprise is located. Income from other income-producing activities that are not registered with PEZA is subject to RCIT rate of 30%.

As at December 31, 2022 and 2021, PSi has no PEZA-registered activities with ITH entitlement.

Deferred Tax

Recognized deferred taxes of the Group relate to the tax effects of the following:

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

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

Deferred tax assets and deferred tax liabilities are offset on per entity level and the net amount is reported in consolidated balance sheets as follows:

	December 31, 2022			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	$–	($167,151)	$–	($167,151)
PSI	408,823	(409,744)	–	(921)
IMI BG	741,963	(794,223)	–	(52,260)
IMI CZ	233,175	(49,182)	183,993	–
IMI MX	544,339	(404,234)	140,105	–
VIA and STI	4,054,916	(3,364,541)	690,375	–
STEL	987,197	(41,443)	987,197	(41,443)
Serbia	144,095	–	144,095	–
Consolidation	45,600	(886,349)	3,096	(843,845)
	$7,160,108	($6,116,867)	$2,148,861	($1,105,620)

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

Others pertain to the deferred tax liabilities resulting from the acquisition of IMI EU/MX Subsidiaries.

The movement in deferred taxes are impacted by the translation of the deferred taxes of the subsidiaries with functional currency other than the presentation currency of the Parent Company. The deferred taxes are translated using the closing rate as at balance sheet date and the exchange differences are recognized as part of the other comprehensive income and reported as separate component of equity.

As of December 31, 2022 and 2021, the temporary differences for which no deferred tax assets have been recognized are as follows:

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

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used.

As of December 31, 2022 and 2021, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries (see Note 19) and the related cumulative translation adjustments since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

On September 30, 2020, the Philippine Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the entities operating in the Philippines has incurred NOLCO before and after taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2019	2020 to 2022	$15,757,987	$15,757,987	$–
2022	2023 to 2025	23,764,143	–	23,764,143
		$39,522,130	$15,757,987	$23,764,143

As of December 31, 2022, the entities operating in the Philippines has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2021	2022 to 2026	$14,809,729	$–	$14,809,729
2020	2021 to 2025	8,618,730	37,136	8,581,594
		$23,428,459	$31,136	$23,391,323

For the carry-over losses of certain entities within the Group, this expires between three to ten years from the date incurred depending on the jurisdiction the entity is operating.

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

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

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

26. Loss per Share

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

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

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

27. Personnel Costs

Details of salaries, wages, and employee benefits follow:

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

Others include expenses such as subcontracting costs, employee social and recreation, employee awards and recognition, trainings and seminars, labor union expenses, and uniforms.

Salaries, wages, and employee benefits are allocated as follows:

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

Defined Benefit Plans

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

The plan is administered by local banks as trustees. The Board of Trustees is responsible for the investment direction of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, and the Treasurer. The Treasurer oversees the entire investment process.

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

The Group has net retirement liabilities attributable to the following:

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

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

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

2022

	January 1	Net Retirement Expense: Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Remeasurements: Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$24,662,688	$1,861,195	$1,048,689	$–	$2,909,884	($2,262,643)	$–	$79,571	$–	($3,648,842)	($3,569,271)	$–	($1,824,288)	$19,916,370
Fair value of plan assets	(14,607,146)	–	(691,635)	–	(691,635)	–	931,270	–	–	–	931,270	–	1,238,803	(13,128,708)
Net retirement liabilities	$10,055,542	$1,861,195	$357,054	$–	$2,218,249	($2,262,643)	$931,270	$79,571	$–	($3,648,842)	($2,638,001)	$–	($585,485)	$6,787,662

2021

	January 1	Net Retirement Expense: Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Remeasurements: Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$24,482,798	$2,022,461	$805,933	$–	$2,828,394	($2,106,873)	$–	$683,260	$–	($526,208)	$157,052	$–	($698,683)	$24,662,688
Fair value of plan assets	(15,127,143)	–	(541,611)	–	(541,611)	–	164,967	–	–	–	164,967	–	896,641	(14,607,146)
Net retirement liabilities	$9,355,655	$2,022,461	$264,322	$–	$2,286,783	($2,106,873)	$164,967	$683,260	$–	($526,208)	$322,019	$–	$197,958	$10,055,542

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

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

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

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

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

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

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

The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute $2.39 million to the defined benefit plans for 2023.

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

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

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

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

Principal actuarial assumptions

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

	2022	2021	2020
Discount rate	1.80% - 7.35%	0.34% - 5.19%	0.34% - 3.89%
Salary increase rate	4.00% - 7.50%	3.00% - 6.50%	3.00% - 5.00%

The sensitivity analysis per entity below has been determined based on reasonably possible changes of each significant assumption on the net retirement liabilities as of the end of the balance sheet date, assuming all other assumptions were held constant:

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

The mortality rate in 2022 and 2021 is based on the 2017 Philippine Intercompany Mortality Table for the Parent Company and PSi. Meanwhile, IMI BG used the table for mortality and average life continuance population in the period 2017-2019 from National Statistical Institute (of Bulgaria) for 2022 and 2021. IMI Serbia used the 2012 table of mortality published by the Statistical Office of the Republic of Serbia for 2022 and 2021.

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

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

Defined Contribution Plans

The Parent Company's subsidiaries, excluding PSi, STIPH, IMI BG, and IMI Serbia, participate in their respective national retirement schemes which are considered as defined contribution plans. The retirement expense of these subsidiaries is allocated as follows:

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

28. Employee Stock Ownership Plan (ESOWN)

The Group has an ESOWN, which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Parent Company's Compensation Committee.

- Term of payment is eight years reckoned from the date of subscription:

Initial payment	2.5%
1st Anniversary	5.0%
2nd Anniversary	7.5%
3rd Anniversary	10.0%
Over the remaining years	75.0% balance

- Holding period:

40%after one (1) year from subscription date
30%after two (2) years from subscription date
30%after three (3) years from subscription date

Movements in the number of shares outstanding under ESOWN in 2022, 2021 and 2020 follow:

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

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

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

29. Segment Information

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and expense and net income before and after tax of its major manufacturing sites. The Parent Company and PSi are combined under Philippine segment, STEL Group is categorized under China segment, IMI BG, IMI CZ and IMI Serbia are combined under Europe based on the industry segment and customers served, IMI Mexico is presented under Mexico segment, VIA and STI are combined under Germany/UK segment representing non-wholly owned subsidiaries, IMI USA, IMI Japan, IMI UK and IMI Singapore/ROHQ are combined being the holding and support facilities for strategic management, research and development, engineering development and sales and marketing.

Prior period information is consistent with the current year basis of segmentation.

The Parent Company and its subsidiaries generally account for inter-segment revenue and transfers as if the revenue and transfers were to third parties at current market prices. These transactions are accounted for in accordance with PFRS.

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the years ended December 31, 2022, 2021 and 2020:

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

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

December 31, 2020	Philippines – Parent Company	Philippines – PSi	China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
Revenue from contracts with customers:									
Third party	$199,431,778	$13,841,873	$225,121,982	$264,650,680	$125,021,387	$268,973,935	$38,798,958	$–	$1,135,840,593
Intersegment	39,560,353	–	27,381,619	4,176,480	730,411	–	5,839,775	(77,688,638)	–
Total revenue from contracts with customers	$238,992,131	$13,841,873	$252,503,601	$268,827,160	$125,751,798	$268,973,935	$44,638,733	($77,688,638)	$1,135,840,593
Segment interest income	$1,172,755	$1,723	$1,385,590	$455,145	$–	$5,001	$5,791,518	($8,481,050)	$330,682
Segment interest expense	$6,031,447	$773,566	$2,995,988	$904,448	$2,907,522	$3,629,390	$345,271	($7,164,999)	$10,422,633
Segment profit (loss) before income tax	($8,821,652)	($2,275,826)	$9,913,597	$19,712,613	($12,695,167)	($8,197,912)	$20,301,542	($19,385,469)	($1,448,274)
Segment provision for income tax	(1,625,830)	(55,074)	(1,083,409)	(1,741,563)	98,577	(925,219)	(175,593)	582,690	($4,925,421)
Segment profit (loss) after income tax	($10,447,482)	($2,330,900)	$8,830,188	$17,971,050	($12,596,590)	($9,123,131)	$20,125,949	($18,802,779)	($6,373,695)
Net income (loss) attributable to the equity holders of the Parent Company	($10,447,482)	($2,330,900)	$8,830,188	$17,971,050	($12,596,590)	($6,574,888)	$20,125,949	($18,432,400)	($3,455,073)

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

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

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

Goodwill arising from the acquisitions as disclosed in Note 11, are recognized at consolidated level for both years ended December 31, 2022 and 2021.

Revenue from Contracts with Customers

Revenues from contracts with customers are further disaggregated by type, customer's nationality, market segment and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table presents revenue by type:

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

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

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

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

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

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

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

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The following table presents revenues per market segment:

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

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

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

**Pertains to Europe, Germany and UK*
***Pertains to Mexico and USA*

Noncurrent assets include property, plant and equipment, goodwill, intangible assets and right of use assets.

The following table presents the depreciation and amortization expense based on their physical location:

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

**Pertains to Europe, Germany and UK*
***Pertains to Mexico and USA*

30. Lease Commitments

Set out below are the carrying amounts of the Group's right-of-use assets presented under non-current assets, and the movements during the period:

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

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

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

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

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

Amortization expense of right-of-use assets recorded in the consolidated statements of income is net of the recognized effect of waived rentals for COVID-19-related rent concessions amounting to $0.06 million and $0.35 million in 2022 and 2021, respectively.

The Group's lease agreements have terms of fixed payments and there are no variable payment provisions.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

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

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

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

The Parent Company entered into an amended lease contract with AREIT INC., formerly owned by Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The lease contract which expired on December 31, 2022 was extended by another five years up to 2027 subject to new lease rates beginning 2023 based on market with annual escalation of five percent beginning January 1, 2024 until the end of the lease term.

The Parent Company also entered into an agreement involving the lease of residential houses and lots located in Sta. Rosa, Laguna covering a period of five years from January 1, 2021 to December 31, 2025.

IMI Singapore and STEL Group
STEL Group have various operating lease agreements on office premises, plant and equipment, leasehold building and improvement, and motor vehicles. These non-cancellable lease contracts have lease terms of between two to eight years. There are no lease commitments for IMI Singapore.

In 2017, IMI SZ entered into a lease agreement on its manufacturing facility covering a period of six years from May 2017 to May 2023. The lease premise is a five-floor building with 29,340 square meters located in an industrial park in Pingshan district of Shenzhen. In 2020, IMI SZ executed a renewal of lease agreement for its 30,430 square meters plant in Kuichong. The coverage of the lease is from November 2019 to November 2022, the contract was extended up to May 2023. In 2022, IMI SZ entered a two-year lease agreement effective July 1, 2022 to June 30, 2024, for a dormitory located in Pingshan.

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

On November 2020, IMI CD entered a five-year lease agreement effective January 2021 to January 2026, for its electronic production, office and staff accommodation. The lease premises is a three-floor building and a dormitory located at Xindu district, Chengdu City. In September 2022, IMI CD entered a three-year non-cancellable lease, effective October 1, 2022 to September 30, 2025, located at Xindu district, Chengdu City to serve as their external warehouse.

IMI BG
IMI BG have lease agreements related to office and warehouse building rent with lease terms of five years. These leases have renewal options.

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 expired in 2022 and were no longer renewed. PSi transferred its operations and office in Laguna Technopark Inc., Binan, Laguna.

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

STI
STI have various lease agreements in respect of manufacturing facilities, office premises and vehicles both in the UK and Philippines. These non-cancellable lease contracts have remaining non-cancellable lease terms of between three to fifty years. There are no restrictions placed upon the lessee by entering into these leases.

IMI Japan
IMI Japan entered a two-year lease of office premises which matured in 2012 with automatic renewal unless prior notice of termination is given to the lessor.

IMI USA
On June 5, 2020, IMI USA entered into a fourth amendment to a standard industrial commercial single tenant lease contract for an extended term of five years commencing from November 1, 2020 to October 31, 2025 for the lease of office premises. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties and an option to extend the lease up to two years.

31. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans and reimbursement of expenses. Sales and purchases of goods and services as well as other income and expenses to and from related parties are made at normal commercial prices and terms.

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

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the years ended December 31, 2022, 2021 and 2020, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

- Transactions with BPI, an affiliate

  As of December 31, 2022 and 2021, the Group maintains current and savings accounts and short-term investments with BPI amounting to $2.17 million and $1.42 million, respectively.

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

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

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

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

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

i. Transaction with KAMMI and MSTPI pertains to trade related receivables.
ii. Transaction with AC Industrials pertains to management fee on corporate and support services.
iii. Payable to BPI pertain to employee related transactions.
iv. Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.
v. Payable to AGLegal relates to legal and regulatory assistance services.
vi. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income			Expenses		
	2022	2021	2020	**2022**	2021	2020
KAMMI	**$5,012,496**	$1,511,811	$1,040,797	**$–**	$–	$–
MSTPI	**135,821**	882,121	857,807	**–**	–	–
AC Industrials	**–**	49,868	42,801	**–**	–	–
BPI	**2,999**	1,396	3,851	**38,914**	–	–
AREIT	**–**	–	–	**1,444,719**	1,512,012	1,407,557
Laguna Water (LAWC)	**–**	–	–	**1,071,846**	1,035,751	961,519
AC	**–**	–	–	**536,818**	641,891	676,738
AG Legal	**–**	–	–	**57,730**	113,269	172,011
ICI	**–**	–	–	**310,287**	185,239	135,011
GTI	**–**	–	–	**117,306**	160,840	103,492
	$5,151,316	$2,445,196	$1,945,256	**$3,577,620**	$3,649,002	$3,456,328

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

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

Expenses incurred from related party transactions include:

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

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

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

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

Compensation of Key Management Personnel of the Group
Compensation of key management personnel by benefit type follows:

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

32. Fair Values of Financial Instruments

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values
Financial assets and financial liabilities that are liquid or are short-term in nature which consist of cash and cash equivalents and short-term investments, receivables, accounts payables and accrued expenses, contract liabilities, current portion of lease liabilities, loans payable, current portion of long-term debt and other current liabilities are assumed to have carrying amounts approximating their fair values.

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of December 31, 2022 and 2021:

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

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial assets at FVOCI pertain to investments in club shares. Fair value is based on the most recent selling price of the club shares.

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2022 and 2021 ranged from 1.83% to 4.30% and from 1.67% to 2.33%, respectively.

Fair Value Hierarchy

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

	December 31, 2022			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets measured at fair value:				
Financial assets at FVOCI	**$–**	**$1,829,432**	**$–**	**$1,829,432**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$136,209,707**	**$136,209,707**
	$–	**$–**	**$136,209,707**	**$$136,209,707**

	December 31, 2021			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVOCI	$–	$1,364,733	$–	$1,364,733
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$156,652,805	$156,652,805
	$–	$–	$156,652,805	$156,652,805

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents and short-term investments, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.

The Group's risk management policies are summarized below:

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates to its short-term and long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended December 31, 2022 and 2021. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Loss before Tax	
Increase/Decrease in Basis Points	**2022**	2021
+100	**($2,143,904)**	($2,034,055)
-100	**2,143,904**	2,034,055

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

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

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	2022				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Trade payables	$–	$212,112,883	$–	$–	$212,112,883
Employee-related accruals and contributions	–	22,078,493	–	–	22,078,493
Accrued expenses*	–	37,704,785	–	–	37,704,785
Nontrade payables	–	21,215,024	–	–	21,215,024
Accrued interest payable	–	1,646,532	–	–	1,646,532
Due to related parties	–	18,958	–	–	18,958
Contract liabilities	–	7,406,803	–	–	7,406,803

(Forward)

	2022				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Other current liabilities	$–	$992	$1,034,209	$–	$1,035,201
Loans payable	–	116,182,727	78,031,609	–	194,214,336
Current portion of lease liabilities		–	5,660,158	–	5,660,158
Current portion of long-term debt	–	–	9,485,852	–	9,485,852
Noncurrent portion of lease liabilities	–	–	–	15,101,000	15,101,000
Noncurrent portion of long-term debt**	–	–	–	147,137,895	147,137,895
	$–	$418,367,197	$94,211,828	$162,238,895	$674,817,920

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

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

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

The financial liabilities in the above tables are gross undiscounted cash flows and these amounts are to be settled through cash and cash equivalents. Furthermore, liquid assets such as cash and cash equivalents and trade receivables, and available credit lines are used by the Group to manage liquidity.

Credit lines
The Group has credit lines with different financing institutions as of December 31, 2022 and 2021, as follows:

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

Credit Risk
Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group defines a financial asset as in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. Such internal or external information includes discontinuance of orders, financial difficulty or insolvency, probable bankruptcy or other financial reorganization. Actual historical experience shows low defaulted accounts which were also substantially recovered subsequently resulting to insignificant write-offs.

The Group's maximum exposure to credit risk as of December 31, 2022 and 2021 is the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

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

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

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

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

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

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

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

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

The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable LC and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by movements in the USD versus these currencies. In 2022 and 2021, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 48% and 60% of the Group's sales for the years ended December 31, 2022 and 2021, respectively, and 53% and 59% of costs for the years ended December 31, 2022 and 2021, respectively, are denominated in currencies other than USD.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Renminbi (RMB)

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

Philippine Peso (₱)

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

Euro (€)

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

Information on the Group's USD-denominated monetary assets and liabilities of the Parent Company's subsidiaries with functional currencies other than USD and which is also affected by movements of USD compared with their respective functional currencies as at December 31, 2022 and 2021 follows:

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

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

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

**The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for $1, RMB6.5249 for $1 and GBP0.74041 for $1.*

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2022 and 2021. The reasonably possible change was computed based on one-year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

	Increase/Decrease	Effect on Net Income before Tax	
Currency	in USD Rate	2022	2021
RMB	+1%	**$10,595**	$18,373
	-1%	**(10,595)**	(18,373)
PHP	+1%	**110,305**	57,488
	-1%	**(110,305)**	(57,488)
EUR	+1%	**6,365**	9,602
	-1%	**(6,365)**	(9,602)
USD*	+1%	**98,736**	285,786
	-1%	**(98,391)**	(287,262)

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

34. Contingencies

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

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

35. Notes to Consolidated Statements of Cash Flows

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

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

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

Most of the loans are from existing revolving credit lines.

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