“We create the future now with our collaborative strengths aiming towards a sustainable ecosystem for all.”

Integrated Report 2023

To our special partners,

190 years ago, Ayala was born out of a purpose – to build businesses that enable people to thrive.

Today, we continue our journey along this path of stewardship and purpose – and we are proud to have found a committed partner in you.

Your trust has enabled us to grow together and make our communal visions possible. We look forward to continuing our journey with you.

Thank you for your friendship and shared sense of a common future.

With my warmest and best wishes

always,

Jaime

As Ayala celebrates its 190th anniversary, our chairman Jaime Augusto Zobel de Ayala pens this special letter to our committed partners.

We look forward to the next 190 years with our renewed purpose statement and values, which reflect our shared visions and aspirations as a group.

Ayala

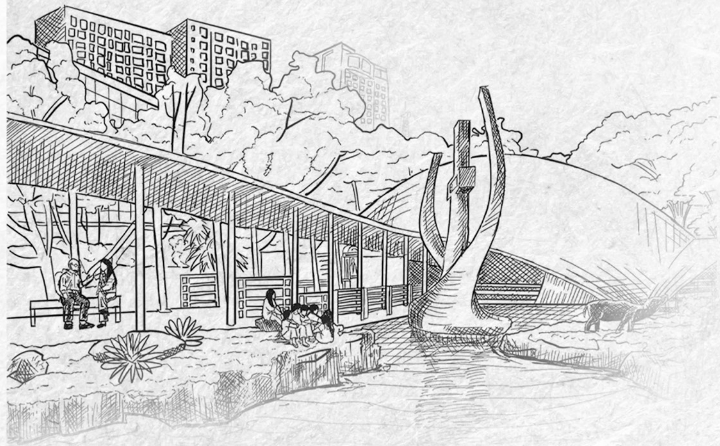
At the core of everything we do,

we build businesses that enable people to thrive.

This is our commitment to our stakeholders.
It's one thing to say that we want what's best.

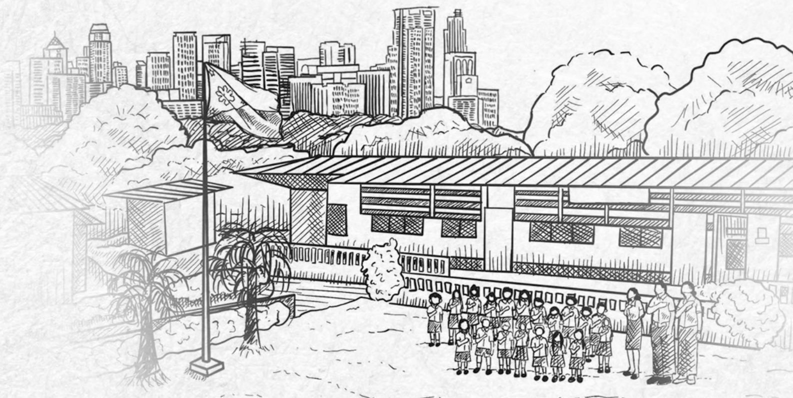
We go beyond to earn the trust of our partners and investors through continuous growth and value-adding to the investments we manage.

Guided by our shared values, we realize our collective promise of a sustainable future for all our stakeholders.



Imagine It Better

We envision a sustainable world and make it a reality. We innovate to find integrated solutions that deliver long-term value. Acting with the future generations in mind helps us stay relevant and respond to the nation's changing needs.



Do What's Right

We intend to do right by everyone through every decision we make. We honor our commitments and are accountable to them. Acting with kindness, empathy, and care, we find the best way forward for us and our stakeholders.

Inspire Excellence

At Ayala, our team members are valued and provided with resources to do their best work. We harness our unique strengths and enable everyone to take the lead. We step forward with commitment and quality in all our endeavors.

Create Value Together

We strive to be the partner of choice. We find synergies that deliver shared wins for us and our stakeholders. By working well together, we are able to build a stronger business and a more prosperous nation for all.

In all this, we thank you for being with us in our commitment
to keep making every day possible for the communities we serve.
For today. And *Always.*

OUR PURPOSE

We partner with global organizations to provide manufacturing solutions to SAVE LIVES, CONSERVE ENERGY, and IMPROVE QUALITY OF LIFE.

OUR VISION

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

OUR MISSION

Passionately create a unique product realization experience that our partners love

OUR CORE VALUES

Integrity
Honesty, trustworthiness, and consistency in words and actions

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

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

Excellence
Doing the best and continuously exceeding expectations

Contents

CHAIRMAN'S MESSAGE

Albert M. de Larrazabal highlights the company's performance, management transition, and commitment to double down on IMI's core expertise.

BEYOND SUSTAINABILITY

We discuss how we ensure that our business practices are aligned with our purpose and values.

GOVERNANCE

This section focuses on our policies and management systems that prove our efforts towards becoming responsible citizens of the world.

About this Report

IMI is committed to a sustainable future, driven by a core purpose: designing and manufacturing technology and product solutions that create a positive impact. For over 43 years, we have partnered with global organizations to develop solutions that save lives, conserve energy, and improve quality of life. This focus on people and the planet is what IMI stands for – shared prosperity through a sustainable approach.

This report offers a glimpse into the company's journey in 2023, highlighting our current achievements and future goals. While we acknowledge the work ahead, we remain confident in our commitment to reduce our carbon footprint by 50% by 2030. Employee well-being and a healthy work environment are also central to our strategy. We continuously monitor best practices to ensure our operations remain relevant and contribute to a better world. By collaborating with partners, suppliers, industries, and communities, we strive to reach sustainability targets and create a lasting positive impact. While the journey continues, each step brings us closer to a sustainable future.

This section highlights our achievements, challenges, and future prospects.

2023 IN REVIEW

FINANCIAL PERFORMANCE

$1.3B
Revenues down 6% y-o-y

($105.6M)
Net loss for the year, including one-off losses of ($107.5M)

$13.0M
Net income for the core business, 14% higher y-o-y

FINANCIAL POSITION

$1.0B
Total Assets

$27.6M
Capital Expenditures

DRIVING FUTURE POSSIBILITIES

SALES PIPELINE

$291M
Won business in Annual Revenue Potential (ARP)

27%
New Business Quote Hit Rate (Won ARP/Total Quoted)

60%/29%
2023 Automotive and Industrial business share

CUSTOMER FOCUS

4.4
Customer survey rating based on 5-scale scorecard

15+ Years
Average customer relationship

ESG IN ACTION

SUSTAINABILITY MILESTONES

66%
Or $737M of core revenues are attributable to customers with ESG engagements

187
Top Suppliers that committed to align to IMI Code of Conduct

11.4%
Reduction in GHG Emission Scope 1 and Scope 2 based on intensity

100%
Renewable energy in IMI Serbia

99.03%
Attainment on zero waste to landfill in IMI PH

GOVERNANCE

4 Golden Arrows
Golden Arrow awards in the ASEAN Corporate Governance Scorecard

Our Strategic Agenda

We spearhead the development of cutting-edge technologies while shaping the future of mobility. As a leader in automotive electrification, IMI occupies a strategic position within the EV market, while simultaneously offering technology-focused and vehicle-independent products. We actively pursue opportunities to capitalize on our engineering expertise and enhance our program management capabilities to maximize value creation.

2023 PERFORMANCE

- IMI posted $1.3 billion in revenues, a 6% decline from 2022 driven by factors attributable to its non-wholly owned subsidiary group.
- Automotive and industrial markets remain as core segments, contributing 89% to the total revenues.
- IMI's gross profit of 9.0% was an improvement from last year's 7.8% as component shortage issues continue to ease and drive for better manufacturing efficiency.
- The company concluded its divestment in STI Enterprise Ltd. to sharpen its portfolio and focus on driving growth and profitability with its core segments.
- IMI reported a net loss of $105.6 million, including one-time losses of $107.5 million related to the sale of STI and impairment of goodwill and certain assets.
- The core business has been positive for the last three years after the pandemic, posting $13 million of net income for 2023.
- IMI won new business totalling $291 million of annual revenue potential, with significant wins from EV and ADAS, which are expected to be major contributors to growth and profitability.
- Revenues attributable to customers with ESG engagements with IMI reached $737 million or 66% of the company core revenues, an increase from about 40% the previous year.

2023 MILESTONES

→ **January**
- IMI Chengdu received a Delivery Contribution Award from a major customer.

→ **March**
- IMI and Zero Motorcycles announced a strategic manufacturing collaboration.
- IMI Kuichong was awarded the 2022 Excellent Quality Award by a major medical device equipment manufacturer.

→ **September**
- IMI Phils received the Four Golden Arrow award from the Institute of Corporate Directors for the quality of corporate governance disclosures.

→ **October**
- Completed the divestment in STI Enterprises Ltd.
- IMI Jiaxing showcased its many capabilities at the 2023 Industrial Equipment Expo.

→ **December**
- IMI Phils participated at the IIEE 48th Annual Convention and 3E 2023, showcasing SRS and DSRX of Zero Motorcycles.
- Passed IATF Recertification Audit With Zero Major and Minor Non-Conformance.
- IMI was represented in the Philippine Investment Trade Mission to Japan sponsored by Japan International Cooperation Agency and Department of Trade and Industry.

→ **January 2024**
- The 2023 IPS Global Convention was held with a total of 1,332 projects generating savings of US$3.6 million. Grand winners came from China and the Philippines.

More information is in the Report from the President on page 18 .

You may email your feedback and comments at IR@global-imi.com.

A copy of our financial statements can be accessed at www.global-imi.com

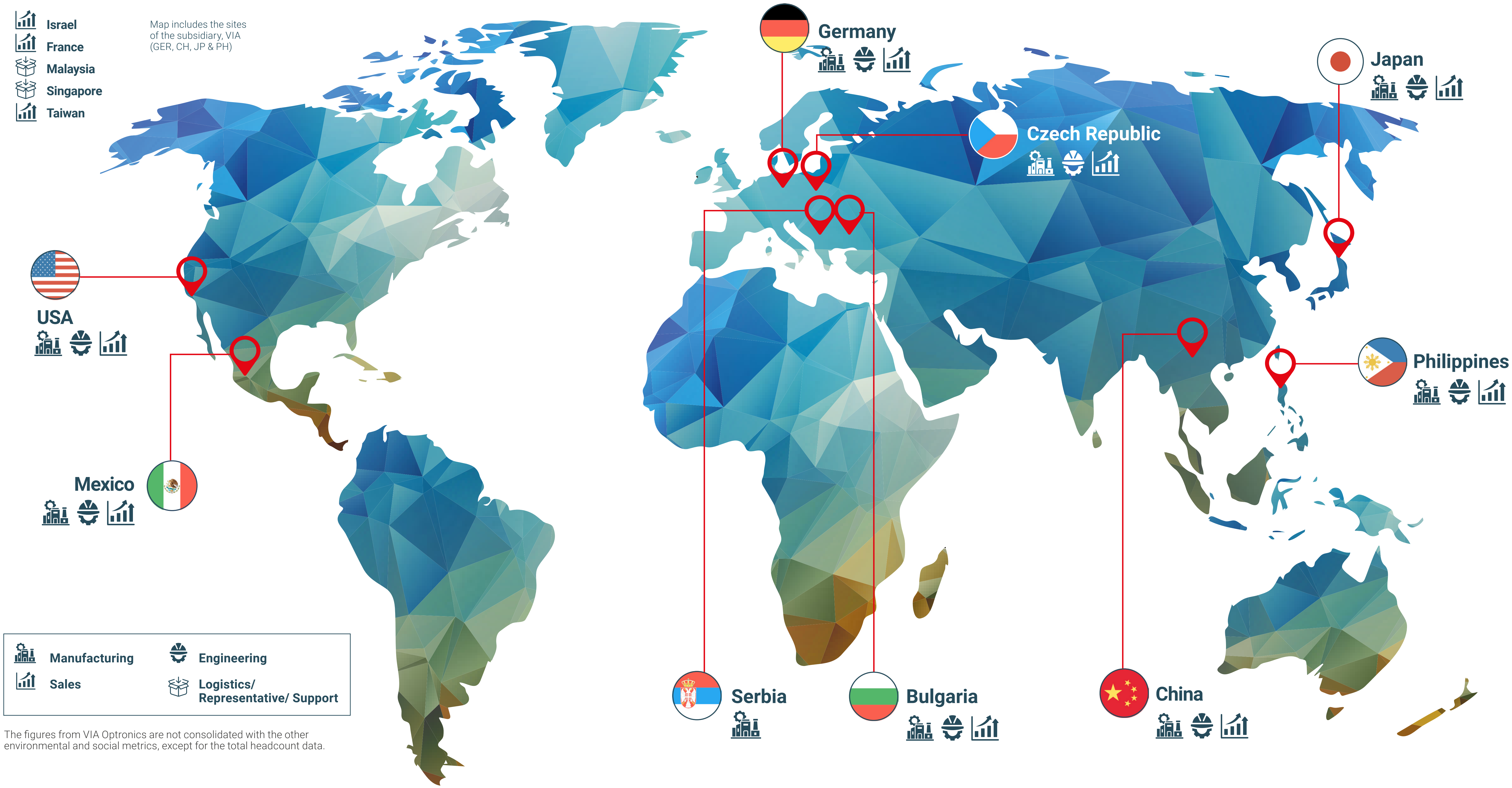
IMI leverages on its global footprint to deliver value across complex supply chains among major market geographies.

12,659

TOTAL HEADCOUNT
including VIA

424,569 sqm

TOTAL FACTORY SPACE



The figures from VIA Optronics are not consolidated with the other environmental and social metrics, except for the total headcount data.

Messages

"Our company's shared sense of purpose, focus on customer centricity, and passion for excellence are among the core values I consider as powerful strengths and differentiators."

Alberto M. de Larrazabal
Chairman

"The business is on solid footing with the right resources in the right places, benefiting from our early actions in the last decade."

Arthur R. Tan
Chief Executive Officer

"We remain aligned with our purpose of innovating production solutions for our customers, contributing to the development of the electronics industry, and playing a responsible role in shaping a future that improves the world."

Alberto M. de Larrazabal
Chairman

23rd

IMI's ranking among the Top EMS Providers in 2023

9th

Largest in the Automotive Top EMS Suppliers (2022 revenue)

"...capture an increased market share in key areas..."

IMI was able to capture an increased market share in these key areas as the company leveraged its experience in manufacturing high-reliability products that also utilized the company's capabilities in power electronics.

Fellow shareholders,

I would first like to thank my predecessor Delfin L. Lazaro for his stewardship over the past year and acknowledge the commitment and dedication of our teams in navigating a challenging landscape and delivering at pace.

It is an honor and a privilege for me to serve as your chairman. Our company's shared sense of purpose, focus on customer centricity and passion for excellence are among the core values I consider as powerful strengths and differentiators.

Better than Expected

The global economy in 2023 grew better than expected at 3.1% amidst the headwinds of slower growth in more advanced countries, the war in Ukraine, the Israel-Hamas conflict, and the higher costs of living. The global electronics manufacturing services industry was up by approximately 5%, driven by increased demand in the electric vehicle ecosystem and the requirement for more digitalization in the industrial space.

IMI was able to capture an increased market share in these key areas as the company leveraged its experience in manufacturing high-reliability products that also utilized the company's capabilities in power electronics.

With the easing of inflation, global demand slowly increased, resulting in pockets of electronics component shortages that lingered for particular items. Generally, the electronics industry was still in contraction mode with the Purchasing Managers' Index ending the year below 50 basis points. Inventory destocking efforts muted new order volumes as manufacturers served a portion of the increased demand from existing supplies. Moving forward, we expect conditions to improve as the supply of in-demand components catches up, and customers start the year with leaner levels of inventory.

Through deeper collaboration with major partners to address the uncertainties of the supply chain and the operating landscape, the core businesses of IMI have managed to stay profitable for the past three years. However, overall margins were weighed down by the operating results of its non-wholly owned subsidiary group. This prompted IMI to sell its shares in STI Enterprises Limited to focus on priority markets in the mobility and industrial space.

The divestment has allowed IMI management teams to concentrate their efforts and resources towards the company's target markets like electric vehicles, advanced driver assistance systems, and smart energy applications. Moreover, the core businesses of the company also sustained the recovery from the previous year with margins further improved by better manufacturing efficiency and restructured overhead costs.

Chief Executive Succession

As announced on February 13, 2024, Arthur Tan is retiring after 22 years as CEO of IMI. Art has made invaluable contributions to the business, having successfully led IMI through the global financial crisis, and the COVID-19 pandemic, among other turbulent periods in the industry. He transformed the company from a contract manufacturer to one of the world's 25 largest EMS providers and among the top 10 suppliers to the automotive electronics industry. On behalf of the Board and everyone at IMI, I would like to express our sincere gratitude for the leadership and the distinguished service that he has provided over the years.

Ahead of Art's retirement, a rigorous succession process for the selection of the company's next CEO was conducted. Following careful consideration, Lou Hughes was nominated to succeed Arthur Tan effective May 1, 2024. The Board recognized Lou and his several years of experience in the industry, depth of experience in sales, engineering, sourcing, and operations, and a broad range of executive duties for both private and publicly listed EMS companies as key attributes suited to the role and IMI's medium- to long-term objectives.

I look forward to working with my colleagues on the Board in supporting IMI through this transition process and helping Lou as he takes on the reins in leading IMI to its next chapter.

A Vision with Clear Priorities

Today is an excellent time to take stock of the progress made over the past decades and the actions needed for IMI to return to better profitability. As we face a dynamic market environment, we will double down on our core expertise within our automotive and industrial capabilities. We will continue to build on our reputation within niche areas and carve inroads in emerging sub-segments that highlight our focus in the electrification of vehicles, intelligent machines, and their ecosystems. We remain aligned with our purpose of innovating production solutions for our customers, contributing to the development of the electronics industry, and playing a responsible role in shaping a future that improves the world.

Lastly, we would like to thank you, our shareholders, for your continued support and unwavering trust in the management team. We are optimistic of what is ahead as we all work together in creating the future, today.

Thank you.

Albert M. de Larrazabal
Chairman

“This journey is a testament to our unique areas of expertise and approach, with the focus of our high-performing teams.”

Arthur R. Tan
Chief Executive Officer

14 of our top 20 customers have current ESG engagements

With separate sustainability audits, Net Zero commitments, and sustainable procurement.

$737M

Combined revenues of all our customers engaged in ESG activities by end-2023, or 66% of total core revenues

"...a vision that a Philippine-based contract manufacturing firm can transform into a global leader in technology-based product solutions."

We shaped IMI into a thriving organization serving the most respected and recognized brands across the globe.

Fellow shareholders, colleagues, and partners,

Twenty-two years ago, I joined IMI with a vision that a Philippine-based contract manufacturing firm, with $75 million in revenue, can transform into a global leader as a technology-based product solutions provider. With teamwork, we faced the momentous task of building the company into one of the largest players in the industry. We shaped IMI into a thriving organization serving the most respected and recognized brands around the globe.

This journey is a testament to our unique areas of expertise and approach, with the focus of our high-performing teams. And I stand today with an immense sense of pride for everything we have achieved and the path forward that we have laid for the company.

A long-term advantage

While there is much work to be done, the business is on solid footing with the right resources in the right places, benefiting from our early actions in the last decade. Despite a challenging year in 2023 with still raised levels of costs of inputs and geopolitical issues holding back global supply chains, IMI continued to bring in business with a total sales of $1.3 billion. With our capabilities, certifications, and management approach which remain as a key strategic advantage and long-term value driver, IMI won new projects that have an annual revenue potential of $291 million, mostly in the mobility and industrial segments.

Still, staying the course requires a constant evolution given the trends in our business. In October 2023, we completed the divestment of STI Enterprises Limited, a UK-based subsidiary offering electronics design and manufacturing solutions to aerospace, security, and defense customers. This transaction allowed our leadership to refine and execute our strategy as well as allocate capital to our priority markets.

Beyond compliance

On a broader level, I would also highlight the greater emphasis we are placing on sustainability. In 2022, we aligned our direction with our parent company, Ayala Corporation, towards a net zero carbon target by 2050. In 2023, we have committed to reducing 50% of our carbon (emission) intensity in Scopes 1 and 2 by 2030, and 25% in Scope 3 by the same year. To ensure accuracy and transparency, we have engaged a third-party consultant to validate our emission numbers. To date, 14 of our top 20 customers have current ESG engagements which include separate sustainability audits, net zero commitments, and sustainable procurement. By the end of 2023, the combined revenues of all our customers engaged in ESG activities is at $737 million, or 66% of our total core revenues.

We are also furthering our efforts to drive sustainability in the value chain through our total quality management approach and proactive risk-based thinking. With a total savings of $3.6 million from Kaizen Projects from our IMI Production System, we continue to display increased global participation in our quality journey. We have also ensured that our 150 top suppliers are compliant with IMI's code of conduct, as they all signed the commitment aligned with our ESG objectives. At the same time, we continue to introduce a range of initiatives to support our people in different ways, such as the enhancement of our own IMI culture, increased training opportunities for employees and continuous review of corporate rewards and benefits. This has resulted in a high total employee engagement score of 89% for the year.

As IMI embarks on the next chapter, I have no doubt that it will follow the right path, doing right by our all stakeholders: our shareholders, employees, customers, vendor partners, and the environment.

Looking ahead

On February 13, the Board announced that Lou Hughes had been nominated to succeed me as CEO. While this presents a significant transition for the company, at its core, IMI has always embraced change. It is a key guiding principle that has steered us to greater horizons.

On a personal note, I would like to thank all of you for the trust and mutual respect we have shared over the years. Along the way, I have been blessed with friendship, compassion, kindness, and patience from everyone.

To my IMI associates, it has been a tremendous honor to serve you. Of all our achievements, I have always been most proud of the IMI culture that we have established and nurtured, and I will miss it greatly.

To our customers, it has been an honor and a privilege working with you, and I am incredibly grateful for the relationship we have built over the years. My most sincere gratitude for the trust and support you have extended to me and IMI.

To our shareholders and all our stakeholders, thank you for your engagement and the role that you have played in our efforts throughout my tenure as CEO. I hope that you are as proud as I am of what we have accomplished and also looking forward to what is to come.

Thank you to everyone who has shared this vision of IMI that continues to be a catalyst for enabling all these wonderful products to change our lives and make the world a better place to live.

My achievement extends beyond the financial performance of the company, but to the thousands of lives we have been able to touch. For every employee who has been able to send their children to school, to have a place to call home, to be able to better their lives–these are what I look back on as the proudest achievements I have been blessed to be a part of. May the next generation of IMI leadership never forget why we continue to drive IMI into the future.

TO ALL, THANK YOU VERY MUCH AND GOD BLESS!

Arthur R. Tan
Chief Executive Officer

“We shall continue to live Excellence, Accountability, and Collaboration in all facets of the company–mutually reinforcing the principles that we believe shall drive organizational success and enable us to achieve our goals of sustainable profitable growth.”

Jerome S. Tan
President

Automotive segment represents 60% of total sales

Including mobility and camera, remained our largest segment with $800 million in revenues

$291M

Annual revenue potential wins in 2023 largely coming from our target sectors in the mobility and industrial markets

"...our customers see us as a key partner in the growth and development of their businesses."

One of IMI's key competitive advantages in the past decade has been our strategic geographic positioning, which enables us to address the needs of global players in the electronics space.

Our year in review

The global electronics market has been through a period of significant change and uncertainty in the last four years. Many factors have caused this change but most of them involved challenges resulting from the COVID-19 pandemic, the electronics component shortage, and their lingering effects on the industry. The year 2023 showed continued normalization in the supply chain recovery that started in the previous year as well as the easing of global inflation. Geopolitical conflicts and the general slowdown of the global economy, however, are headwinds that we believe will hinder the path to a strong recovery.

To proactively address the challenges, we focused on driving margin expansion mainly from assertive price negotiations with customers the continuous productivity improvements in manufacturing operations, which enabled improved utilization of fixed overhead, and the reduction of direct material costs through the normalization of the global supply chain. A more global and rigorous supervision of our supply chain management helped ensure the allocation of restricted components among our manufacturing sites, which mitigated shortfalls and delays in the delivery of finished goods to our customers. We also made certain that our approach was aligned with the increasing regionalization of sourcing that continues to drive lower levels of freight expenses.

We believe these actions also allowed us to be in a better position to secure new business wins over the past several years, with US$291 million of annual revenue potential wins in 2023 largely coming from our target sectors in the mobility and industrial markets.

With more than 12,000 people in 21 manufacturing plants across nine countries, labor management was a key challenge for us this year. One of IMI's key competitive advantages in the past decade has been our strategic geographic positioning, which enables us to address the needs of global players in the electronics space. However, given the current industry landscape, the regions we operate in have also become pivotal technology hubs, driving extremely competitive labor environments in Europe and North America.

The global economic slowdown and our customers' focus on depleting excess inventory presented another challenge. This inventory correction stemmed from inflated levels during the electronics component shortage when increased ordering was necessary to secure parts. Due to the unstable market in recent years that led to industry-wide backlogs, we focused on managing our inventory levels.

We are thankful that our customers see us not only as a supplier but as a key partner in the growth and development of their businesses. Such a strong relationship afforded us to share some of the burden of the overall weak market by renegotiating prices and commercial terms to ensure business relationships that settle on a healthy middle ground. This allowed our wholly owned core subsidiaries to further develop the turnaround that started in 2022. While revenue levels were maintained, operating margins improved through better manufacturing efficiency and enhanced utilization of our restructured overhead costs.

It is still too early to draw firm conclusions on whether such an environment will persist longer than expected, but we continuously examine and closely monitor our business for the markets ahead. For one, we started to specialize in areas where we have a competitive advantage. In October 2023, we sold IMI's 80% share of its subsidiary STI Enterprises Limited to Rcapital, a private investment firm based in London with a portfolio of UK-based companies as well as a precision engineering solution provider in the aerospace and defense sectors. The conclusion of this divestment allowed us to sharpen our capabilities and focus on driving growth and profitability in our core segments: the mobility and industrial markets, fueled by interconnectivity and the electrification of vehicles which are driving the technology megatrends of the future.

Financial review

IMI ended the year with total revenues of US$1.3 billion. The 6% decrease versus the previous year is driven by factors attributable to its non-wholly owned subsidiary group, including the shorter fiscal year of STI Enterprises Limited which was divested on October 31, 2023. Gross profitability grew to 9.0%, an improvement of 121 basis points driven by renegotiated prices and the improved supply chain environment. Of the US$105.6 million net loss we booked, US$107.5 million is related to one-time losses that stemmed from the sale of STI and the impairment of goodwill and certain assets. Despite the slowdown in demand in the EMS market, our wholly-owned subsidiaries posted financial results in line with 2022 figures. Sales levels were maintained, with a 0.4% improvement in contribution margins and net income improving by 14% to US$13 million.

The automotive segment, which includes mobility and camera, remained our largest segment with US$800 million in revenues representing 60% of total sales. This sector will be further bolstered by our new business wins from the past three years as these projects ramp up, which includes our manufacturing partnership with Zero EV motorcycles. We are also expanding the steering application program of one of our top customers with the next-generation models at IMI Mexico. There are also multiple EV-dedicated projects including HVAC systems that address the need for cabin heating in the absence of internal combustion engines in our European and Mexican facilities. IMI remains on the cutting edge of mobility technology as products in advanced camera applications in LIDAR are being developed in partnership with one of the biggest tier 1 players in the industry. I am confident that by leveraging the experience we have built these past decades, we will continue to be a global leader in this space, helping develop safer and more sustainable mobility solutions for the world.

The industrial segment which ended the year with US$390 million in revenues, or a 29% share of IMI's total revenues is still anchored on our products in security solutions. Growth will be driven by increased demand for solutions that enable IoT and its many applications. We also continue to venture into energy management products with recently won projects in battery management systems that support the push for EVs and renewable energy. Industrial LED lighting likewise continues to grow with additional business secured in a sector that has historically been a profit leader in our portfolio.

FUTURE POSSIBILITIES

Automotive new business wins

This sector will be bolstered by our new business wins from the past three years as these projects ramp up, which include our manufacturing partnership with Zero EV motorcycles.

We remained agile and adaptive in our approach to maintaining the level of quality that we have always been known for.

RECAP 2023

PERFORMANCE

$1.3B

Total Revenues

6% decrease from previous year driven by factors attributable to its non-wholly owned subsidiary group, including the shorter fiscal year of STI.

$13M

Core net income

Improved by 14%

LOOKING FORWARD

Leveraging expertise to support the growing electric vehicles and automated driving industry

Facing the headwinds

The component shortage that resulted from a variety of factors including supply chain disruptions and semiconductor manufacturing constraints brought about unique hurdles. Although such challenges impacted production schedules and posed logistical constraints for the industry, they also brought opportunities for innovation and collaboration that allowed us to manifest our resilience which we believe sets us apart from the competition.

Throughout the year, we continued to prioritize the needs of our customers, building strong relationships based on trust, reliability, and mutual support. We remained agile and adaptive in our approach to maintaining the level of quality that we have always been known for. Our management teams spent time with both our clients and supplier partners to develop customer-centric solutions. We provided proactive support, anticipating potential challenges and disruptions of our customers. By embracing the principles of the IMI Production System or IPS, we have been able to take advantage of the associated benefits of global best practices such as the continuous improvement ideals of Kaizen and the efficiency of lean manufacturing. Despite our wide geographic footprint, the IPS ensures that each of our sites delivers consistent, reliable, and top-quality solutions for all our customers.

With direct materials costs close to 70% of our revenues, effective procurement strategies are crucial in serving our customers and generating value for IMI. Our supply chain teams explored alternative sourcing options which expanded the company's supply chain base, allowing us to cope with customer order timelines and the rising cost of raw materials. We also dedicated resources to address the market's supply gap by implementing spot buy strategies while aiming to minimize additional expenses. By engaging in Design for Manufacturing, we maximized quality and flexibility through the co-designing of projects with strategic suppliers that enabled us to even exceed customer quality and efficiency expectations.

With our efficient commercial team who has nurtured deep-rooted partnerships with key players in the industry, we were able to renegotiate prices to align with the current market environment. Collections of approximately US$15 million were made in 2023 for unfavorable price variances that we had incurred during the height of the pandemic and the component shortage, helping recoup the expenses that had strained our financial results over the past three years. The improvements stretched beyond profitability, as inventory management was also a main focus across all departments. Significant recoveries amounting to approximately US$24 million were made in 2023 to address excess and obsolete materials, further strengthening our robust balance sheet. We also secured agreements for advanced deposits for raw material purchases, easing some of the pressure we face in this high-interest rate environment. We are confident that the improved credit terms with both customers and suppliers that were revised in 2023 will result in better cash flow generation for IMI in the years to come.

In the process, we have also kept our cost base under scrutiny and used the talent and resources that we have to maintain financial stability and competitiveness. Employee engagement is one of the main reasons this has been effective. At every level of the business, our employees are empowered and trained to identify opportunities that could increase our performance outcomes while maintaining our high-quality standards. Added to this, our talent development efforts such as cross-training programs have proven to be valuable in bringing new perspectives.

Looking forward

The electrification of vehicles and the adoption of automated driving continue to be the key growth drivers in the electronics industry. With EVs relying heavily on electronic components for their engine, battery management, steering systems, and ADAS applications, we are bullish about leveraging the expertise we have built these past several years. The current and future demands for sophisticated power electronics systems also give us confidence in building our power module capabilities in the Philippines. We believe that IMI is ahead of the curve in this regard, helping push the boundaries of technological innovation to enable a safer, more sustainable future. The past years have seen an increased share in our new pipeline wins for EV and PHEV dedicated applications. This year is no different, with a total of US$291 million of the annual revenue potential of new businesses secured across the whole group, $174 million of which came from the mobility segment while $106 million from industrial.

As market conditions appear to be promising, we shall continue to maximize our scale, expertise, and experience to improve our financial results. IMI management is bent on promoting Excellence, Accountability, and Collaboration in all facets of the company. These pillars are interconnected and mutually reinforcing the principles that we believe shall drive organizational success and enable us to achieve our goals of sustainable profitable growth.

In closing, I would like to thank all our shareholders for your unwavering support for IMI. The past few years have not been easy, but I am glad that we remained united and are now starting to see the light at the end of the tunnel. I am also grateful to our more than 12,000 employees who have worked tirelessly to help us navigate through the headwinds. Without your hard work and dedication, none of our successes would have been possible.

Thank you.

Jerome S. Tan
President

Leadership

We uphold good governance.

Our commitment to the highest level of good governance is anchored on the strong link between quality governance, the creation of shareholder value, and long-term growth.

Alberto M. de Larrazabal

Filipino, 68
Non-Executive Director, Chairman

E F R

Date of Appointment	April 2021
Length of Service	3 years

Professional qualifications
- Bachelor of Science degree in Industrial Management Engineering from De La Salle University, Philippines
- Senior Managing Director and Chief Finance Officer of Ayala Corporation

ALBERT also holds the following positions in other publicly listed companies: Director of Manila Water Company, Inc. and ENEX Energy Corp. He is the Vice Chairman, President and CEO of AC VenturesHoldings Corp., Chairman of Ayala Aviation Corporation, Ayala Group Legal and LiveIt Investments Limited; Chairman and President of Liontide Holdings, Inc.; President and CEO of AC Infrastructure Holdings Corporation, AC International Finance Ltd., AYC Finance Limited, and Bestfull Holdings Limited; Vice Chairman of Lagdigan Land Corporation; President of Philwater Holdings Company, Inc., CEO of Azalaea International Venture Partners Limited; Director, Treasurer and CFO of WeAreAyala Business Club, Inc., Trustee of Ayala Foundation, Inc.; Director of AC Energy and Infrastructure Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Logistics Holdings Corporation, ACEN International, Inc., A.C.S.T Business Holdings, Inc., Air 21 Holdings, Inc., APPPPS Partners, Inc., Asiacom Philippines, Inc., Ayala Healthcare Holdings, Inc., Healthnow, Inc., Light Rail Manila Holdings,Inc., Merlin Solar Technologies, Inc., Michigan Holdings, Inc., Mobility Access Philippines Ventures Inc., Affinity Express Holdings, Ltd., AG Holdings Limited, AG Region Pte. Ltd., AI North America, Inc., Ayala International Pte. Ltd., Ayala International Holdings Pte. Limited, AYC Holdings Limited, BF Jade E-Services Philippines, Inc., Fine State Group Limited, Pioneer Adhesives, Inc., Purefoods International Limited, Strong Group Limited, Total Jade Group Limited, and VIP Infrastructure Holdings Pte. Ltd. He 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 CFO 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.

Arthur R. Tan

Filipino, 64
Executive Director, Vice Chairman, and Chief Executive Officer

E

Date of Appointment	April 2002
Length of Service	22 years

Professional Qualifications
- B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology, Philippines 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 Vice Chairman on 28 June 2021
- Chief Executive Officer since 2002

ART has been a senior managing director of Ayala Corporation since January 2007 and has been a member of the Ayala Group management committee since 2002. He has been the CEO of IMI, a publicly listed company, since April 2002. He was re-elected as President of IMI effective 1 January 2020 and served as such until 28 June 2021. He was elected as Vice Chairman of IMI on 28 June 2021. Concurrently, he is the Vice Chairman, President and CEO of AC Industrial Technology Holdings, Inc. He is also the Chairman of the Board and CEO of Merlin Solar Technologies (Phils.), Inc., Merlin Solar Technologies, Inc.; Chairman of the Board of PSi Technologies Inc., Adventure Cycle Philippines, Inc., KTM Asia Motorcycle Manufacturing, Inc., Speedy-Tech Electronics, Ltd.; director of AC Mobility Holdings Incorporated, Mobility Access Philippines Ventures Inc., Automobile Central Enterprises, Inc., Iconic Dealership, Inc., KP Motors Corporation, member of the Board of Advisors of Via Optronics 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, 62
Executive Director and President

Date of Appointment	June 2021
Length of Service	3 years

Professional Qualifications
- B.A. in Economics under the Honors Program from De La Salle University, Philippines 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

JEROME is also an independent director of PAL Holdings, Inc., Philippine Airlines, Inc., Paramount Life & General Holdings Corporation and Paramount Life & General Insurance Corporation. 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 General Electric holding various regional and operating roles in finance and business development including CFO for CNBC / NBC Universal Asia Pacific, CFO of GE Money Singapore and GE Money Bank in the Philippines. Before taking on operating CFO positions, he was the Regional FP&A Leader for GE Money Asia; and a Business Development Director for GE Capital responsible for mergers and acquisition. Prior to joining GE, he was also a key member of the management team of San Miguel Brewing International Ltd., managing treasury and financial planning, and corporate planning and business development.

Key to Committee membership: E Executive Committee F Finance Committee A Audit and Risk Committee C Corporate Governance and Nomination Committee R Related Party Transactions Committee P Personnel and Compensation Committee

Position: Chairman Member

Jose Ignacio A. Carlos

Filipino, 54
Non-Executive Director

P

Date of Appointment	December 2006
Length of Service	14 years

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

JOSE is concurrently the Chairman of the Board of AVC Chemical Corporation, Vice Chairman of the Board of Mindanao Energy Systems, Inc., and President of Polymer Products Philippines, Inc. and Minergy Power Corporation. He is also a member of the board of directors of Resins, Inc., Cagayan Electric Power and Light Co., 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. Duchâtelet

Belgian, 77
Non-Executive Director

E

Date of Appointment	October 2022
Length of Service	1 year

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

ROLAND worked for several enterprises in Belgium and Germany. He created several businesses throughout his career while 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.

Rafael C. Romualdez

Filipino, 61
Non-Executive Director

E A F R

Date of Appointment	May 1997
Length of Service	26 years

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

RAFAEL is a director of Resins Incorporated (RI) and sits on 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.

Jaime Z. Urquijo

Filipino, 35
Non-Executive Director

F P

Date of Appointment	October 2022
Length of Service	1 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

JAIME is the Chief Sustainability and Risk Officer (CSRO) of Ayala Corporation. He was previously Vice President for Business Development at Ayala Corporation's listed energy platform, ACEN. Prior to his time at ACEN, Jaime served as the Head of Business Development for AF Payments, Inc., a joint venture between the Ayala group and Metro Pacific. In addition to his CSRO role, Jaime is also currently a director of the Bank of the Philippine Islands, BPI/MS Insurance, Integrated Micro-Electronics, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holdings Corp., Merlin Solar Technologies, Inc., Merlin Solar Technologies (Phils.), Inc., and Chairman of Klima 1.5 Corp. He is also Vice Chairman of the Board of Trustees and Chairman of the Executive Committee of Ayala Foundation. 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 trustee of WWF Philippines.

Key to Committee membership:

E Executive Committee · F Finance Committee · A Audit and Risk Committee · C Corporate Governance and Nomination Committee · R Related Party Transactions Committee · P Personnel and Compensation Committee

Position: Chairman (filled circle) · Member (open circle)

Edgar O. Chua
Filipino, 66
Independent Director

A C R

Date of Appointment	April 2014
Length of Service	9 years

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

EDGAR 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 CEO 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.

Hiroshi Nishimura, *71*
Independent Director

R A C

Date of Appointment	June 2020
Length of Service	13 years

Professional Qualifications
- Degree in Electronics Engineering at Kurume University, Japan in 1976
- He served as an Independent Director of the Company from April 2010 to April 15, 2020
- He was re-elected as Independent Director in June 2020 up to present

HIROSHI 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.

Sherisa P. Nuesa
Filipino, 69
Independent Director

C P

Date of Appointment	April 2018
Length of Service	5 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

SHERISA is an independent director of other publicly listed companies namely: Manila Water Company, Inc. and AREIT, Inc. and a non-executive director of Far Eastern University and Metro Retail Stores Group Inc., both also publicly listed. She also sits in the board of FEU subsidiary FERN Realty Corporation and concurrently a Senior Adviser to the Board of Vicsal Development Corporation. She is a member of the boards of trustees of the Financial Executives Institute (FINEX) Foundation and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. She is also a board adviser to Justice Reform Initiative Inc. (JRI) where she was the former chairperson since its inception. In the recent past, she is a former director of Ayala Land Inc. and ACEN Corporation from 2020 until April 2023. She also held the positions of President and director of the ALFM Mutual Funds Group, and trustee and fellow of the Institute of Corporate Directors (ICD) from 2012 to 2021. In addition to her background as a CFO 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 CFO 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 as the ING-FINEX CFO of the Year for 2008.

Key to Committee membership:

E Executive Committee F Finance Committee A Audit and Risk Committee C Corporate Governance and Nomination Committee R Related Party Transactions Committee P Personnel and Compensation Committee

Position: Chairman Member

As today's digital age ushers in major disruptions within conventional structures and processes in society, business, and manufacturing, our leadership team adapts, not to survive, but to lead. Our current organization is designed towards a solution-based approach to address efficiency, cost, quality and productivity. As we embark on a culture of accountability and collaboration, we continue to move forward, remain relevant, and fully committed to achieve our purpose.

1

Arthur R. Tan
Chief Executive Officer

Date of Appointment	April 2002
Length of Service	22 years
Years in IMI	22 years

2

Jerome S. Tan
President

Date of Appointment	June 2021
Length of Service	2 years
Years in IMI	13 years

3

Mary Ann S. Natividad
Chief Commercial Officer

Date of Appointment	January 2020
Length of Service	4 years
Years in IMI	28 years

4

Eric De Candido
Chief Operations Officer

Date of Appointment	January 2020
Length of Service	4 years
Years in IMI	12 years

5

Nick Davey
Chief Technology Officer

Date of Appointment	January 2020
Length of Service	4 years
Years in IMI	6 years

6

Ernest Ang
Chief Procurement Officer

Date of Appointment	October 2019
Length of Service	4 years
Years in IMI	4 years

7

Rosalyn O. Tesoro
Chief Information Officer

Date of Appointment	January 2020
Length of Service	4 years
Years in IMI	18 years

8

Laurice S. Dela Cruz
Chief Finance Officer

Date of Appointment	June 2021
Length of Service	2 years
Years in IMI	12 years

9

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

Date of Appointment	October 2021
Length of Service	2 years
Years in IMI	5 years

MANAGEMENT TEAM

COMMERCIAL

Mobility	Thibaut de Vaureix
Industrial	Dick Glimmerveen
Power Module	Thibaut de Vaureix
Camera	John Roderick Javate

SALES

North America	Mike Greenlee
China	Tian Kia Ko
Europe	Julien Fournial
Japan	Otsubo Atsushi

OPERATIONS

Philippines	Andrew Carreon
North America	Thomas Caveneget
China	Joselito Bantatua
Europe	Eric De Candido (OIC)
Global Manufacturing Solutions	Jawaharlal K. Milanes
Global New Product Inroduction	Paul Tomlinson
Global Quality	Onur Bayulgen
Global Industrial Excellence	Radoslav Georgiev

TECHNOLOGY

AME North America	Tim Patterson
AME Asia	Lucrecio Mendoza

SUPPLY CHAIN

Global Commodity	Jiz Ling
Technical Procurement	Max Poh
PPM – Mobility	Philippe Antunez
PPM – Industrial	Peter Zheng
Data Analytics, Process	Elizabeth Pacuno
MRO/Logistics	Joy Bondoc
Supply Chain	Vincent Chin
Material Program Management	William Tan

VIA OPTRONICS GMBH

Roland Chochoiek

Sustainability

"Building a better future goes beyond just meeting regulations. It's the engine that drives our innovation and growth. We embed environmental responsibility and social good into our core strategy, actively supporting UN SDGs 9 and 12 to create a sustainable, low-carbon future."

Laurice S. Dela Cruz
Chief Sustainability Officer

Our journey to a sustainable future by 2050 starts with how we leverage our resources. We strategically align our capital, talent, and intellectual capabilities with our core purpose: to improve lives, conserve energy, and elevate quality of life for all. This creates shared value for our stakeholders. We believe our unwavering integrity, customer focus, excellence, and deep concern for others drive positive large-scale impacts for both People and Planet. By 2030, we are committed to ambitious sustainability goals: a 50% reduction in Scopes 1 & 2 greenhouse gas emission intensity and a 25% reduction in Scope 3.

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ENVIRONMENT • SOCIAL • GOVERNANCE

OUR SUSTAINABLE FUTURE - NET ZERO 2050

INPUTS

Financial Capital

- Equity
  $310.6 million
- Asset
  $994.6 million
- Debt
  $356.7 million

Human Capital

- Global headcount
  12,659
- Number of engineers
  1,016
  **Excluding VIA VTS Japan*
- Cadetship programs across multiple sites

Social & Relationship Capital

- No. of customers
  approximately 300
- Number of active suppliers
  1,115
- Continuous collaboration with government and academe in various geographies

Manufactured Capital

- **21** Manufacturing plants across nine countries
- Capital expenditure of
  $27.6 million

Natural Capital

- Electricity
  113M kWh
- Water
  1.1M m³

Intellectual Capital

- Design & development
- Advanced engineering
- Patents

OUTPUT

Commercial

- New programs
  $291 million
  - Mobility – **60%**
  - Industrial – **36%**
  - Others – **4%**
- New business quote hit rate
  27%

Financial

- Total revenues
  $1.3 billion
- Net profit (core business)
  $13 million

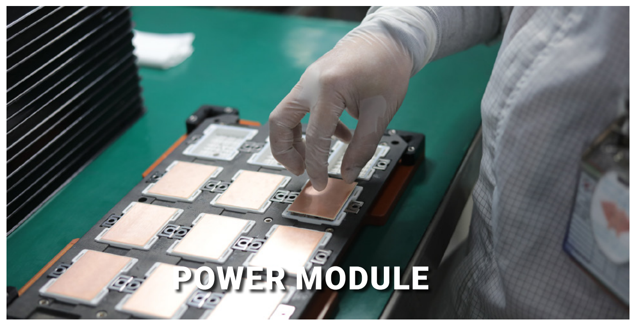
Process & Operations

- Customer satisfaction
  4.39
- Implementation of updated supplier code of conduct
- 1,475 Kaizen projects with total cost savings of **$8.9 million**

IMPACT

People | Planet | Purpose | Prosperity

- Revenues of IMI customers with ESG engagements — **$737 million**
- Manufacturing value add — **$430 million**
- Engagement survey — **89%**
- Turnover rate — **29.4%**
- Training hours — **629k**
- Recycled waste — **2.2k metric tons**
- ICT digital transformation — **99.76% completion for 2023 projects**
- Number of nationalities — **12**



Life-Saving Solutions, Energy Efficiency, and Enhanced Quality of Life. Through strong partnerships with global organizations, IMI delivers innovative manufacturing solutions that contribute to a more sustainable future.

Beyond Compliance: Shared Value and Positive Impact. Our commitment extends beyond simply meeting Environmental, Social, and Governance (ESG) requirements. We focus on creating shared value and delivering positive impacts through our services and manufacturing processes.

Our core values of integrity, customer focus, excellence, and concern for others are the building blocks of our culture as well as the means to deliver the value to our stakeholders. The following are our major strategies in each of the ESG pillars.

Environmental
- Carbon neutrality by 2050
- Reduce by 50% the carbon intensity for Scopes 1 and 2 by 2030
- Partnering with companies like Zero Motorcycles and Lithos that serve the electric vehicle ecosystem

Social
- Provide training and development opportunities for all employees
- Maintain a high employee engagement rating
- Ensure a safe and healthy work environment

Governance
- Commit to responsible business practices and to align with standards of Responsible Business Alliance (RBA)
- Uphold strong corporate governance standards across management and sites
- Ensure compliance to all audit requirements in finance, operations, and sustainability

ACTIVITIES AND IMPACT

Compliance with ESG standards continues to evolve towards a more aggressive stance on GHG reduction and social equity driven by growing environmental concerns and government policies. Global companies follow these standards on varied levels depending on their market position. Below are the major ESG activities that we do with our customers and the combined revenues attributable to these customers:

ESG Activities	No. of Customers
Net Zero Commitment	20
Green House Gas (GHG) Data Reporting: Scopes 1, 2, 3	23
Neutrality by 2030	13
Sustainability Audit	8
Third-Party Self-Assessment Questionnaires (SAQ) - Ecovadis Supplier Assurance	16
Carbon Disclosure Project (CDP) Survey Rating	2
Responsible Business Alliance (RBA) Validated Assessment Program (VAP)/RBA Membership	2
Supply Chain Management - Code of Conduct Roll Out	22
Conflict Materials Reporting Template (CMRT) and Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS)	22
TOTAL REVENUES OF CUSTOMERS WITH ESG ENGAGEMENTS	**$737 million**

Current sustainability audit and activity requirements suggest that non-compliance with measures and objectives that are important to our major customers may result in major non-conformance findings that may lead to loss of business. Among our top 20 customers, 70% have ongoing ESG engagements with us, while the total revenues of customers with ESG activities stands at $737 million, 66% of our total company revenues in 2023.

ESG Roadmap

Our target to reduce emission intensity by 2030 is on track, pending the results of our third-party consultant's assessment and validation of our carbon emission numbers. Alongside this, we are also firming up our social targets, focusing on employee health, safety, and a higher than average employee engagement.

	2022	2023	2024		2025		2030
ENVIRONMENT	☑ GHG reduction target by 2030 ☑ Net Zero 2050 ☑ Energy efficiency & PPA initiatives ☑ IPS ESG Awards	☑ IMI Scope 3 strategy ☑ ESG awareness initiatives (FC, Plastic free week, etc) ☑ Sustainability Internal Audits	☐ SouthPole Project ☐ Science Based Target Initiative (SBTi) ☐ Carbon Disclosure Project (CDP)	RBA Compliance Audit Preparation	☐ Validation of carbon emission reduction roadmap	RBA Certification - 2025	☐ 50% reduction in Scope 1 & 2 GHG ☐ 25% reduction in Scope 3 ☐ Green Energy utilization ≥ 50 %
SOCIAL	☑ Firming up of social targets ☑ Training and certification of ESG Team ☑ IMI Global cascade workshops ☑ ESG KPI on BSC		☐ IMI COC full rollout ☑ ESG Upskilling for leaders ☑ Working hour compliance		☐ IMI-initiated community outreach programs		☐ Healthy & safe work environment ☐ Stakeholder collaboration
GOVERNANCE	☑ IMI Sustainability table of organization ☑ ESG organizational alignment to business strategies ☑ DNV 3rd party assurance	☑ IMI Supplier Code of Conduct ☑ IMI Supplier Audit procedure ☑ Supplier engagement workshops	☐ SEC new guidelines on sustainability reporting ☐ IFRS ☐ RBA COC Version 8 ☐ Audit 20% of top IMI Suppliers		☐ Sustainability audits covering 20% of our top 150 suppliers		☐ Ethical & sustainable business practices aligned with global standards

CARBON INTENSITY

Carbon intensity in manufacturing refers to the amount of carbon dioxide (CO_2) emissions released per unit of production. It is a way to better measure how environmentally impactful the manufacturing process is. IMI will be using this metric in targeting reductions in CO_2 emissions by 2030.

ESG ENGAGEMENT AND COMMUNICATION

One of the most important elements in ensuring employee engagement is communicating the ESG objectives. Continuous training and onboarding, as well as an annual acknowledgment of the company's code of conduct, are required for all employees. We also ensure that we have materials for reference in the various networks we continue to engage with such as universities, government, industry associations, and other events and forums.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As one of the top 25 EMS providers globally, IMI recognizes the critical role it plays in the transition to a low-carbon future. In 2021, we demonstrated our commitment to climate action by joining Ayala Corporation and its other subsidiaries in pledging Net Zero emissions by 2050. Additionally, we further strengthened our position by aligning with the Task Force on Climate-Related Financial Disclosures (TCFD) to ensure transparency in our climate-related efforts.

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

OVERVIEW
MESSAGES
LEADERSHIP
SUSTAINABILITY
FINANCIAL
CORPORATE INFORMATION

ALIGNMENT TO EXTERNAL STANDARDS AND FRAMEWORKS

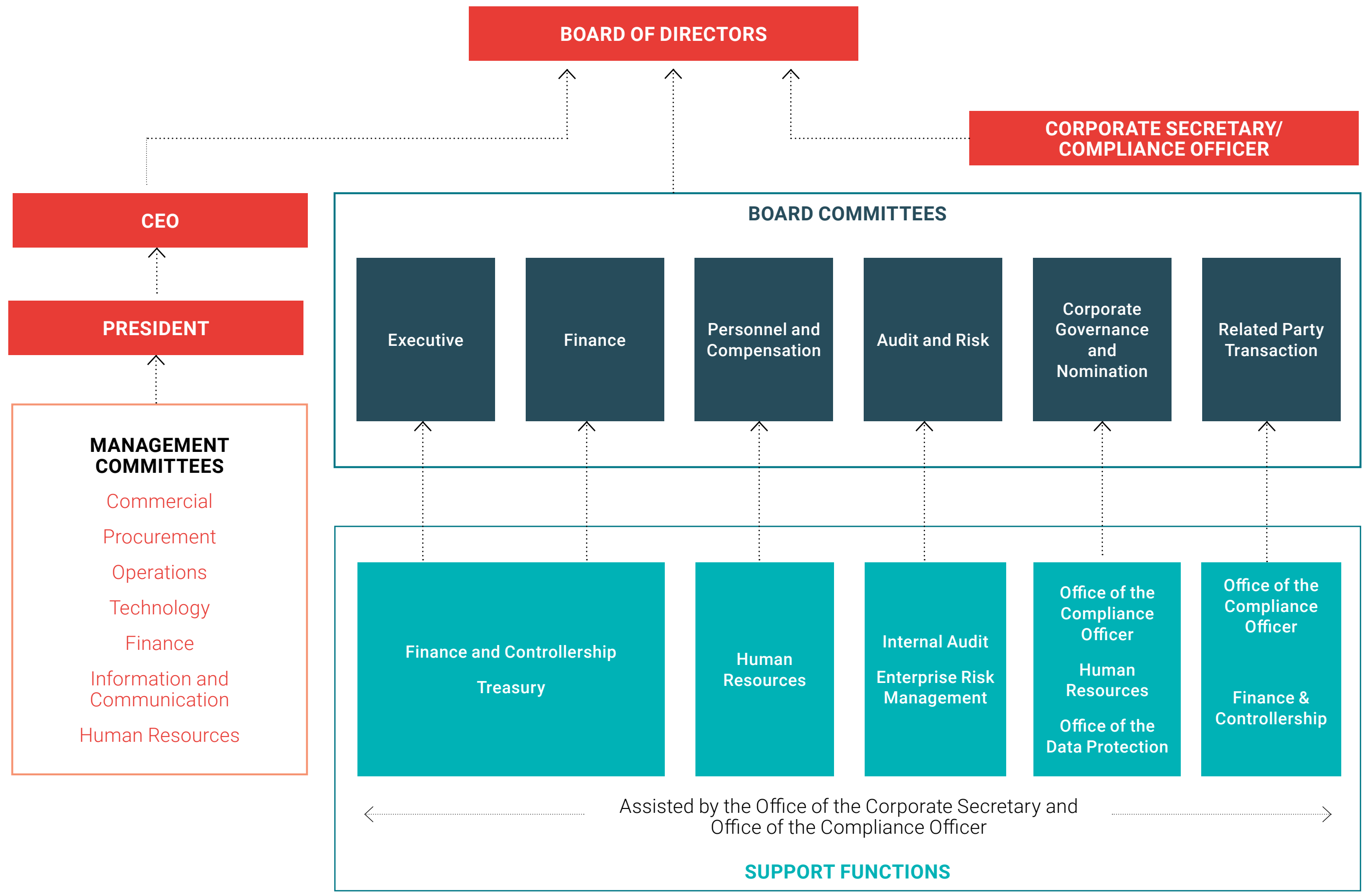
We are committed to the principles and best practices of good corporate governance as embodied in our Corporate Governance Manual, which has been the foundation for the development and implementation of our value-creating activities. The Manual outlines our company's vision, mission, and core values and reinforces accountability, ethical corporate behavior, fairness, and transparency. It is reviewed and updated to ensure consistency with internal policies, laws, and regulations.

Importantly, we continuously look to external frameworks to better inform us of the evolving standards of responsibility and sustainability. From this perspective, we are 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 2023 definitive information statement was distributed to stockholders on March 27, 2023, at least 25 calendar days before the annual stockholders' meeting on April 20, 2023, in compliance with SEC's required timeline of at least 21 calendar days before the date of the annual stockholders' meeting.
Independent director serving for a term of more than nine years	As discussed in the 2023 definitive information statement, Messrs. Nishimura and Chua have served as independent directors for more than nine years. The corporate governance and nomination committee endorsed their nominations as independent directors notwithstanding the fact that if elected once again, their services as such will exceed the recommended nine-year term provided in the SEC corporate governance code for publicly-listed companies after taking into consideration their commitment and dedication in fulfilling their mandate and their invaluable contribution to board discussions with their expert insights and independent judgment. They were both duly elected by IMI's stockholders' during the 2023 annual stockholders meeting.

Supporting this compliance is an attestation from the company's Chief Executive Officer, Compliance Officer, and the Chief Audit Executive for 2023 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.

As we seek to improve our practices around processes and controls, we appreciate being consistently recognized for our work on corporate governance. In 2023, we were awarded a 4 Golden Arrow by the Institute of Corporate Directors (ICD) in relation to our 2022 performance based on the ASEAN Corporate Governance Scorecard (ACGS), a globally-benchmarked scoring system designed for improving the corporate governance performance of publicly-listed companies from participating ASEAN countries. The ACGS was jointly developed by the ASEAN Capital Markets Forum (ACMF) and the Asian Development Bank (ADB) to promote regional integration and the ASEAN region as an asset class. The 4-arrow recognition is given to companies that achieved a score between 110 to 119 points out of 130 points. We were named to the list of Golden Arrow awardees for three consecutive years.



BOARD STRUCTURE AND PROCESS

The Board of Directors

The Board of Directors is the supreme authority in matters governing and overseeing our business. 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. They are responsible for promoting and adhering to the principles and best practices of corporate governance, to foster the long-term success of the company and to ensure sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility. The details of the Board's roles and responsibilities as formalized in its Charter are accessible on our company website.

In performing strategic oversight, the Board formulates and continuously reviews our vision, mission, strategic objectives, policies, and procedures that guide our activities, including the means to effectively monitor management's performance. To this end, the Board reviews the appropriateness of our vision and mission statement every year. Additionally, they oversee the development and approval of our business objectives and strategy, and monitor its implementation to sustain the company's long-term viability and strength.

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. This includes affirming the true and fair representation of the annual financial statements and adopting an effective succession planning programs for directors, key officers, and management.

In 2021, we became a supporter to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which means we commit to increasing transparency through adopting and reporting consistent disclosure of relevant information on our climate-related risks and opportunities. To carry on this commitment, the Board responsibility extends to managing the risks and opportunities associated with natural resources and climate change, and we continue to develop our understanding and integrate our learnings into our business operations.

In line with our corporate goals, we participate 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, keeping us abreast of current sustainability matters concerning Ayala Corp as well as learning from shared experiences, which is crucial particularly as 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 social and environmental issues. 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 eleven (11) members who are elected individually by 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. By 2025, the Board will strive to be at least 30 percent or two (2) female directors whichever is lower as stated in its board diversity policy with respect to gender.

Lead Independent Director

In 2023, 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 company that may hinder their independence from the company, management, or shareholder which could, or could reasonably perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the company.

As discussed in the 2023 Definitive Information Statement, Messrs. Nishimura and Chua served the recommended nine-year term for independent directors (reckoned from 2012). The Corporate Governance and Nomination Committee endorsed their nominations as independent directors notwithstanding the fact that if elected once again, their services as such will exceed the recommended nine-year term provided in the SEC Corporate Governance Code for Publicly-Listed Companies after taking into consideration their commitment and dedication in fulfilling their mandate and their invaluable contribution to Board discussions with their expert insights and independent judgment. They are both elected by IMI's stockholders during the 2023 annual stockholders meeting. Moreover, none of the directors or senior management have worked for the company's external auditing firm within the three years immediately preceding the date of their election or appointment.

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.

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 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 make appropriate recommendations to the Board of Directors. The Committee also has general oversight responsibility over the company's treasury activities and policies, including policies with respect to cash flow management, investment of the company's cash, and financial risk management including the use of derivatives. They are responsible for reviewing and evaluating the financial affairs of the Corporation from time to time and carry out such other duties as may be delegated to 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 implements 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 Remuneration

In accordance with the company's By-Laws, each director is entitled to receive fees and other compensation from the company for his services as director. The Compensation Committee's duties and responsibilities as defined in its charter are to recommend to the Board remuneration package for directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the company's culture, strategy and control environment, and aligns with the long-term interests of the company and its stakeholders.
In no case will the total yearly compensation of directors exceed five percent (5%) of the net income before income tax of the company during the preceding year.

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 ₱100,000 for each Board meeting attended and a per diem of ₱20,000 for each Committee meeting attended.

In 2023, the following directors received gross remuneration as follows:

Non-Executive and Independent Directors	Gross Remuneration (In ₱)
Delfin L. Lazaro*	720,000
Alberto M. de Larrazabal	920,000
Jose Ignacio A. Carlos	720,000
Rafael C. Romualdez	1,080,000
Jaime Z. Urquijo	800,000
Hiroshi Nishimura	1,060,000
Sherisa P. Nuesa	940,000
Edgar O. Chua	1,060,000
Roland Joseph L. Duchâtelet**	-
Total	**₱7,300,000**

* Resigned from the Board effective November 24, 2023.
**Mr. Duchâtelet waived his director's fees for the meetings attended.

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

Board And Board Committee Membership

Stockholders, Board, Board Committee Meetings, and Directors' Attendance For The Year Ended December 31, 2023

DETAILS	MEMBERSHIP AND ATTENDANCE							
	Stockholder & Board		Board Committee					
MEETINGS	**AS**	**BOD[1]**	**EC[2]**	**ARC**	**FC**	**CGNC**	**RPTC**	**PCC**
NO. OF MEETINGS	**1**	**6**	**3**	**7**	**8**	**6**	**2**	**1**
Delfin L. Lazaro[3] Non-Executive Director	C 1/1	C 6/6	-	-	C 1/1	-	-	-
Arthur R. Tan Executive Director	- 1/1	VC 6/6	C 3/3	-	-	-	-	-
Jerome S. Tan Executive Director	- 1/1	M 6/6	-	-	-	-	-	-
Jose Ignacio A. Carlos Non-Executive Director	- 1/1	M 5/6	-	-	-	-	-	M 1/1
Rafael C. Romualdez Non-Executive Director	- 1/1	M 6/6	M 2/3	M 6/7	M 6/8	-	M	-
Alberto M. de Larrazabal[3] Non-Executive Director	- 1/1	M 5/6	M 3/3	-	M 7/8	-	M	M 1/1
Jaime Z. Urquijo Non-Executive Director	- 1/1	M 5/6	-	-	C 5/7	-	-	-
Roland Joseph L. Duchâtelet Non-Executive Director	- 1/1	M 6/6	M 3/3	-	-	-	-	-
Hiroshi Nishimura Independent Director	- 1/1	M 6/6	-	M 7/7	-	M 6/6	C	-
Sherisa P. Nuesa Independent Director	- 1/1	M 6/6	-	-	-	C 6/6	-	C 1/1
Edgar O. Chua Independent Director	- 1/1	M 6/6	-	C 7/7	-	M 6/6	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

1 In 2023 and during the incumbency of the director.
2 The actions of the Executive Committee were taken via digital/electronic means.
3 On November 24, 2023, Mr. Lazaro resigned as director and Chairman of the Board and was replaced by Mr. de Larrazabal

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 towards 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 2023 board evaluation exercise.

Each director was requested to complete a self-assessment form which included criteria such as: Part I: Board effectiveness; Part II: Committee effectiveness; Part III: Individual effectiveness; and Part IV: President and CEO 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 would 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 company. 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.

On October 3, 2023, the Board's Agenda 2023: Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit was held 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 18, 2022. These summits have been held since 2014 in an effort to supplement continuous education.

Corporate Governance Programs Attended in 2023

Director	Program	Training Institute	Date of Training
Delfin L. Lazaro Chairman of the Board	ICD Masterclass: The Third Series – Session 4 "Transforming Companies with Digital-Disruption-Ready Board of Directors"	Institute of Corporate Directors (ICD)	October 27, 2023 (through Zoom Webinars)
	ICD Masterclass: The Third Series - Session 5 "Disruptive Health Innovations"	Institute of Corporate Directors (ICD)	November 24, 2023 (through Zoom Webinars)
Arthur R. Tan Vice Chairman of the Board and CEO **Jerome S. Tan** President **Alberto M. de Larrazabal** **Jaime Z. Urquijo** **Roland Joseph L. Duchâtelet** **Edgar O. Chua** **Jose Ignacio A. Carlos** **Rafael C. Romualdez** **Hiroshi Nishimura**	The Board's Agenda 2023: Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit	Institute of Corporate Directors (ICD)	October 3, 2023 (through Zoom Webinars)
Sherisa P. Nuesa	ICD Masterclass: The Third Series – Session 4 "Transforming Companies with Digital-Disruption-Ready Board of Directors"	Institute of Corporate Directors (ICD)	October 27, 2023 (through Zoom Webinars)
	Advanced Corporate Governance Training	Institute of Corporate Directors (ICD)	December 4, 2023 (through Zoom Webinars)

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

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.

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 and Data Protection Officer
Nick Davey	Chief Technology Officer
Margarita V. Del Rosario	Chief Human Resource Officer (OIC)
Laurice S. Dela Cruz	Chief Finance Officer and Compliance Officer * also serves as Chief Risk Officer and Chief Sustainability Officer

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 20, 2023, the shareholders re-appointed Sycip, Gorres, Velayo and Co. (SGV & Co.) as the company's external auditor for the year 2023, with Ms. Cyril Jasmin B. Valencia as the lead engagement partner. 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.:

	2023	2022	2021
Audit and Audit-related fees*	**5.32**	5.43	4.65
All other fees**	**1.02**	0.13	0.06
TOTAL	**6.34**	5.56	4.71

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.

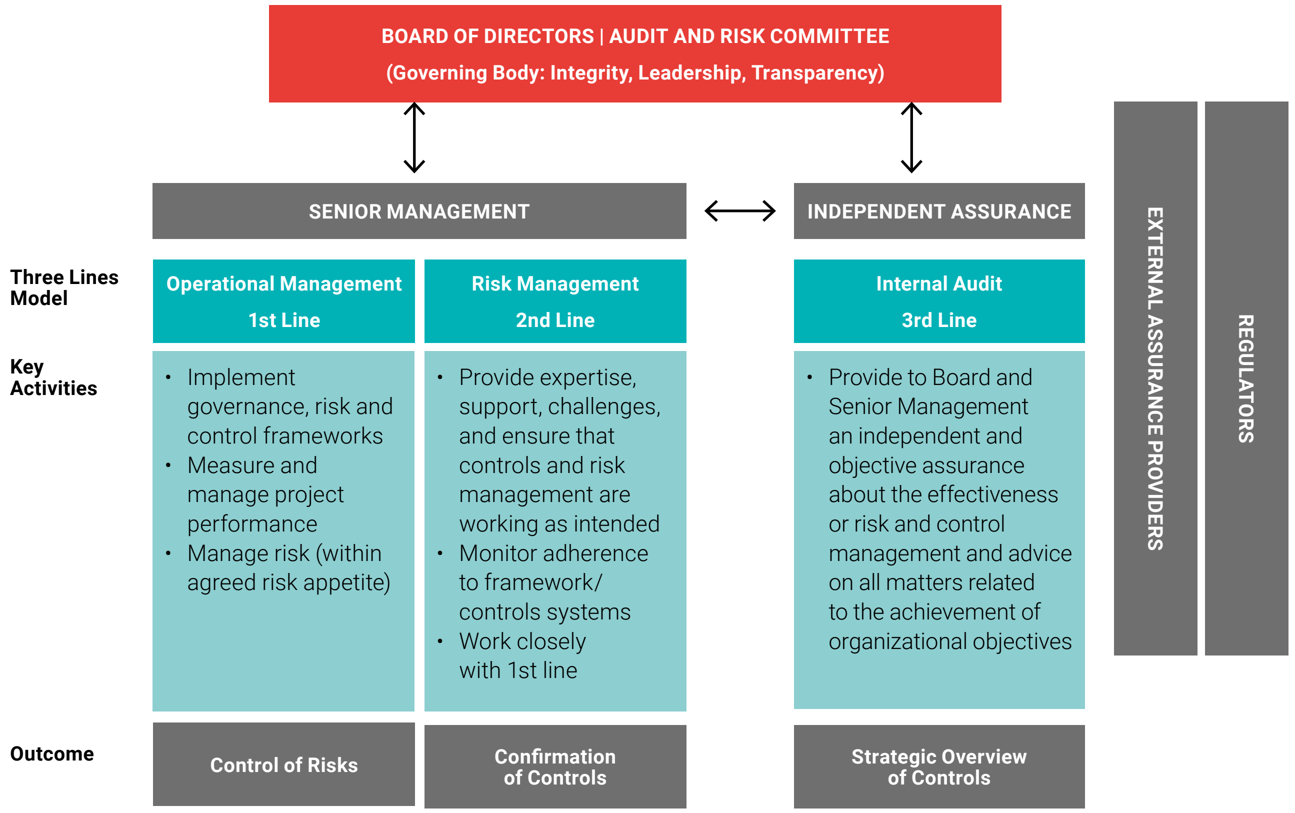
** All Other Fees. This category includes other services rendered by SGV & Co. such as agreed-upon procedures, validation of votes during Annual Stockholders' meetings and integrated report assurance requirements.

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. Its main role 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 control is adequate and continue to operate effectively in all material aspects.

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

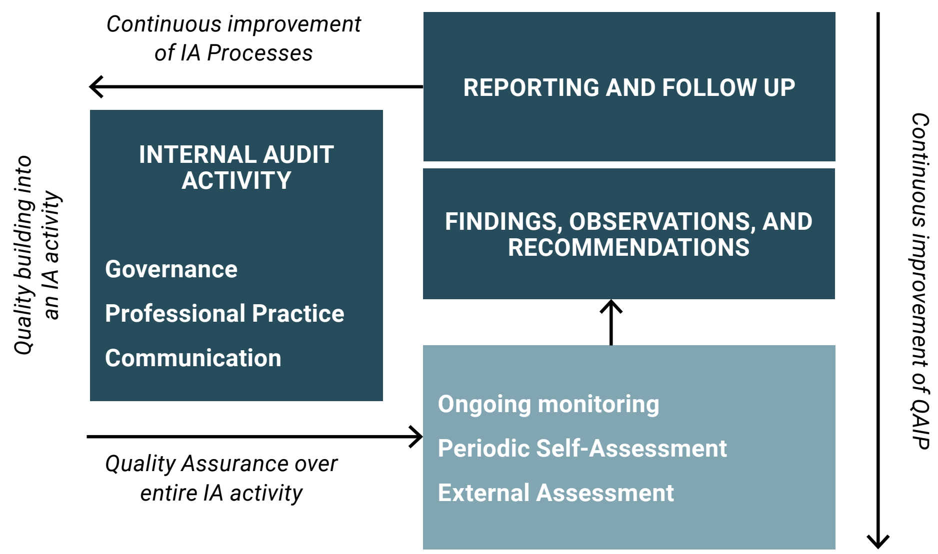
GIA adopts the Institute of Internal Auditors' Three Lines Model to establish clear lines of defense against risks and promote accountability and collaboration, as well as to avoid duplication of efforts across different levels and functions within IMI.



Ayala Group Chief Audit Executives Forum: IMI's Chief Audit Executive Lorlyn Arceo (third from left) attended the forum together with other Chief Audit Executives from ACEN, Globe, Ayala Corporation, GCash, and ACI among other AC subsidiaries.

In addition, GIA activities conform with the Core Principles and International Standards for the Professional Practice of Internal Auditing, Definition of Internal Auditing and the IIA Code of Ethics, comply with the Code of Corporate Governance for publicly listed companies and are continuously improved through the Quality Assurance and Improvement Program (QAIP).

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP) FRAMEWORK



In carrying out its mandate, GIA adopts a risk-based audit approach with coverage of the most critical processes/systems in its annual internal audit plan mapped out with assurance and advisory reviews. The internal audit plan and any changes thereto are reviewed and approved by the ARC and are 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, GIA reports the status of the approved audit plan, reviews results including recommendations and the implementation status of Management's committed risk mitigation action plans to ensure timely resolution. Further, the report includes status of quality assurance improvement program initiatives, resource management, competencies, and trainings of the staff to ensure effectiveness of the internal audit function and that resources are appropriate, sufficient, and effectively deployed to the areas of highest risks.

All members of GIA 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 GIA also confirm to the company's mandated annual compliance declaration to Code of Conduct and related governance policies and procedures including conflict of interest.

As of 2023, the audit team has an average of nineteen (19) years audit experience with various professional qualifications, namely Certified Public Accountant, Certified Risk Manager, Lead Auditor Certifications in Business Continuity Management System, Quality Management System, Information Security Management System, Environmental Management System, Lean Six Sigma, Verband der Automobilindustrie (VDA) 6.3 Process Audit, Qualified Persons in Industrial Regulatory Affairs (QPIRA), and affiliations to the Institute of Internal Auditors and Association of Certified Fraud Examiners.

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

We make timely and accurate disclosures on all material matters regarding the company, including financial information, performance, ownership, and governance of the company.

DISCLOSURE AND TRANSPARENCY

We make timely and accurate disclosures on all material matters regarding the company, including financial information, performance, ownership, and governance of the company.

OWNERSHIP STRUCTURE

As of December 31, 2023, 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	728,173,695	32.84%
AC, ESOWN, Directors and Officers	43,609,440	1.97%
TOTAL	**2,217,293,215**	**100.00%**

**Based on the Public Ownership Report as of December 31, 2023*

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 – $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 on the company's website.

No RPTs classified as financial assistance to entities other than wholly owned subsidiaries were entered into in 2023. 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.

CHANGES IN SHAREHOLDINGS

Reported trades in IMI securities of the directors and officers in 2023:

	Number of Shares				
	Security	As of Jan. 1, 2023	Acquired/ Assigned	Disposed of	As of Dec. 31, 2023
DIRECTORS					
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	390,578	-	-	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	34,505	5,000	-	39,505
Anthony Raymond P. Rodriguez	Direct	-	-	-	-
Solomon M. Hermosura	Indirect	15	-	-	15
Rosario Carmela G. Austria	Direct	-	-	-	-
TOTAL		**26,952,531**	**5,000**	**-**	**26,957,531**

WHISTLE BLOWER POLICY

The Policy applies to 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 a 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 on the same, the allowed means of participation and voting, and sets the date, time, place for validating proxies, which must be done at least five business days prior to the meeting.

Each outstanding common share 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 actively participate by attending via remote communication, voting *in absentia* using the Ayala Group Voting System, voting through proxy forms assigning the Chairman as proxy, and sending their questions and comments through the company's established communication channels. Shareholders, who notified the company of their participation in the meeting by remote communication, were included in the determination of 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 is sent to the stockholders at least 21 calendar days prior to the date of the meeting. The company also provides non-controlling or minority shareholders the right to nominate candidates for board of directors and to propose items for inclusion in the meeting agenda.

2022 Integrated Report

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. Since 2020, these briefings have been 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

Typically, the company conducts roadshows two or three times a year to engage potential investors from other regions.

IMI Code of Conduct

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

Annual Stockholders' meeting held on April 20, 2023

Striving for Excellence: A Commitment to Continuous Improvement

Trust is paramount in today's business environment. Our dedication to achieving and maintaining various ISO and industry certifications provides our customers with the confidence that we operate at the highest levels of quality, environmental responsibility, and information security.

*Certifications as of December 31, 2023

ISO 9001:2015
Quality Management Systems

- IMI PH Laguna (EMS 1, ATC Lab)
- IMI PH Laguna (EMS 2, Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)
- IMI CN- Chengdu
- IMI CN- Jiaxing
- IMI CN- Kuichong
- IMI CN- Pingshan
- IMI Bulgaria
- IMI Serbia
- IMI Czech Republic
- IMI USA
- VIA optronics (Suzhou) Co., Ltd.

IATF 16949:2016
Automotive Quality Management Systems

- IMI PH Laguna (EMS 2, Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)
- IMI CN- Chengdu
- IMI CN- Jiaxing
- IMI CN- Kuichong
- IMI Bulgaria
- IMI Serbia
- IMI Czech Republic
- IMI Mexico
- VIA optronics GmbH- Nürnberg, Germany
- VIA optronics (Suzhou) Co., Ltd.

ISO 14001:2015
Environmental Management Systems

- IMI PH Laguna (EMS 1, ATC Lab)
- IMI PH Laguna (EMS 2, Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)
- IMI CN- Chengdu
- IMI CN- Jiaxing
- IMI CN- Kuichong
- IMI CN- Pingshan
- IMI Bulgaria
- IMI Serbia
- IMI Czech Republic
- IMI Mexico
- VIA optronics (Suzhou) Co., Ltd.

*PH: Philippines
*CN: China

ISO 13485:2016
Quality Management Systems for Medical Devices

- IMI PH Laguna (EMS 1, ATC Lab)
- IMI PH Laguna (EMS 2, Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)
- IMI CN- Kuichong
- IMI USA

ISO 45001:2018
Occupational Health and Safety

- IMI CN- Chengdu
- IMI Serbia

ISO/IEC 27001:2013
Information Security Management Systems

- IMI PH Laguna (EMS 1, ATC Lab)
- IMI PH Laguna (EMS Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)

ANSI ESD S20.20:2021
Protection of Electrical and Electronic Parts

- IMI PH Laguna (EMS 2, Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)

IEC 16340-5-1:2016
Electrostatics

- IMI PH Laguna (EMS 2, Camera, Captive, Power Module)
- IMI PH Laguna (Warehousing and Testing)

PNS ISO/IEC 17025:2017
General Requirements & Standards for Calibration and Testing

- ATC Laboratory IMI PH - Laguna
  – Calibration
  – Chemical Testing
  – Electrical Testing
  – Mechanical Testing

OVERVIEW MESSAGES LEADERSHIP SUSTAINABILITY FINANCIAL CORPORATE INFORMATION

IMI is committed to responsible growth that prioritizes environmental, social, and governance (ESG) factors. This commitment extends beyond compliance to driving impactful initiatives that create a sustainable future for our company, our stakeholders, and the communities we touch.

This section outlines our strategic roadmap for ESG integration across all levels of our operations. Here, we delve into four key areas, where we are implementing initiatives to address the social, economic, environment, digital infrastructure, and supply chain pillars:

1. Accountability and Collaboration: We explore how we foster an ownership culture of sustainability through collaboration and transparent reporting.
2. Digital Roadmap: We unveil our strategic plan for digital transformation, highlighting how it contributes to our overall sustainability vision.
3. IMI Production System (IPS): We showcase how this system, including the annual IPS event, drives continuous improvement in quality, efficiency, and environmental impact across production and operations.
4. Supplier Sustainability Audits: We detail our commitment to extending our sustainability focus throughout the supply chain by conducting audits of our top suppliers.

These initiatives represent a significant step forward in our journey toward a more sustainable future. By focusing on these key areas, IMI aims to maximize its positive impact while minimizing its environmental footprint, creating long-term value for all our stakeholders.

ACCOUNTABILITY AND COLLABORATION

Our culture journey espouses accountability and collaboration as our way of life in IMI, establishing this through global programs and activities that aim to promote and embed these practices into daily activities and interactions of employees. From understanding our culture benchmarks to identifying our standards and ensuring common understanding across the organization, to applying accountability and collaboration principles, this culture journey made our global team more aligned and focused on our common goals and objectives–creating the future through products and innovations.

Building a Culture of Accountability:

- Set Clear Expectations: Clearly define goals, roles, and responsibilities for everyone on the team. This ensures everyone understands what is expected of them and how their work contributes to the overall project or objectives and goals. Use the SMART goal framework (Specific, Measurable, Achievable, Relevant, and Time-bound) to create well-defined goals.
- Regular Feedback and Recognition: Provide timely and constructive feedback to team members. This helps them course-correct, identify strengths and areas for improvement, and stay motivated. Recognize and appreciate achievements to reinforce desired behaviors and celebrate successes.
- Open Communication: Encourage open and honest communication where team members feel comfortable discussing challenges, asking questions, and seeking help. This fosters trust and transparency, allowing for early identification and resolution of issues.
- Empowerment and Ownership: Delegate tasks and empower team members to take ownership of their work. This increases their sense of responsibility and accountability for the outcome.

Accountability & Collaboration Course and Sessions

Culture Toolkit Material Example

Global achievements and events aligned with Accountability and Collaboration

Enhancing Collaboration:

- Teamwork and Shared Goals: Structure work to encourage teamwork and collaboration. Set shared goals that require collective effort and celebrate team achievements to foster a sense of "we're in this together."
- Effective Communication Channels: Establish clear communication channels that are accessible and efficient. This could involve project management tools, communication platforms, or even dedicated team huddles.
- Active Listening and Respectful Discussions: Encourage active listening and respectful discussions where all team members feel valued and heard. This fosters an environment where diverse perspectives and ideas are welcome.
- Shared Knowledge and Recognition of Expertise: Promote knowledge sharing and collaboration by creating opportunities for team members to learn from each other's expertise. Recognize individual strengths and encourage team members to seek help from peers when needed.

DIGITAL TRANSFORMATION – Building a Sustainable Future

Our digital transformation journey has taken a significant leap forward by integrating initiatives and programs that directly support our ESG and sustainability goals. By leveraging new technologies and business workflows, we aim to optimize, automate, and modernize operations, ultimately creating value through innovation, enhanced customer experience, and improved efficiency.

99.76%

STRATEGIES	COMPONENTS (and % Weight of Effort/Resource)	2021	2022	2023	2024	2025	BEYOND
Supply Chain Management Excellence	• Next Generation ERP (60%) • Global Costing Tool (20%) • Consolidated Business Planning (20%)	100%	100%	100%	0%	0%	0%
Collaborative Integrated Product Lifecycle	• Production Change Management (50%) • Product Lifecycle Management (50%)	100%	100%	100%	0%	0%	
Operations Management Excellence	• Maintaining Legacy Trace (20%) • Global MES (40%) • Quality Management System (25%) • IIOT (10%) • Enterprise Technology Reports, Workflow (5%)	100%	100%	99.8%	0%	0%	0%
Advancing on Automation: RPA, AI, ML	• Robotics Process Automation (RPA) (70%) • Artificial Intelligence / Machine Learning (30%)	100%	100%	100%	0%	0%	
Enabling Digital Workforce / Digital Culture	• New HRIS (20%) •Maintain Current HRIS (20%) • Workforce Learning & Devt (20%) • Productivity Tools (40%)	100%	90%	100%	0%	0%	
Strategic Decision Making through Big Data / Analytics	• Localized Analytics (30%) • Analytical Operation (30%) • Analytical Enterprise (30%) • Data Driven Enterprise (10%)	100%	98%	99%	0%	0%	
Adaptive & Agile Enterprise Content Mgmt (ECM)	• ECM Strategy (20%) • Contract Management System (15%) • Define Main ECM platform (50%) • Data Leakage Protection (15%)	100%	100%	100%	0%		
Operational Excellence in ICT	• Infrastructure Management (30%) • Cyber Hygiene (20%) • Software Development (15%) • IT Asset Management (10%) • Service Request Fulfillment (10%) • Incident & Problem Management (10%) • Mature ICT Community (5%)	100%	100%	99%	0%	0%	
Strengthening Info Security and IT Governance	• ISMS-ISO27001 & TISAX (50%) • ICT Planning Management Framework (15%) • Performance Management (10%) • Risk Management & Privacy Compliance (25%)	100%	100%	100%	0%	0%	

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

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 applicationstivity -NaaS
- Revamp of IMI website
- Global MES (US)

2022 — 100%

- 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)

2023 — 99%

- 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

2024

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

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)

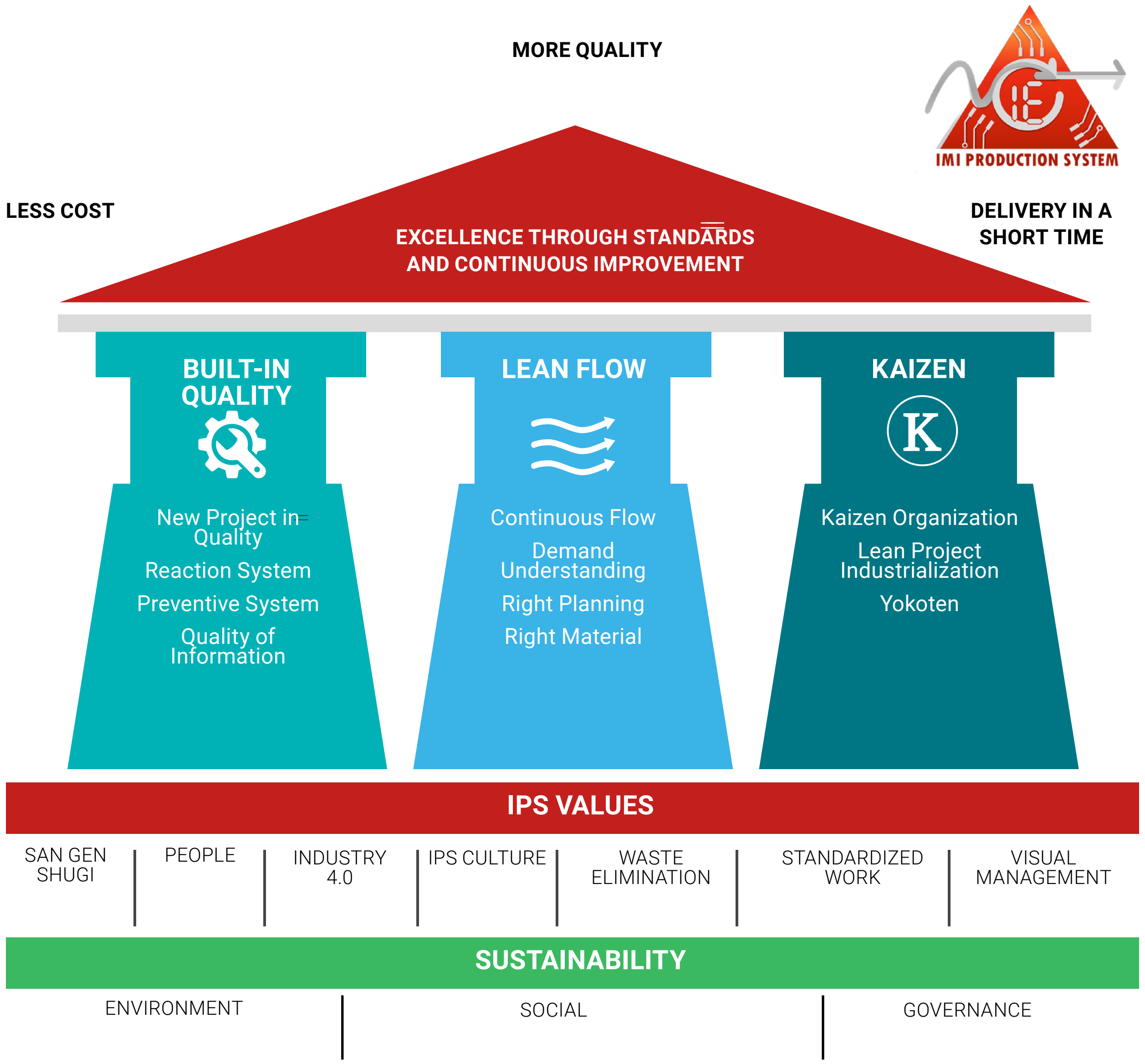
DIGITAL TRANSFORMATION ROADMAP

CONTINUOUS IMPROVEMENT THROUGH THE IMI PRODUCTION SYSTEM (IPS) — IMI's Commitment to Excellence and Sustainability

At IMI, achieving operational excellence goes hand-in-hand with sustainable practices. This commitment is built on a strong foundation of quality principles and frameworks.

Our three pillars:
- **Quality Mindset:** We foster a culture of quality by applying San Gen Shugi (a Japanese philosophy for workplace improvement) and the Golden Triangle (Standard–Measure–Improve).
- **Customer Focus:** We continuously strive to improve the customer experience.
- **Operational Efficiency:** We utilize LEAN methodologies to eliminate waste, optimize costs, and ensure efficient operations .

This foundation allows us to achieve excellence while minimizing environmental impact. Our three pillars founded on IPS Values and Sustainability help us achieve success and deliver excellence through standards and continuous improvement.



Measurable Success

We implement continuous improvement through Kaizen across all our factories. During the year, these initiatives totaled 1,332 projects, which generated a combined savings of $3.6 million, demonstrating the tangible impact of our employee-driven innovation on operational efficiency.

IPS Global Convention

IPS Global Convention is an annual event organized by IMI's Global Industrial Excellence Group which aims to showcase the success story of the best Kaizen projects per region. In 2023, three categories and winning teams came from China (Jiaxing, Chengdu) and the Philippines.

The 3rd IPS Global Convention, where regional winners totaling 12 teams across IMI global sites competed for the title of BEST KAIZEN Project for 2023.

SUSTAINABLE PROCUREMENT — Integrating Sustainability Throughout Our Supply Chain

IMI operates across a diverse range of services and markets globally. Recognizing this reach, we pursue ESG initiatives throughout our sourcing network and supply chain.

Collaboration for Sustainability:
- **Customer Focus:** We work closely with customers to understand their sustainability expectations and best practices, ensuring our partnerships reflect these values. In turn, we work with our suppliers to ensure that they are aligned to IMI and our customers' expectations.
- **Supplier Engagement:** We clearly communicate our sustainability expectations to our business partners and conduct due diligence checks. The IMI Supplier Code of Conduct was updated and disseminated for acknowledgment of all IMI suppliers focusing on our top suppliers ranked based on spend.

Accountability and Compliance:
- **Supplier Audits:** We hold ourselves and our suppliers accountable through periodic audits. IMI employs a hybrid audit process involving online and onsite sustainability audits.
- **Training and Support:** IMI supplier roadshow and engagement activities are scheduled in 2024 which will include the RBA Code of Conduct that covers labor, ethics, environment, health and safety, and supply chain management.
- **Risk Management:** Through our supplier code of conduct, we help suppliers develop a risk-based approach and understand their role in achieving IMI's and its customers' long-term goals.

This comprehensive approach ensures a sustainable and responsible supply chain that aligns with IMI's values and customer expectations.

SUPPLIER SUSTAINABILITY AUDIT

A separate supplier audit and validation for sustainability will ensure implementation of, and alignment with, the standards of the RBA Code requirements as well as establish responsible supply chains. For 2024, IMI will aim to conduct sustainability audits of 20% of our top 150 suppliers.

IMI CODE OF CONDUCT FOR SUPPLIERS

01. DEPLOYMENT OF IMI REQUIREMENT

- Sending IMI Code of Conduct to Suppliers
- Signing IMI Code of Conduct and sending back to globalcsr@global-imi.com

02. SELF-ASSESSMENT OF SUPPLIER

- Sending Sustainability Audit checklist to IMI Suppliers
- Perform Self-Assessment and sending back to IMI
  Provision of action plan for any gaps identified

03. SUSTAINABILITY AUDIT OF SUPPLIER

- Conduct Sustainability Audit on IMI Supplier
- Provision of audit evidence
  Commit action for identified gaps during audit

Review audit results and monitor performance

IMI SUSTAINABILITY FOR SUPPLIER

IMI
IMI SUPPLIER

IMI CODE OF CONDUCT AND SUSTAINABILITY FRAMEWORK

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 Assessment
- Corrective Action Process
- Documentation and Records
- Supplier Communication
- Collaboration with Government and Academe

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

ETHICS
Uphold the highest standards
Business Integrity RBA 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

HEALTH AND 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

ENVIRONMENT
Protect the environment
Environmental Permits and Reporting
Pollution Prevention and Resource Reduction
Hazardous Substances
Waste and Solid Waste
Air Emissions
Product Content Restrictions
Water Management
Energy Consumption and Greenhouse Gas Emission Energy

POLICY ON CONFLICT MINERALS

The following list outlines the measures we have put in place to avoid contributing to conflict and human rights abuses.

- **Sourcing from responsible suppliers:** We only purchase minerals and metals from smelters that comply with the Responsible Business Alliance (RBA) standards or have demonstrably clean supply chains, free from conflict minerals in the Democratic Republic of Congo (DRC) and surrounding countries.
- **Transparency:** We collect information about the origin of minerals and metals from our suppliers each year using a standardized reporting template. This information is then shared with our customers through our dedicated customer support team.
- **Verification and accountability:** We verify the responsible sourcing practices of our suppliers by referencing the publicly available list of compliant smelters maintained by the Responsible Minerals Initiative (RMI). If any discrepancies are identified, we work with our suppliers to address them and ensure they are sourcing responsibly.
- **Supplier engagement:** We hold our suppliers accountable for upholding responsible sourcing practices within their own operations and supply chains. This is explicitly stated in our contractual agreements and IMI Supplier Code of Conduct.

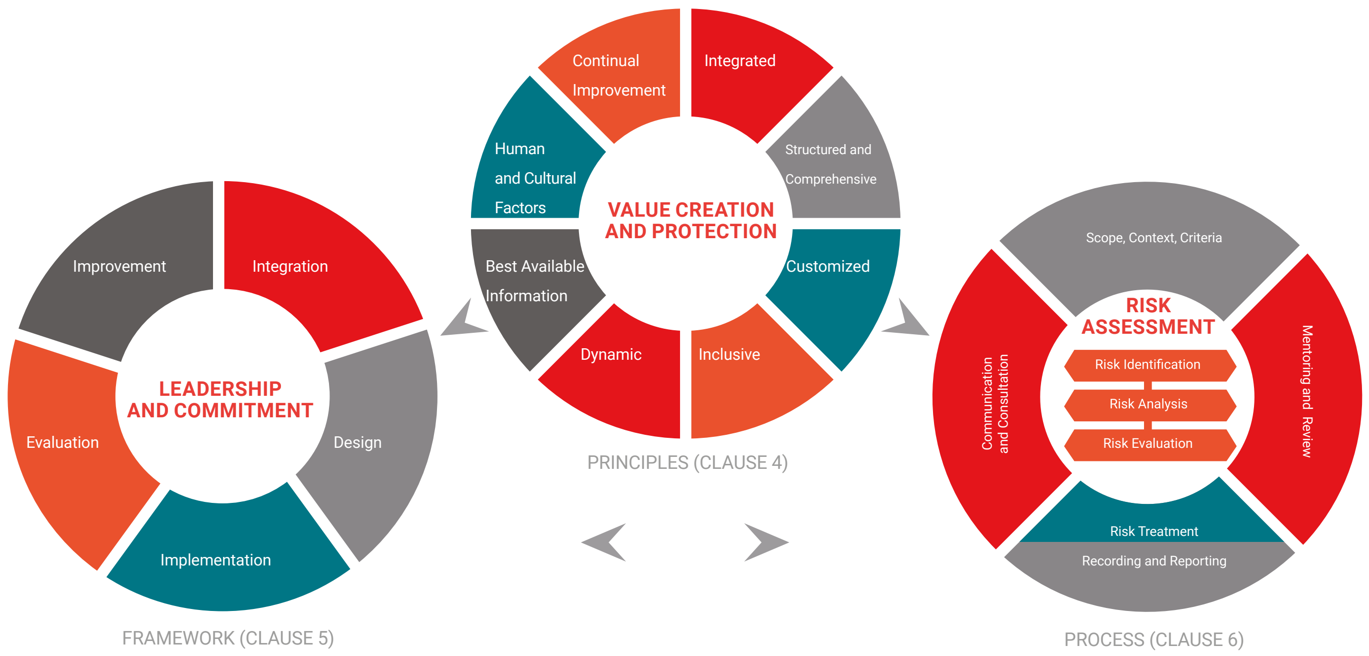
2024 and Beyond

Our third-party consultant is in the process of completing the assessment and validation of our carbon emission numbers. The findings will enable us to map out our detailed emissions and project our yearly progress towards 2030. We will prepare IMI to be compliant and eventually certified with the Responsible Business Alliance's (RBA) evaluation. On supply chain and procurement, we are working to organize engagement workshops for our top suppliers to align them with our Code of Conduct and apply it to their own supply chain, thus collectively driving the positive change across the value chain. On energy consumption, we plan to install solar panels to further reduce our reliance on fossil fuels, in addition to increasing our usage of renewable energy from the grid.

ENTERPRISE RISK MANAGEMENT POLICY AND FRAMEWORK

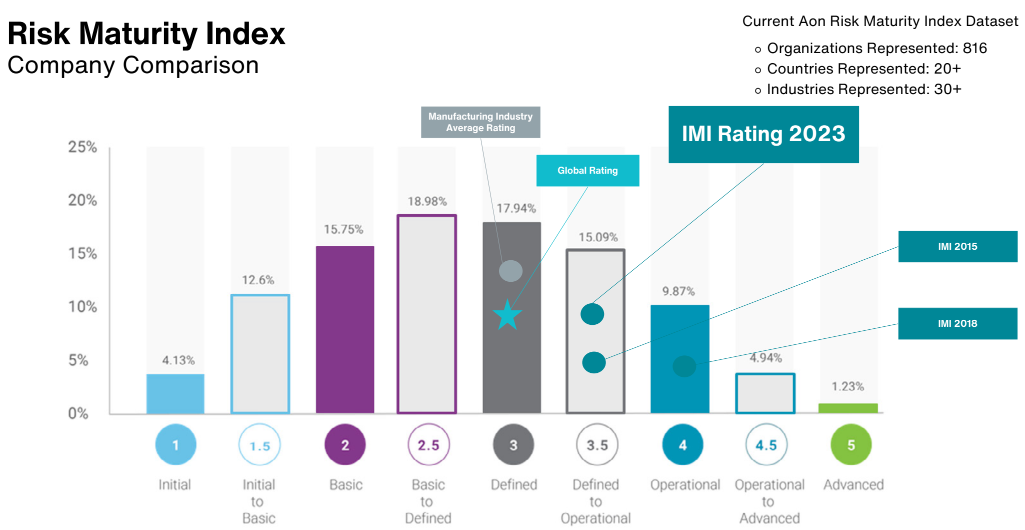
In the pursuit of long-term sustainability, we have established a robust enterprise-wide risk management policy and framework founded on ISO 31000. The framework guides our proactive identification, assessment, and mitigation of potential risks.

As part of this strategy, our Enterprise Risk Management (ERM) program helps safeguard our future by addressing internal and external risks that could affect our operations, financial health, and overall success.



RISK MATURITY

In 2023, IMI together with the other business units in the Ayala group underwent risk maturity assessment conducted by AON which analyzed IMI's risk management capabilities and practices. The assessment focused on corporate governance, management decision processes, and risk management practices. A workshop was conducted with IMI Executive Management and used structured questions that are align with nine characteristics of risk maturity as defined by AON's Risk Maturity Index. IMI's risk maturity was rated at 3.5 which is above the global and manufacturing industry average. As a global enterprise, IMI was described to have defined policy for risk management and is making efforts to consistently deploy risk management principles.



RISK REPORTING

We have clear reporting structures that establish ownership and accountability across all operations. We emphasize quality and encourage risk-based thinking at all levels to identify and manage top risks.

The Audit and Risk Committee (ARC) oversees our internal controls and risk management framework, including assessing the company's exposure to climate-related risks as outlined by the Task Force on Climate-Related Financial Disclosures (TCFD).

The ARC's role includes:

- Analyzing and providing guidance on significant financial and non-financial risks, along with mitigation strategies including climate related risk.
- Assessing climate-related hazards, their likelihood and potential impact, and reviewing corresponding risk reduction plans.
- Monitoring the company's overall risk management activities and evaluating the effectiveness of implemented plans.

The Chief Risk Officer (CRO) ensures regular internal reporting on the effectiveness and outcomes of the risk management framework. The ERM leader supports the CRO by:

- Collaborating with site risk owners and designated risk leads on initiatives to strengthen the framework, including managing climate-related risks.
- Reporting progress to the ARC on a quarterly basis.

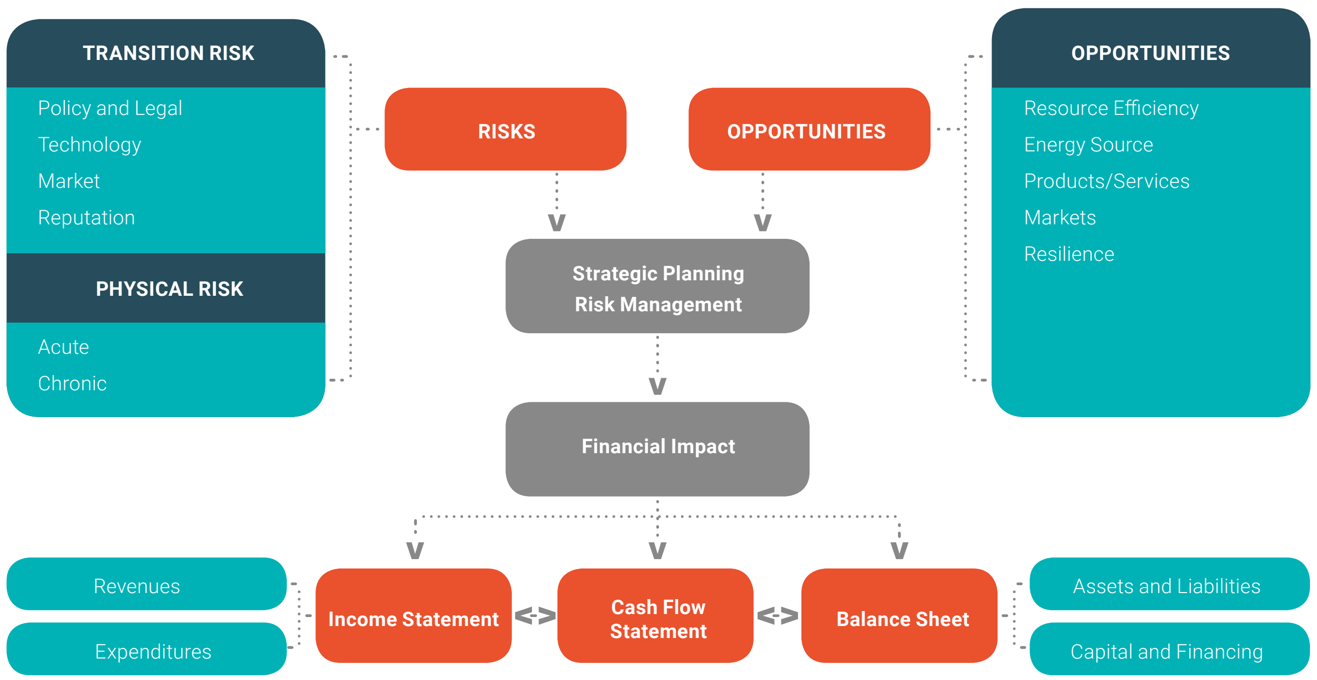
IMI Integrates Climate Risk into Risk Management

To ensure our risk management approach considers the latest climate-related factors, IMI leverages several resources alongside our updated ISO 31000-based processes:

- Globally Recognized Reporting Frameworks: These frameworks provide standardized methods for tracking our climate action projects, enhancing transparency and accountability.
- Customer ESG and Climate Initiatives: We factor in our customers' environmental, social, and governance (ESG) priorities and climate action goals to align our practices.
- Industry-Specific Climate Information: We utilized publicly available publications that address climate change impacts specific to our industry sector.
- Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations: We integrate TCFD recommendations to ensure a comprehensive assessment of climate-related risks and opportunities.
- Internal Assessments: Our internal climate risk assessments, integrated reports, opportunity profiles.
- Benchmarking with Peers: We also consider Carbon Disclosure Project (CDP) reports from other manufacturers within our industry to learn from their approaches and identify industry trends.

By incorporating these diverse resources, IMI strengthens its risk management framework to address the evolving landscape of climate-related risks and opportunities.

CLIMATE-RELATED RISKS, OPPORTUNITIES, AND FINANCIAL IMPACT



TOP RISKS 2023

With the EMS industry's dynamic and competitive business landscape, a skilled and engaged workforce is more critical than ever. Recognizing talent acquisition and retention as our top risk in 2023, we have prioritized proactive initiatives to foster a positive work environment, invest in employee development, and cultivate a strong employer brand. This strategic focus is crucial for ensuring the long-term sustainability and success of our organization.

#1: Talent - Recruitment and Retention

Challenge: Difficulty attracting and retaining qualified employees, leading to staffing shortfalls and unbalanced workforce composition.

Contributing Factors:

Lingering Pandemic Effects: The emergence of telecommuting and work-from-home arrangement increased voluntary employee departures and continued to impact the EMS industry, including IMI.

Knowledge Loss: The departing engineers sometimes leave without proper knowledge transfer due to lack of immediate replacements, creating knowledge gaps that hinder operations.

Competitive Landscape: Competitors offering higher salaries and establishing facilities near IMI sites pose a significant challenge in retaining talent.

Our Response:

Compensation and Benefits Review: We are evaluating our compensation packages and benefits to stay competitive in the current market.

Work-Life Balance Initiatives: We are continuously exploring and implementing flexible work arrangements that cater to a diverse range of employee needs and preferences. Various livelihood seminars and webinars were also conducted as well as community engagement activities.

Professional Development Opportunities: We are investing in programs and resources to support professional development and career advancement for our employees.

Mentorship Programs: We have established mentorship and cadetship programs to facilitate knowledge transfer and employee engagement.

Improved Work Culture: We are actively working to foster a positive and inclusive work culture that attracts and retains top talent, this includes IMI Accountability and Collaboration project.

New Recruitment Channels: We are exploring new and innovative channels to reach and attract qualified candidates.

Collaboration and Best Practices: We are collaborating with partners, industry associations, and other Ayala/ACI business units to identify and implement best practices in talent recruitment and retention.

#2 Capital Availability and Funding

Challenge: Market volatility, inflation, fluctuating exchange rates, and rising interest rates created uncertainty in the investment climate, making it difficult to attract investors.

Contributing Factors:

Company performance: Investors seek companies with a proven track record and a clear path to profitability. Companies facing financial difficulties might find it more difficult to raise capital.

ESG considerations: Many investors are increasingly interested in supporting companies that prioritize environmental, social, and governance (ESG) factors alongside financial performance. Companies that do not demonstrate commitment to these areas may face challenges attracting capital.

Our Response:

Revenue Growth:

- Price Increases: Implement strategic price increases considering market conditions and customer elasticity.
- Sales Expansion: Explore new markets, customer segments, or product lines to increase revenue streams.
- Improved Receivables Management: Implement stricter credit policies, offer early payment discounts, and improve collection processes to accelerate cash inflows from outstanding receivables.

Cost Reduction:

- Operational Efficiency: Streamline processes, eliminate waste, and renegotiate contracts with suppliers for better pricing or terms. This may involve processing automation, reducing unnecessary overhead costs, and implementing lean manufacturing principles.

Addressing ESG considerations is key:

- Transparency and disclosure: Companies seeking to attract ESG-focused investors need to be transparent about their ESG practices and performance. This may involve publishing sustainability reports and outlining their ESG goals and strategies.
- Investor alignment: Understanding and aligning IMI's company's ESG efforts with the specific priorities of target investor base can attract capital.

#3: Sourcing and Procurement Risk

Challenge: Difficulty securing alternative parts promptly due to limitations of existing suppliers, potentially jeopardizing our ability to meet customer commitments.

Contributing Factors:

Regional Conflicts: Regional conflicts in Europe and the Middle East resulting in increased cost in freight and logistics, and energy.

Raw material scarcity: Shortages of certain raw materials can hinder production.

Supplier limitations: Low availability of supply or extended lead times from primary suppliers can create delays.

Global market constraints: Limited supplier capacity can make it challenging to obtain necessary components.

Price fluctuations: Rising raw material prices increase production costs.

Sourcing competition: Competition for limited materials can drive up prices and make acquisition difficult.

Our Response:

Building strong supplier relationships: Based on our shared value ethics, good practice, and commitment to RBA Code of Conduct, we foster long-term partnerships with suppliers to secure consistent access to materials and capacity.

Robust supplier network: We maintain a diverse network of qualified suppliers to provide options in case of disruptions.

Supply chain monitoring: We continuously monitor supply chain performance and identify potential risks early on.

Sourcing diversification: We explore alternative suppliers and diversify our sourcing strategies to reduce reliance on any single source.

Regional focus: We develop regional sourcing strategies to optimize logistics and mitigate risks specific to each region.

Global supply chain organization: We established a dedicated team to manage our global supply chain efficiently.

Predictive analytics: We use technology to anticipate and proactively address potential supply chain disruptions.

#4: Geopolitical & Regulatory Risk

Challenge: Changes in foreign policy, including military conflicts, civil wars, terrorist attacks, and other events, can significantly disrupt global and regional stability, impacting our operations in various ways.

Examples in 2023:

Russia-Ukraine Conflict: This ongoing conflict has had widespread repercussions, affecting the global economy, increasing energy costs, disrupting logistics, and putting additional strain on supply chains.

Other Geopolitical Events: The Israel-Palestine Conflict and the Red Sea Crisis also contributed to these challenges.

Our Response:

Supply Chain Diversification: We are actively diversifying our supply chain to mitigate risks associated with any single source or region.

Geopolitical Awareness: We maintain a high level of awareness of ongoing geopolitical developments to anticipate potential disruptions.

Contingency Planning: We regularly adjust our contingency plans to address evolving geopolitical situations and ensure business continuity.

To effectively manage geopolitical risks, we:

Ensure continuity of supply: We strive to maintain uninterrupted supply chains despite potential disruptions.

Maintain profitability: We aim to minimize the negative impact of geopolitical events on our financial performance.

Protect stakeholder and investor interests: We prioritize the well-being of our stakeholders and investors by making responsible decisions in the face of geopolitical risks.

#5: Sales and Marketing Risk

Challenge: Inability to effectively develop and implement a sales and marketing strategy that maximizes revenue, market share, and return on investment while retaining customer loyalty.

Challenges in 2023:

Slow market growth: The consumer electronics market experienced sluggish growth in 2023.

Limited customer acquisition: We faced difficulties acquiring new significant customers.

Customer retention challenges: We encountered difficulties retaining existing customers.

Order delays: Customers deferred orders to 2024.

Low consumer demand: Consumer demand in the consumer electronics market was low.

Our Response:

Innovation and product improvement: IMI Technology Group prioritizes product and service innovation, focusing on design for manufacturability and aligning advanced manufacturing programs with market technology roadmaps. This approach enhances our business development and strengthens our unique value proposition, setting us apart from competitors.

ESG focus: We are developing an ESG roadmap towards carbon neutrality and leveraging this as a competitive advantage. This strategy differentiates us from competitors and appeals to sustainability-conscious customers and investors.

By implementing these strategies, we aim to:

Maximize revenue and market share: We want to achieve strong financial performance and gain a larger market presence within the EMS industry.

Increase return on investment: We strive to ensure that our sales and marketing efforts deliver a positive return for shareholders. Attract and retain customers: We aim to attract new customers and build strong, lasting relationships with existing ones.

Climate Change Risk

Challenge: Climate change poses both physical and transition risks that could significantly impact our business.

Physical Risks: Extreme weather events such as tropical cyclones, heat waves, and cold snaps can damage infrastructure, disrupt operations and supply chains, and lead to financial losses.

Transition Risks: The shift towards a low-carbon economy could disrupt our business model, customers, and markets if we fail to adapt.

Our Response:

Physical Risk Mitigation:

- Disaster response planning: We have established plans to respond effectively to climate-related disasters and minimize their impact.
- Facility risk assessment: We are continuously assessing and managing the climate-related risks associated with our facilities.
- Supplier collaboration: We collaborate with suppliers to understand and address their climate-related risks, ensuring continuity in the supply chain.

Transition Risk Management:

Climate strategy: We have adopted a comprehensive climate strategy that includes:

- Reducing greenhouse gas emissions: We are actively working to reduce our carbon footprint through various projects such as solar panel installation, transition of company vehicles from internal combustion to electronic vehicles, and more.
- Transitioning to renewable energy: We are exploring and implementing renewable energy sources to power our operations. In 2023, IMI Serbia contracted for 100% green energy, while IMI Philippines contracted for 10%.
- Improving energy efficiency: We are continuously seeing ways to optimize energy use across our operations.
- Collaboration with customers: We are working with customers to support their climate action initiatives.
- Innovation and product development: We are leveraging our strengths in design for manufacturability and advanced manufacturing programs to develop products and services that are competitive in a low-carbon economy.

This section delves into the key metrics that chart our progress towards achieving our sustainability goals and strategic objectives. We measure performance across environmental, social, and governance factors, ensuring transparency and accountability in our journey towards a more sustainable future. By continuously monitoring these metrics against our established commitments, we gain valuable insights into our effectiveness and identify areas for continuous improvement.

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
(tons CO_2 equivalent)

	Scope 1	Scope 2	Scope 3
2023	**3,601**	**62,811**	**4,310**
2022*	1,837	72,771	6,293
2021*	3,121	87,685	6,503

*Revised the GHG emission calculation

Scope 1
(tons CO_2equivalent)

	Asia	Europe	USA	TOTAL
2023	**2,274**	**174**	**1,153**	**3,601**
2022*	1,195	210	432	**1,837**
2021*	1,342	1,424	355	**3,121**

*Revised the GHG emission calculation

Scope 2
(tons CO_2equivalent)

	Asia	Europe	USA	TOTAL
2023	**46,938**	**7,817**	**8,056**	**62,811**
2022*	56,200	8,757	7,814	**72,771**
2021*	66,686	9,101	11,899	**87,685**

*Revised the GHG emission calculation

Scope 3
(tons CO_2 equivalent)

	Asia	Europe	USA	TOTAL
2023	**1,124**	**160**	**3,026**	**4,310**
2022*	1,464	290	4,539	**6,293**
2021*	3,260	210	3,032	**6,503**

*Revised the GHG emission calculation. Current scope 3 data is based on total Methane and Nitrous Oxide emission and fuel consumption from outsourced vehicles only.

IMI partnered with South Pole, a climate change consulting firm, to establish a comprehensive baseline accounting and validation process for 2021 GHG emissions (Scopes 1, 2, and 3). This initiative demonstrates our commitment to ESG and climate goals and signifies a significant step towards improved GHG accounting and disclosure. It also helps us prepare for our eventual submission to SBTi. The full and updated GHG of IMI shall be disclosed after this project.

Energy Management
We are committed to a sustainable future, and energy management is a key pillar of that commitment. To reduce our environmental impact and operational costs through efficient energy use, we focus on developing and implementing strategies.

ENERGY CONSUMPTION

11.7%

decrease in energy consumption in 2023 from the previous year, largely attributed to energy consumption from renewable sources in Serbia, Czech Republic and the Philippines

ENERGY CONSUMPTION -Electricity from the Grid
(million kWh)

	ASIA	EUROPE	USA	TOTAL
2023	**74**	**20**	**19**	**113**
2022	*88	*23	18	**128**
2021	*103	*23	18	**144**

*Corrected—We deducted the energy consumption from renewable sources.

Reduction is largely attributed to the energy consumption from renewable sources in Serbia.

2023 Energy from renewable sources (million kWh)

IMI Site	Philippines	China	Bulgaria	Serbia	Czech Republic	Mexico	TOTAL
Non-renewable	39.9	34.5	16.7	0	3.3	18.7	**113**
Renewable	4.4	0	0	3.3	0.17	0	**7.9**
Total Electricity Consumption	44.3	34.5	16.7	3.3	3.4	18.7	**120.9**
Renewable % share	10%	0%	0%	100%	5%	0%	**12.8%**

Percentage share of electricity derived from renewable sources.

IMI Serbia with over 50,213 sqm of factory space is using 100% green energy.

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
('000kg)**

	ASIA	EUROPE	USA	TOTAL
2023	**299**	**208**	**49**	**556**
2022	439	314	98	**851**
2021	310	318	97	**725**

**Non-Hazardous RECYCLED
('000kg)**

	ASIA	EUROPE	USA	TOTAL
2023	**820**	**676**	**751**	**2,247**
2022	791	624	806	**2,220**
2021	650	535	696	**1,880**

**Non-Hazardous RESIDUAL
('000kg)**

	ASIA	EUROPE	USA	TOTAL
2023	**265**	**1.9**	**146**	**413**
2022	356	73	194	**623**
2021	390	71	182	**643**

Water Management

IMI is committed to implementing responsible water management practices throughout our operations. Our strategy focuses on optimizing de-ionized water system operations, re-using treated water, and recovering excess water. This multi-pronged approach reduces our environmental impact and promotes water conservation.

**Water Withdrawn
(in '000 m3)**

	ASIA	EUROPE	USA	TOTAL
2023	**1,013**	**61**	**18**	**1,092**
2022	1,184	87	19	**1,290**
2021	1,214	126	12	**1,352**

Group Human Capital

As the world transforms into knowledge-based economies, we recognize that a diverse, equitable, and inclusive human capital strategy is vital. Our 12,000+ strong workforce, spanning a multicultural and global community, is our most valuable asset. They provide the strength, resilience, innovation, and creativity that enable us to deliver value to our customers and stakeholders. We foster a corporate culture that prioritizes Diversity Equity & Inclusion (DE&I), attracting and retaining top talent from all backgrounds. This commitment extends to our ESG practices, ensuring responsible business conduct that aligns with the Responsible Business Alliance (RBA) standards. By investing in our people and upholding strong ESG principles, we empower our employees to develop the multi-level skills needed to thrive in the evolving knowledge economy.

IMI EMPLOYEE ENGAGEMENT SCORE

89%

90% Ayala Norm
92% PH Norm
84% Global High Tech Manufacturing and Global Manufacturing High Tech: Semiconductor Norm

STRENGTHS

- Customer Focus
- Company Image and Competitive Position
- Sustainable Engagement

Top 3 highest scores among the categories

GENDER DIVERSITY IN MANAGEMENT

4 of 9

Female Management Committee officers

GENDER DIVERSITY COMPANY-WIDE

63%

of employees are female

Headcount

	Asia	Europe	USA	TOTAL
2023	**63%**	**23%**	**14%**	**12,659**
2022	60%	27%	13%	**14,076**
2021	65%	23%	12%	**14,455**

Gender Diversity in Management Committee

	Male	Female	TOTAL
2023	**5**	**4**	**9**
2022	5	4	**9**
2021	5	4	**9**

Gender Diversity

	Male	Female
2023*	**37%**	**63%**
2022	38%	62%
2021	39%	61%

*Global employees 12,043 excluding VIA Optronics

Age Diversity

	Below 30	30-50	Over 50
2023*	**24%**	**63%**	**13%**
2022	26%	62%	12%
2021	27%	62%	11%

*Global employees 12,043 excluding VIA Optronics

Training Hours

	Asia	Europe	USA	TOTAL
2023*	**85%**	**11%**	**4%**	**629K**
2022	89%	6%	5%	**853K**
2021	87%	7%	6%	**837K**

Occupational Health and Safety

	2021	2022	2023
Total number of non-disabling injuries	42	34	**20**
Total number of disabling injuries	5	9	**6**
Total number of fatalities	0	0	**1**
Safe man-hours (million hours)	32.2	48.3	**29.8**

Decline in safe man-hours due to manpower reduction

SASB Index — Sustainability Issues and Topics For EMS Manufacturing

MATERIAL TOPICS	ACCOUNTING METRICS	GRI	SDGs	PAGE NUMBER (S)
ENVIRONMENT	• GHG Emissions • Air Quality • Energy Management • Water Management • Waste & Hazardous Materials • Ecological Impact	302, 303, 305, 306	6 Clean Water and Sanitation; 11 Sustainable Cities and Communities; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land	42-43 , 70-73
HUMAN CAPITAL	• Labor Practices • Employee Health & Safety • Employee Engagement, Diversity & Inclusion	401, 402, 403, 404, 405, 406, 407, 408, 409	1 No Poverty; 2 Zero Hunger; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 11 Sustainable Cities and Communities	73 ,76-79
BUSINESS MODEL AND INNOVATION	• Product Design & Life Cycle Management • Business Model Resilience • Supply Chain Management • Materials & Resource Efficiency • Physical Impact of Climate Change	301, 307, 308, 414	9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 12 Responsible Consumption and Production; 13 Climate Action; 17 Partnerships for the Goals	62-65
LEADERSHIP AND GOVERNANCE	• Business Ethics • Competitive Behavior • Management of Legal & Regulatory Requirements • Critical Incident Risk Management • Systemic Risk Management	202, 203, 204, 205, 206, 207, 307, 308	9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 12 Responsible Consumption and Production; 13 Climate Action; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals	8-22 , 46-56

UN Sustainable Development Goals

IMI Focused SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

- Saving Lives
- Improving Lives
- Saving Energy

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

- Reduce
- Reuse
- Recycle

IMI Supported SDGs

3 Good Health and Well-Being; 4 Quality Education; 5 Gender Equality; 7 Affordable and Clean Energy; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 11 Sustainable Cities and Communities; 12 Responsible Consumption and Production; 13 Climate Action; 17 Partnerships for the Goals

Materiality

Industry-Specific Sustainability Accounting Standards

Companies in the same industry tend to share similar business models and resource usage, which means they also face similar sustainability challenges and opportunities. The Sustainability Accounting Standards Board (SASB) addresses this by developing industry-specific accounting standards for sustainability factors.

What SASB Standards Offer

- **Focus on Financially Material Issues:** SASB standards target a specific set of environmental, social, and governance (ESG) issues that can significantly impact a company's financial performance within a particular industry.
- **Investor-Friendly:** These standards provide investors with consistent and comparable data on these financially important sustainability factors, allowing them to compare companies within the same industry more effectively.
- **Cost-Effective and Streamlined:** By focusing on industry-specific issues, SASB reduces unnecessary reporting and highlights the most relevant sustainability information for each company.

How IMI Uses SASB

IMI, an electronics manufacturer, utilizes SASB standards specifically for the Electronic Manufacturing Services & Original Design Manufacturing industry (SICS™ #TC0101). This helps the company report on the most relevant sustainability factors for the EMS industry.

Compatibility with Other Frameworks

SASB standards can be used alongside other sustainability reporting frameworks, such as GRI Standards. They can also be a helpful tool for implementing broader sustainability principles outlined by organizations like the Task Force on Climate-Related Financial Disclosures (TCFD) and the International Integrated Reporting Council (IIRC).

IMI Code of Conduct – Our ESG and Sustainability Framework

The IMI Code of Conduct and Sustainability Framework serves as cornerstone of our commitment to Environmental, Social, and Governance (ESG) principles for our stakeholders. We leverage the Responsible Business Alliance (RBA) Code of Conduct as a guiding force, focusing on its four core pillars: Labor, Ethics, Health and Safety, and Environment all under one Management System. By adhering to these principles, we ensure responsible and sustainable business practices throughout our operations and supply chain.

ENVIRONMENT | **SOCIAL** | **GOVERNANCE**

ENVIRONMENT

Protect the environment

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

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

HEALTH AND SAFETY

Maintain a safe and healthy work environment

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

ETHICS

Uphold the highest standards

Business Integrity RBA 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

MANAGEMENT SYSTEMS

Ensure compliance to RBA standards and the four pillars

Company Commitment
Management Accountability and Responsibility
Legal Customer Requirements
Risk Assessment and Risk Management
Improvement Objectives
Training
Communication
Worker Feedback and Participation
Audits and Assessment
Corrective Action Process
Documentation and Records
Supplier Communication
Collaboration with Government & Academe

IMI CODE OF CONDUCT & SUSTAINABILITY FRAMEWORK

OVERVIEW
MESSAGES
LEADERSHIP
SUSTAINABILITY
FINANCIAL
CORPORATE INFORMATION

We acknowledge and take to heart our significant role in helping our adopted communities by proactively engaging with local residents, institutions and civic organizations in whatever way we can.

IMI understands the importance of addressing local concerns, and our CSR efforts are targeted to make a positive impact. Through open communication and collaboration, we contribute to the well-being of our communities, fostering sustainable growth together. This commitment reflects our deep awareness of the interconnectedness between IMI's success and the health of the society in which we operate.

PHILIPPINES

1. IMI PH Top 2 outstanding tax payer awardee
2. Lenten Talk Series in observance of Holy Week 2023
3. IMI University and De La Salle University signed a memorandum of understanding to bridge the gap between academia and industry through joint programs.
4. Tree planting activity
5. Volunteers for the Brigada Eskwela program, a school and community partnership program preparing public schools for the upcoming school year
6. Managers' Forum with CEO Arthur R. Tan
7. IMI Philippines partnered with UPLB College of Engineering for student internships, research, and job placement.

CHINA

1. Medical volunteers providing assistance to the local community
2. Celebrating International Women's Day
3. Implementation of Lean Manufacturing
4. Visiting and providing supplies for the elderly
5. Supporting local labor union sports club activities
6. IMI China Jiaxing participated in the 2023 Industrial Equipment Expo

CZECH REPUBLIC

Supported a local orphanage with essential supplies such as diapers, wet wipes, and clothes

BULGARIA

1. Engaging with our communities by supporting local events such as a folk dance festival
2. Participating at an event at the University of Sofia, the oldest institution of higher education in Bulgaria

MEXICO

1. Health and Wellness Week – Activity that encourages healthy habits, work-life balance for IMIers. Topics include: "Healthy Ways to Cope with Stress," "Defibrillator training," "First-contact psychological care," and "Tips for healthy eating."
2. Employees organized a donation drive for C.O.R.A.S.O.N. A.C., a charity for underprivileged children by bringing toys, books, clothes, and other essentials.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

Independent Auditor's Limited Assurance Report

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

Scope
We have been engaged by Integrated Micro-Electronics, Inc. ("IMI" or the "Company") to perform a 'limited assurance engagement,' as defined by Philippine Standard on Assurance Engagements 3000 (Revised) [PSAE 3000 (Revised)], *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, hereafter referred to as the engagement, to report on IMI's sustainability information (the "Subject Matter") contained in the 2023 IMI Integrated Report for the year ended December 31, 2023 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by IMI
In preparing the Subject Matter, IMI applied the Global Reporting Initiative (GRI) standards, International Integrated Reporting (IR) framework, Sustainability Accounting Standards Board (SASB) Standards and Task Force on Climate related Financial Disclosures (TCFD).

IMI's responsibilities
IMI's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

SGV's responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Philippine Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ['PSAE 3000 (Revised)'], and the terms of reference for this engagement as agreed with the Company on February 16, 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants in the Philippines, and have the required competencies and experience to conduct this assurance engagement.

SGV also applies Philippine Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SGV
Building a better working world

Description of procedures performed
Procedures performed in a limited assurance engagement vary in nature and timing from, and are less 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 had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included the following:

1. Conducted interviews with management and relevant process owners to:
   a. Understand the principal business operations and reporting process;
   b. Understand the processes for collecting, collating and reporting the Subject Matter during the reporting period;
2. Checked that calculation criteria used have been correctly applied in accordance with the methodologies outlined in the Criteria;
3. Undertook analytical procedures of the data and made inquiries of management to obtain explanations for any significant differences we identified;
4. Tested, on a sample basis, underlying source documentation/reports to check accuracy of information disclosed.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion
Based on the procedures and evidence obtained, except for the possible effects of the matter described in the Basis for Qualified Conclusion section, we are not aware of any material modifications that should be made to the Subject Matter for the year ended December 31, 2023, in order for it to be in accordance with the Criteria.

Basis for Qualified Conclusion

The management was unable to provide supporting documents for training hours for Chengdu location amounting to 52,332 hours and employee turnover of 1,942 headcount for Mexico location for the year ended December 31, 2023. Consequently, we were unable to determine whether adjustments might have been necessary in respect of the training hours disclosed in the "Metrics and Targets" section and the employee turnover used to calculate the turnover rate disclosed in the "Our Integrated Value Chain" section of the 2023 IMI Integrated Report.

SYCIP, GORRES, VELAYO & CO.

Katrina F. Francisco

Katrina F. Francisco
Partner
CPA Certificate No. 0106371
PTR No. 10079939, January 5, 2024, Makati City

12 July 2024

Financial

MANAGEMENT DISCUSSION AND ANALYSIS

Review of 2023 Performance

Revenues from Sales and Services

The Company posted consolidated full year 2023 revenues of US$1.3 billion, 6 percent lower than the previous year, driven by factors attributable to its non-wholly owned subsidiary group including the shorter fiscal year of STI Limited which was divested on October 31, 2023. The core business maintained the same level of revenues from last year at $1.11 billion.

The automotive segment, which includes mobility and camera, remained our largest segment with US$800 million of revenues representing 60% of total revenues. On the other hand, the industrial segment ended the year with US$390 million in revenues, or a 29% share to total IMI. The Company also won new projects that have an annual revenue potential of US$291 million largely coming from these target sectors.

Gross Margins and Net Profits

The full year gross profit of $120.0 million increased 9% versus 2022. GP% also improved from 7.8% last year to 9.0% this year as component shortage situation eased and overhead restructuring that enabled better utilization of fixed costs.

Group net loss was at US$105.6 million, with one-time losses of US$107.5 million related to the sale of STI and impairment of goodwill and certain assets. Meanwhile, wholly-owned subsidiaries maintained the momentum from 2022, with revenues at par with the previous year, and better profitability margins netting a reported net income of US$13 million, an improvement of 14 percent vs 2022.

Financial Condition

IMI's balance sheet remains robust with a current ratio of 1.44:1 and debt-to-equity ratio of 1.15:1.

On cash flows and liquidity, the Company achieved positive operating cash flows of $6.8 million from improved working capital management with specific focus on managing inventory levels.

In 2023, IMI spent $27.6 million on capital expenditures related to new programs, higher than last year's $21.2 million.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-Electronics, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 and its subsidiaries 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's and its subsidiaries' 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.

ALBERTO M. DE LARRAZABAL
Chairman, Board of Directors

JEROME S. TAN
President

LAURICE S. DELA CRUZ
Vice President, Finance and Corporate Controller /
Deputy Compliance Officer

REPORT OF THE AUDIT AND RISK COMMITTEE TO THE BOARD OF DIRECTORS
For The Year Ended 31 December 2023

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 independent auditors.

- We recommended for approval of the Board and endorsement to the shareholders the reappointment of E&Y/SGV & Co. as the Company's 2023 independent auditor and the related fees including appointment as 2023 integrated report auditor.

- 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 independent 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 to ensure it will not impair the auditor's 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 Securities 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 consolidated financial statements be included in the Annual Report for the year ended December 31, 2023, 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 2024 independent auditors and the related audit fee based on their performance and qualifications.

01 April 2024

EDGAR O. CHUA
Chairman

RAFAEL C. ROMUALDEZ
Member

HIROSHI NISHIMURA
Member

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

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, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 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, 2023, 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., and VIA Optronics GmbH (VIA), amounted to $70.18 million, which is considered significant to the consolidated financial statements, were tested for impairment. Impairment loss amounting to $15.59 million was recorded in 2023. 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, specifically revenue growth rate, gross margin, cost ratios and discount rates.

The Group's disclosures about goodwill are included in Note 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. 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 2023, the continuing gross loss for the production line for certain customers in Philippines, Mexico and Germany 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 $33.07 million as of December 31, 2023, which is significant to the consolidated financial statements, were tested for impairment. The Group recorded impairment loss amounting to $5.05 million in 2023. The management's impairment assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, 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 attributable to the property, plant, and equipment and industry outlook. 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 Matter

We have previously issued our auditor's report dated April 1, 2024 which contains a qualified opinion on the Group's consolidated financial statements as at and for the year ended December 31, 2023 because we were unable to obtain sufficient appropriate audit evidence on the carrying amount of the VIA Group balances, including the impairment loss on the goodwill of VIA Group as a CGU. Likewise, certain required disclosures in relation to VIA Group have not been made in the notes to the consolidated financial statements. As discussed in Note 1 to the financial statements, the Group reissued its 2023 financial statements and adjusted the carrying amounts of certain VIA Group balances arising from the completion of the audit procedures of the VIA Group component auditors and included additional note disclosures (see Note 3) including subsequent events up to the date of this report. In view of the foregoing, our report on these 2023 reissued consolidated financial statements has been updated.

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, 2023, 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 31,2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-074-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082027, January 6, 2024, Makati City

May 10, 2024

Consolidated balance sheets

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 32 and 33)	**$91,588,016**	$115,824,555
Short-term investments (Notes 5, 32 and 33)	**11,420,000**	8,499,610
Receivables (Notes 6, 31, 32 and 33)	**283,708,635**	291,640,064
Contract assets (Notes 7 and 33)	**52,900,849**	67,138,029
Inventories (Note 8)	**269,313,547**	268,497,252
Other current assets (Note 9)	**30,395,688**	25,246,196
Total Current Assets	**739,326,735**	776,845,706
Noncurrent Assets		
Property, plant and equipment (Note 10)	**138,725,260**	146,108,637
Goodwill (Note 11)	**70,180,686**	136,247,840
Intangible assets (Note 12)	**3,468,347**	5,125,423
Right-of-use assets (Note 30)	**19,472,578**	19,266,348
Financial assets at FVOCI (Notes 13, 32 and 33)	**2,364,096**	1,829,432
Deferred tax assets – net (Note 25)	**3,648,771**	2,148,861
Other noncurrent assets (Notes 14 and 33)	**17,441,055**	16,312,146
Total Noncurrent Assets	**255,300,793**	327,038,687
	$994,627,528	$1,103,884,393
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 15, 32 and 33)	**$283,457,350**	$301,774,641
Contract liabilities (Notes 7, 32 and 33)	**2,748,320**	7,406,803
Loans payable (Notes 16, 32 and 33)	**210,027,008**	192,659,599
Current portion of long-term debt (Notes 17, 32 and 33)	**6,484,519**	3,048,254
Current portion of lease liabilities (Notes 30, 32 and 33)	**8,265,812**	7,067,675
Income tax payable	**2,012,190**	1,780,773
Other current liabilities (Notes 18, 32 and 33)	**1,524,827**	1,035,201
Total Current Liabilities	**514,520,026**	514,772,946
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 17, 32 and 33)	**140,213,655**	147,365,278
Lease liabilities (Notes 30, 32 and 33)	**13,722,823**	12,869,991
Net retirement liabilities (Note 27)	**8,826,860**	7,012,752
Deferred tax liabilities - net (Note 25)	**1,014,040**	1,105,620
Other noncurrent liabilities (Note 24)	**5,744,874**	5,473,950
Total Noncurrent Liabilities	**169,522,252**	173,827,591
Total Liabilities	**684,042,278**	688,600,537

(Forward)

	December 31	
	2023	2022
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common (Note 19)	**$42,720,682**	$42,719,224
Subscribed capital stock (Note 19)	**689,311**	692,454
Additional paid-in capital (Note 19)	**193,777,837**	193,797,219
Subscriptions receivable (Notes 19 and 28)	**(2,576,077)**	(2,620,195)
Retained earnings (Note 19)	**89,177,160**	194,803,301
Treasury stock (Note 19)	**(1,012,588)**	(1,012,588)
Other components of equity (Note 13)	**547,961**	32,794
Cumulative translation adjustment (Note 19)	**(34,798,528)**	(43,668,483)
Remeasurement losses on defined benefit plans (Note 27)	**(10,050,551)**	(7,434,231)
	278,475,207	377,309,495
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries (Note 19)	**32,110,043**	37,974,361
Total Equity	**310,585,250**	415,283,856
	$994,627,528	$1,103,884,393

See accompanying Notes to Consolidated Financial Statements.

OVERVIEW MESSAGES LEADERSHIP SUSTAINABILITY FINANCIAL CORPORATE INFORMATION

Consolidated statements of income

	Years Ended December 31		
	2023	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 29)	**$1,327,212,932**	$1,409,016,512	$1,300,590,198
COST OF SALES (Notes 20, 22 and 27)	**1,207,207,523**	1,298,608,896	1,209,771,812
GROSS PROFIT	**120,005,409**	110,407,616	90,818,386
OPERATING EXPENSES (Notes 21, 22 and 27)	**(121,898,301)**	(107,750,306)	(108,481,712)
OTHERS – Net			
Interest expense and bank charges (Note 23)	**(21,100,048)**	(14,655,729)	(10,553,667)
Foreign exchange gains – net	**5,792,592**	1,916,986	5,398,202
Interest income (Note 5)	**2,245,090**	667,901	300,539
Other income (expense) – net (Note 24)	**(97,696,586)**	439,103	8,196,782
	(110,758,952)	(11,631,739)	3,341,856
LOSS BEFORE INCOME TAX	**(112,651,844)**	(8,974,429)	(14,321,470)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	**7,313,015**	5,929,924	6,399,874
Deferred	**(1,694,148)**	457,999	(1,015,825)
	5,618,867	6,387,923	5,384,049
NET LOSS	**($118,270,711)**	($15,362,352)	($19,705,519)
Net Loss Attributable to:			
Equity holders of the Parent Company (Note 29)	**($105,626,141)**	($6,756,929)	($10,564,571)
Non-controlling interests	**(12,644,570)**	(8,605,423)	(9,140,948)
	($118,270,711)	($15,362,352)	($19,705,519)
Loss Per Share (Note 26)			
Basic and diluted	**($0.048)**	($0.003)	($0.005)

See accompanying Notes to Consolidated Financial Statements.

Consolidated statements of comprehensive income

	Years Ended December 31		
	2023	2022	2021
NET LOSS	**($118,270,711)**	($15,362,352)	($19,705,519)
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)	**14,121,164**	(34,337,927)	(25,915,831)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Note 27)	**(2,616,320)**	2,638,001	(322,019)
Fair value changes on financial assets at FVOCI - net of tax (Note 13)	**515,167**	587,404	320,194
Differences arising from sale of subsidiary	**1,529,043**	–	–
	(572,110)	3,225,405	(1,825)
	13,549,054	(31,112,522)	(25,917,656)
TOTAL COMPREHENSIVE LOSS	**($104,721,657)**	($46,474,874)	($45,623,175)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**($98,857,339)**	($27,334,659)	($39,569,513)
Non-controlling interests	**(5,864,318)**	(19,140,215)	(6,053,662)
	($104,721,657)	($46,474,874)	($45,623,175)

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, 2023, 2022 and 2021

	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, 2023	$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
Issued shares during the year	1,458	(1,458)	–	–	–	–	–	–	–	–	–	–
Collection from subscriptions	–	–	–	23,051	–	–	–	–	–	23,051	–	23,051
Forfeitures during the year	–	(1,685)	(19,382)	21,067	–	–	–	–	–	–	–	–
	$42,720,682	$689,311	$193,777,837	($2,576,077)	$194,803,301	($1,012,588)	$32,794	($43,668,483)	($7,434,231)	$377,332,546	$37,974,361	$415,306,907
Net loss	–	–	–	–	(105,626,141)	–	–	–	–	(105,626,141)	(12,644,570)	(118,270,711)
Other comprehensive income (loss)	–	–	–	–	–	–	515,167	8,869,955	(2,616,320)	6,768,802	6,780,252	13,549,054
Total comprehensive income (loss)	–	–	–	–	(105,626,141)	–	515,167	8,869,955	(2,616,320)	(98,857,339)	(5,864,318)	(104,721,657)
Balances at December 31, 2023	$42,720,682	$689,311	$193,777,837	($2,576,077)	$89,177,160	($1,012,588)	$547,961	($34,798,528)	($10,050,551)	$278,475,207	$32,110,043	$310,585,250

See accompanying Notes to Consolidated Financial Statements.

Consolidated statements of changes in equity for the years ended December 31, 2023, 2022 and 2021

	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	(23,803,105)	2,638,001	(20,577,730)	(10,534,792)	(31,112,522)
Total comprehensive income (loss)	–	–	––	–	(6,756,929)	–	587,404	(23,803,105)	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)	($7,434,321)	$377,309,495	$37,974,361	$415,283,856

See accompanying Notes to Consolidated Financial Statements.

Consolidated statements of changes in equity for the years ended December 31, 2023, 2022 and 2021

	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.

Consolidated statements of cash flows

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	($112,651,844)	($8,974,429)	($14,321,470)
Adjustments for:			
Loss on sale of subsidiary – net of cash (Note 2)	79,349,037	–	–
Depreciation of property, plant and equipment (Notes 10, 20, and 21)	26,437,358	27,909,940	40,047,883
Interest expense on loans (Notes 16, 17 and 23)	19,013,077	13,076,061	8,433,898
Impairment loss on goodwill (Note 11)	15,590,835	–	–
Amortization of right-of-use assets (Notes 20, 21 and 30)	8,889,808	9,134,302	10,875,975
Amortization of intangible assets (Notes 12, 20, and 21)	1,855,301	4,812,157	7,399,018
Loss (gain) on sale and retirement of property, plant and equipment – net (Notes 10 and 24)	(60,061)	2,355,745	(438,498)
Provision (reversal) of impairment loss on product development cost (Notes 12 and 24)	–	1,604,842	(636,456)
Interest expense on lease liabilities (Note 23)	1,395,174	932,077	1,349,772
Provision (reversal) of impairment loss on property, plant and equipment (Note 24)	5,045,014	361,185	(1,612,065)
Loss (gain) on derivative transactions	–	42,640	(139,984)
Unrealized foreign exchange gain - net	(5,056,450)	(8,153,359)	(5,107,955)
Interest income (Note 5)	(2,245,090)	(667,901)	(300,539)
Mark-to-market gain on put options (Notes 19 and 24)	–	–	(1,627,806)
Gain on insurance claims (Note 24)	(11,968)	(415,795)	(458,016)
Loss on lease modifications (Note 24)	–	–	159,630
Operating income before working capital changes	37,550,191	42,017,465	43,623,387
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Short-term investments	(2,920,390)	(8,499,610)	–
Receivables (Note 6)	4,970,437	(20,352,968)	(8,642,453)
Inventories (Note 8)	(22,647,057)	(35,844,294)	(99,550,741)
Contract assets	3,671,225	(17,280,645)	1,297,542
Other current assets	(6,590,315)	(3,416,787)	(5,569,760)
Increase (decrease) in:			
Accounts payable and accrued expenses	21,030,914	10,876,000	33,353,941
Contract liabilities	(4,749,754)	2,713,065	3,225,963
Other current liabilities (Notes 18 and 22)	487,971	1,034,209	–
Retirement liabilities	(250,904)	(1,036,186)	(18,741)
Net cash generated from (used for) operations	30,552,318	(29,789,751)	(32,280,862)
Interest paid	(18,928,257)	(12,960,528)	(7,724,832)
Income tax paid	(7,081,598)	(6,558,996)	(7,507,162)
Interest received	2,245,090	667,901	300,539
Net cash provided by (used in) operating activities	6,787,553	(48,641,374)	(47,212,317)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 10)	(27,293,633)	(20,683,406)	(30,374,533)
Intangible assets (Note 12)	(271,720)	(505,349)	(618,132)
Proceeds from sale and retirement of property, plant and equipment	725,765	782,678	2,729,968
Decrease (increase) in other noncurrent assets	(402,653)	1,155,440	(1,269,552)
Receivable resulting from sale of subsidiary (Notes 2 and 6)	(5,487,367)	–	–
Transaction costs related to sale of subsidiary (Note 2)	(1,325,982)	–	–
Acquisition through business combination, net of cash acquired (Note 2)	–	–	(3,018,336)
Net cash used in investing activities	(34,055,590)	(19,250,637)	(32,550,585)

(Forward)

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of loans and long-term debt (Note 35)	$24,791,587	$56,695,080	$140,575,118
Payments of: (Note 35)			
Loans payable	(3,946,145)	(23,499,829)	(59,700,000)
Lease liabilities (Note 30)	(9,822,200)	(11,571,267)	(11,900,875)
Dividends paid to preference shareholders of a subsidiary (Note 19)	–	–	(3,668,889)
Long-term debt	(6,608,470)	(4,088,335)	(2,042,863)
Redemption of preferred shares of a subsidiary to non-controlling interest (Note 19)	–	–	(70,000,000)
Increase (decrease) in noncurrent liabilities	449,792	1,318,426	(215,999)
Collections (refund) of subscriptions receivable (Note 19)	23,051	45,486	142,579
Settlement of derivatives	–	–	(88,361)
Net cash provided by (used in) financing activities	4,887,615	18,899,561	(6,899,290)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(1,856,117)	5,029,382	2,094,390
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,236,539)	(43,963,068)	(84,567,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	115,824,555	159,787,623	244,355,425
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	$91,588,016	$115,824,555	$159,787,623

See accompanying Notes to Consolidated Financial Statements.

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 47.86% 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 AG 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 and Note 35).

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. As discussed in Note 2, STI was sold to a third party in 2023.

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.

These accompanying consolidated financial statements as at December 31, 2023 and for the year then ended were previously endorsed for approval by the Audit Committee and authorized for issuance by the Parent Company's Board of Directors (BOD) on April 1, 2024. The Group subsequently reissued its consolidated financial statements following the finalization of the audit procedures of the component auditors of VIA Group. The consolidated financial statements were endorsed for approval by the Audit Committee and authorized for reissuance by the Parent Company's BOD on May 10, 2024.

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 2023	2022	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%**	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) [d]	**–**	80.00%	United Kingdom	GBP
STI Limited	**–**	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	**–**	100.00%	Philippines	USD
STI Asia Ltd [c]	**–**	100.00%	Hong Kong	Hong Kong Dollar (HKD)
ST Intercept Limited [c]	**–**	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*
[d] *Sold to a third party on October 31, 2023*

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).

Sale of STI Enterprise Limited

On August 3, 2023, Integrated Micro-Electronics UK Limited (IMI UK) and the minority shareholders of STI Enterprises Limited (STI) have entered into an agreement to sell their respective 80% and 20% shares in STI to Rcapital, a private investment firm based in London with a portfolio of UK-based companies including precision engineering solution providers in the aerospace and defense sectors, for an agreed consideration of £2.5 million GBP ($3.2 million).

As part of the pre-completion covenant, £2.5 million of funding (£2.24 million or $2.76 million being the share of IMI UK) was provided by the existing shareholders to STIL by way of unsecured loan ("Interim Funding") in order that STI shall be in a position to continue to be able to pay its trade creditors. At completion date, the consideration payable to IMI UK amounted to £2.24 million ($2.76 million). Both the interim funding and the consideration are payable on the earlier of the date falling: (i) two years after the Completion date; and (ii) five business days after the occurrence of a trigger event (the Repayment Date). In each case, interest shall accrue daily (but shall not compound) at 5% per annum, repayable on the Repayment Date.

With the condition precedent having been met, particularly, the UK government's clearance under the National Security and Investment Act 2021, and closing deliverables having been exchanged by the parties, the transaction was completed on October 31, 2023. The balance sheet accounts as of October 31, 2023 were deconsolidated and subsequently, the financial results of STI Limited will no longer be consolidated into the Group's financial statements.

The conclusion of this divestment initiative allows IMI management to sharpen its portfolio and focus on driving growth and profitability in its core segments. The mobility and industrial markets remain at the forefront for IMI, with interconnectivity and the electrification of vehicles driving technology megatrends of the near future.

At the date of disposal, the carrying amounts of STI's net assets were as follows:

	October 31, 2023
Cash and cash equivalents	$1,759,283
Receivables	15,098,908
Contract assets	11,416,661
Inventories	21,488,832
Other current assets	2,211,370
Property, plant and equipment	4,803,583
Right-of-use assets	2,842,737
Deferred tax assets	1,095
Total Assets	59,622,469
Accounts payable and accrued expenses	95,248,308
Loans payable	2,306,057
Lease liabilities	2,666,986
Other noncurrent liabilities	1,102,874
Total Liabilities	101,324,225
Total Net Liabilities	($41,701,756)

The profit and loss until the date of disposal is summarized as follows:

	For the period ended October 31, 2023
Revenue	$70,845,741
Cost of sales	69,372,533
Gross profit	1,473,208
Operating expenses	(7,166,214)
Non-operating expenses	(3,768,368)
Loss before income tax	(9,461,374)
Provision for tax	45,001
Net Loss	($9,506,375)

Cash flows generated by STI for the reporting period until its disposal as of October 31, 2023 are as follows:

	For the period ended October 31, 2023
Net cash from operating activities	$2,358,239
Net cash used in investing activities	(462,160)
Net cash used in financing activities	(1,905,663)
Net cash outflow	($9,584)

The table below shows the loss recognized related to sale of STI:

Net liabilities	($41,701,756)
Related goodwill	54,791,019
Non-controlling interests	8,378,206
Total investment carrying value	21,467,469
Shareholder loans	62,368,811
Interim funding (payable after two years)	2,759,407
Total carrying value	86,595,687
Recoverable amount (Interim funding and cash consideration)	5,487,367
Loss on disposal (Note 24)	($81,108,320)

Transaction costs related to the sale recognized in outsourced activities included under operating expenses amounted to $1.33 million.

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.

Reissuance of the 2023 Consolidated Financial Statements

The following are the changes between the originally issued consolidated financial statements and the reissued consolidated financial statements of the Group.

Consolidated Balance Sheets

	Previously issued financial statements	Reissued financial statements	Movement
Current assets	$741,008,460	$739,326,735	($1,681,725)
Noncurrent assets	252,726,650	255,300,793	2,574,143
Current liabilities	517,670,946	514,520,026	(3,150,920)
Noncurrent liabilities	166,352,912	169,522,252	3,169,340
Equity Attributable to Equity Holders of the Parent Company	277,825,992	278,475,207	649,215
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	31,885,260	32,110,043	224,783

Consolidated Statements of Income

	Previously issued financial statements	Reissued financial statements	Movement
Revenue from contract with customers	$1,325,660,040	$1,327,212,932	$1,552,892
Cost of sales	1,205,153,476	1,207,207,523	2,054,047
Operating expenses	112,664,366	121,898,301	9,233,935
Others – net	(127,958,609)	(110,758,952)	17,199,657
Provision for income tax	4,829,969	5,618,867	788,898

Consolidated Statements of Comprehensive Income

	Previously issued financial statements	Reissued financial statements	Movement
Other comprehensive income (loss)	($105,595,655)	($104,721,657)	$873,998

Consolidated Statements of Cash Flow

	Previously issued financial statements	Reissued financial statements	Movement
Net cash provided by operating activities	$6,776,401	$6,787,553	$11,152
Net cash used in investing activities	(33,791,834)	(34,055,590)	(263,756)
Net cash provided by financing activities	4,635,818	4,887,615	251,797

Out of the above movements, material adjustments arose from the increase in foreign exchange gain by $5.73 million and decrease in the exchange differences arising from translation of foreign operations under other comprehensive income amounting to $5.82 million. Other movements in the account balances pertain to the effects of adjustments in right-of-use assets, lease liabilities, accrual of expenses and provision for income tax.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

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, 2023. 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 significant impact on the consolidated financial statements of the Group.

- Amendments to Philippine Accounting Standards (PAS) 1 and Philippine Financial Reporting Standards (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.

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

- Amendments to PAS 12 Income Taxes, *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).

- Amendments to PAS 12, *Income Taxes, International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise stated, the following pronouncement is not expected to have material impact to 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:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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, 2024 and must be applied retrospectively.

- 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.

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

  On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

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 and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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.

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be realized within twelve months after the balance sheet date; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

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

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

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

a) Financial assets

Initial recognition and measurement
Financial assets are classified at fair value, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and Fair value through profit and loss (FVPL).

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

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

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

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

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

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

The financial assets of the Group as of December 31, 2023 and 2022 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

OVERVIEW
MESSAGES
LEADERSHIP
SUSTAINABILITY
FINANCIAL
CORPORATE INFORMATION

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 is 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.

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

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

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

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

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

All goodwill 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.

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

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

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, *Provisions, Contingent Liabilities and Contingent Assets,* 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.

Revenue Recognition

a) Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that

OVERVIEW
MESSAGES
LEADERSHIP
SUSTAINABILITY
FINANCIAL
CORPORATE INFORMATION

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, 2023 and 2022.

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.

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

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

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

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

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

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

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

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the balance sheet date.

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

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

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

<u>Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company</u>
Basic EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding, plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on EPS.

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

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

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

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

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

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

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

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

<u>Singapore</u>
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.

<u>China</u>
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.

<u>IMI CZ</u>
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.

<u>IMI MX</u>
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
Pensions and similar obligations relate to VIA's statutory pension obligations for defined contribution plans. 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

OVERVIEW MESSAGES LEADERSHIP SUSTAINABILITY FINANCIAL CORPORATE INFORMATION

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

OVERVIEW
MESSAGES
LEADERSHIP
SUSTAINABILITY
FINANCIAL
CORPORATE INFORMATION

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 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 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 10, 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.

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:

	2023	2022
Cash on hand	**$72,843**	$73,706
Cash in banks	**91,515,173**	115,750,849
	$91,588,016	$115,824,555

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 $0.27 million in 2023, $0.25 million in 2022 and $0.30 million in 2021.

Short-term Investments
Short-term investments amounting to $11.42 million and $8.50 million as of December 31, 2023 and 2022, respectively, pertain to money market placements made for varying periods of more than three months but less than one year and earn interest ranging from 5.3% to 5.5% per annum and 2.0% to 2.4% per annum in 2023 and 2022, respectively.

Interest income earned from these investments amounted to $1.76 million and $0.42 million in 2023 and 2022, respectively.

6. Receivables

This account consists of:

	2023	2022
Trade (Note 16)	**$260,623,416**	$283,795,011
Nontrade	**16,590,926**	7,529,001
Due from related parties (Note 31)	**1,197,239**	2,530,315
Receivable from employees	**223,780**	310,056
Others	**6,058,958**	822,810
	284,694,319	294,987,193
Less allowance for ECLs	**985,684**	3,347,129
	$283,708,635	$291,640,064

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

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

Receivable from 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.

Others
IMI UK provided GBP2,237,500 ($2,850,575) of funding by way of unsecured loan to STIL in order that each Group Company shall be in a position to continue to be able to pay its trade creditors (the Interim Funding). IMI UK also recognized receivable from RCapital equivalent to the cash consideration on the sale amounting to GBP2,237,500 ($2,850,575). For both the interim funding and the consideration, interest shall accrue daily (but shall not compound) at 5% per annum, repayable on the earlier of the date falling: (i) two years after the Completion Date; and (ii) five Business Days after the occurrence of a Trigger Event (the Interim Funding Repayment Date).

Allowance for ECLs
Trade receivables, nontrade receivables and receivables from insurance with aggregate nominal value of $0.67 million and $3.35 million as of December 31, 2023 and 2022, 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, 2023		
	Trade	**Nontrade**	**Total**
At beginning of year	**$3,303,461**	**$43,668**	**$3,347,129**
Provisions (reversals) (Note 22)	**596,318**	**(21,823)**	**574,495**
Written-off	**(2,857,855)**	**(9,685)**	**(2,867,540)**
Disposal of subsidiary	**(281,197)**	**–**	**(281,197)**
Foreign currency exchange difference	**212,797**	**–**	**212,797**
At end of year	**$973,524**	**$12,160**	**$985,684**

	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

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:

	2023	2022
Contract assets	**$52,900,849**	$67,138,029
Contract liabilities	**2,748,320**	7,406,803

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, 2023 and 2022, 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:

	2023	2022
Raw materials and supplies	**$264,733,491**	$267,413,402
Work-in-process	**6,934,237**	7,995,649
Finished goods	**7,991,763**	5,984,042
	279,659,491	281,393,093
Less allowance for:		
Inventory obsolescence	**$10,062,010**	$12,601,131
Decline in value of inventories	**283,934**	294,710
	10,345,944	12,895,841
	$269,313,547	$268,497,252

The cost of the inventories carried at NRV amounted to $28.36 million and $27.60 million as of December 31, 2023 and 2022, respectively. The amount of inventories recognized as an expense under "Cost of sales" account amounted to $957.02 million in 2023, $1,043.62 million in 2022, and $932.39 million in 2021 (see Note 20).

Movements in the allowance for inventory obsolescence follows:

	2023	2022
At beginning of year	**$12,601,131**	$12,304,771
Provisions (Note 22)	**3,937,085**	2,225,263
Write-offs	**(626,684)**	(1,024,313)
Disposal of subsidiary	**(4,968,364)**	–
Foreign currency exchange difference	**(881,158)**	(904,590)
At end of year	**$10,062,010**	$12,601,131

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

	2023	2022
At beginning of year	**$294,710**	$152,874
Provisions (reversal) (Note 22)	**(10,776)**	141,836
At end of year	**$283,934**	$294,710

The Group recognized gains from sale of materials and scrap amounting to $0.06 million in 2023, $0.03 million in 2022, and $0.10 million in 2021 and write-offs of inventories in 2023 amounting to $9.51 million. Gains from sale of materials and scrap and loss on write-offs of inventories are included under "Operating expenses" account in the consolidated statements of income (see Note 22).

9. Other Current Assets

This account consists of:

	2023	2022
Input taxes	**$11,468,501**	$7,649,650
Tax credits	**7,912,428**	3,973,586
Advances to suppliers	**4,185,344**	4,911,642
Prepayments and deferred charges	**5,841,008**	8,341,278
Others	**988,407**	370,040
	$30,395,688	$25,246,196

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.

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

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.

10. Property, Plant and Equipment

Movements in this account follows:

	2023						
	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	$101,117,036	$196,843,203	$26,305,898	$2,184,570	$9,287,712	$6,065,577	$341,803,996
Additions	1,139,714	10,160,950	1,357,768	465,506	201,783	13,967,913	27,293,634
Disposals/retirement	(4,169)	(34,985,026)	(5,032,020)	(211,361)	(1,225,806)	–	(41,458,382)
Disposals through subsidiary sold	(3,437,083)	(10,683,386)	(345,678)	–	–	–	(14,466,147)
Transfers	449,760	15,011,502	368,020	53,731	(548,985)	(15,334,028)	–
Foreign currency exchange difference	1,525,801	(2,236,351)	273,635	164,657	462,969	(1,743)	188,968
At end of year	100,791,059	174,110,892	22,927,623	2,657,103	8,177,673	4,697,719	313,362,069
Accumulated depreciation							
At beginning of year	51,549,544	115,744,321	20,055,321	1,405,458	4,121,448	–	192,876,092
Depreciation	4,692,601	19,005,888	2,147,323	439,891	151,655	–	26,437,358
Disposals/retirement	(1,772)	(34,363,493)	(5,027,168)	(193,443)	(1,206,803)	–	(40,792,679)
Disposals through subsidiary sold	(2,060,039)	(7,296,678)	(305,846)	–	–	–	(9,662,563)
Foreign currency exchange difference	409,083	(2,666,313)	106,665	102,383	(107,297)	–	(2,155,479)
At end of year	54,589,417	90,423,725	16,976,295	1,754,289	2,959,003	–	166,702,729
Accumulated impairment losses							
At beginning and end of year	–	2,819,267	–	–	–	–	2,819,267
Net Impairment loss (Notes 4 and 24)	–	5,045,014	–	–	–	–	5,045,014
Foreign currency exchange difference	–	69,799	–	–	–	–	69,799
At end of year	–	7,934,080	–	–	–	–	7,934,080
Net book value	$46,201,642	$75,753,087	$5,951,328	$902,814	$5,218,670	$4,697,719	$138,725,260

	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

In 2023, the Group recognized a provision for impairment of certain assets amounting to $5.41 million due to end of contract with certain customers and a reversal of provision for impairment loss amounting to $0.36 million assessed as over-provision of certain assets which were initially booked in 2022 as impairment loss.

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 $15.33 million and $6.25 million as of December 31, 2023 and 2022, respectively.

The Group recognized gains / (loss) from disposal and retirement of certain items of property, plant and equipment amounting to $0.06 in 2023, ($2.36 million) in 2022, and $0.44 million in 2021 (see Note 24).

As of December 31, 2023 and 2022, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $173.88 million and $218.88 million, respectively.

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

	2023	2022	2021
Cost of sales (Note 20)	**$23,258,667**	$25,611,371	$35,982,278
Operating expenses (Note 21)	**3,178,691**	2,298,569	4,065,605
	$26,437,358	$27,909,940	$40,047,883

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:

	2023	2022
STI	**$–**	$52,290,256
VIA	**30,355,149**	44,151,673
STEL	**38,255,186**	38,225,186
Parent Company	**1,097,776**	1,097,776
IMI CZ	**502,575**	482,949
	$70,180,686	$136,247,840

Movement in goodwill follows:

	2023	2022
Cost		
At beginning of year	**$143,150,678**	$152,336,719
Foreign currency exchange difference	**4,314,700**	(9,186,041)
At end of year	**147,465,378**	143,150,678
Accumulated impairment loss		
At beginning of year	**6,902,838**	6,902,838
Reversal from sale of STI (Notes 2 and 24)	**54,791,019**	–
Impairment loss (Note 24)	**15,590,835**	–
At end of year	**77,284,692**	6,902,838
	$70,180,686	$136,247,840

In 2023, The Group recognized loss of $54.79 million related to the sale of STI (See Note 2) and partial impairment loss related to the goodwill on the acquisition of VIA of $15.59 million (nil in 2022 and 2021).

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:

	2023	2022
STI	**–**	11.57%
VIA	**12.01%**	19.71%
STEL	**13.37%**	13.51%
IMI CZ	**12.87%**	13.79%

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 assessed for STEL and IMI CZ in 2023, 2022 and 2021.

Sensitivity to changes in assumptions

Value in use calculation is sensitive to pre-tax discount rates and inflation rate. With regard to the assessment of value-in-use of VIA, STEL and IMI CZ, an increase in the pre-tax discount rate by more than 9.43%, 0.73% and 20.90%, respectively, would result to impairment of goodwill. In addition, an increase in inflation rate affecting overhead and administrative costs by more than 67.87%, 0.67% and 3.31% 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 2023 2022 and 2021, 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 2023, 2022 and 2021.

12. Intangible Assets

Movements in this account are as follows:

	December 31, 2023					
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year	**$21,808,600**	**$100,000**	**$15,923,088**	**$13,846,153**	**$20,599,131**	**$72,276,972**
Additions	**–**	**–**	**271,720**	**–**	**–**	**271,720**
Foreign currency exchange difference	**50,779**	**–**	**(121,686)**	**200,729**	**–**	**129,822**
At end of year	**21,859,379**	**100,000**	**16,073,122**	**14,046,882**	**20,599,131**	**72,678,514**
Accumulated amortization						
At beginning of year	**21,808,600**	**100,000**	**12,455,527**	**12,522,039**	**14,078,307**	**60,964,473**
Amortization	**–**	**–**	**831,500**	**690,053**	**333,748**	**1,855,301**
Foreign currency exchange difference	**50,779**	**–**	**(172,586)**	**325,124**	**–**	**203,317**
At end of year	**21,859,379**	**100,000**	**13,114,441**	**13,537,216**	**14,412,055**	**63,023,091**
Accumulated impairment loss						
At beginning of year	**–**	**–**	**–**	**–**	**6,187,076**	**6,187,076**
Impairment loss (Notes 4 and 24)	**–**	**–**	**–**	**–**	**–**	**–**
At end of year	**–**	**–**	**–**	**–**	**6,187,076**	**6,187,076**
Net book value	**$–**	**$–**	**$2,958,681**	**$509,666**	**$–**	**$3,468,347**

	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

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. This was fully amortized in 2023.

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.

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 (see Note 4).

Research expenditure recognized as expense amounted to $5.27 million, $5.68 million, and $7.70 million in 2023, 2022 and 2021, respectively (see Note 21).

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

	2023	2022	2021
Cost of sales (Note 20)	**$541,829**	$2,505,209	$3,233,174
Operating expenses (Note 21)	**1,313,472**	2,306,948	4,165,844
	$1,855,301	$4,812,157	$7,399,018

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

The table below shows reconciliation of fair value measurements:

	2023	2022
Balance at beginning of year	**$1,829,432**	$1,364,733
Change in fair value of quoted securities	**534,664**	464,699
Balance at end of year	**$2,364,096**	$1,829,432

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

	2023	2022
Balance at beginning of year	**$32,794**	($554,610)
Change in fair value of quoted securities	**534,664**	464,699
Foreign currency exchange difference	**(19,497)**	122,705
Balance at end of year	**$547,961**	$32,794

14. Other Noncurrent Assets

This account consists of:

	2023	2022
Deferred charges	**$13,566,747**	$12,286,431
Miscellaneous deposits	**3,213,241**	3,156,449
Pension asset - net (Note 27)	**219,459**	225,090
Others	**441,608**	644,176
	$17,441,055	$16,312,146

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:

	2023	2022
Trade payables	**$197,238,858**	$212,112,883
Accrued expenses	**29,038,925**	37,704,785
Employee-related accruals and contributions	**22,098,824**	22,078,493
Nontrade payables	**19,000,151**	21,215,024
Taxes and government-related payables	**3,332,951**	3,075,974
Advances from customers	**8,362,124**	2,644,613
Accrued interest payable	**1,731,352**	1,646,532
Customer deposits	**1,972,337**	1,277,379
Due to related parties (Note 31)	**681,828**	18,958
	$283,457,350	$301,774,641

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:

	2023	2022
Parent Company	**$157,000,000**	$150,100,000
STEL	**15,869,831**	4,100,000
IMI CZ, VIA and STI	**37,157,177**	38,459,599
	$210,027,008	$192,659,599

Parent Company
As of December 31, 2023 and 2022, the Parent Company has unsecured short-term loans aggregating to $157.00 million and $150.10 million, respectively, with maturities ranging from 30 to 120 days, and fixed annual interest rates ranging from in 6.25% to 7.71% in 2023, 4.37% to 5.36% in 2022, and 1.44% to 2.00% in 2021. From the total short-term loans of the Parent Company, $70.00 million and $60.70 million was payable to BPI as of December 31, 2023 and 2022, respectively (see Note 31).

The Parent Company incurred interest expense on its short-term loans amounting to $9.82 million in 2023, $4.75 million in 2022, and $3.00 million in 2021 (see Note 23).

STEL
As of December 31, 2023 and 2022, STEL has short-term loans aggregating to $15.87 million and $4.10 million, respectively, which are from existing revolving credit facilities with Singapore and China-based banks and bear annual interest rates ranging from 4.10% to 8.36% in 2023, 3.96% to 7.56% in 2022, and 3.02% to 3.10% in 2021, and have maturities of 31 to 364 days from the date of issue.

STEL incurred interest expense on short-term loans amounting to $1.05 million in 2023, $0.86 million in 2022, and $1.08 million in 2021 (see Note 23).

IMI CZ, 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 3.40% to 3.90% in 2023, 1.82% to 4.00% in 2022 and 0.59% to 4.00% in 2021.

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, VIA and STI incurred interest expense on the short-term loan amounting to $1.94 million, $2.40 million and $1.36 million in 2023, 2022 and 2021, respectively (see Note 23).

17. Long-Term Debt

This account consists of borrowings of the following entities:

	2023	2022
Parent Company	**$141,336,024**	$146,182,491
VTS and IMI CZ	**5,362,150**	4,231,041
	146,698,174	150,413,532
Less current portion:		
Parent Company	**5,100,000**	1,500,000
VTS and IMI CZ	**1,384,519**	1,548,254
	6,484,519	3,048,254
Noncurrent portion	**$140,213,655**	$147,365,278

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 3.83% to 4.22% in 2023 and 2022. From the total long-term debts of the Parent Company, $112.31 million and $116.89 million was payable to BPI as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 $5.97 million in 2023, $4.93 million in 2022, and $2.96 million in 2021 (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 $0.23 million, $0.14 million and $0.04 million in 2023, 2022 and 2021, respectively (see Note 23).

18. Other Current Liabilities

This account consists of provision for onerous contracts amounting to $1.52 million in 2023 and $1.03 million in 2022 (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:

	2023		2022		2021	
	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	**2,193,425,374**	**$42,719,224**	2,192,778,323	$42,705,563	2,191,315,287	$42,674,930
Issuances from ESOWN	**67,773**	**1,458**	647,051	13,661	1,463,036	30,633
At end of year*	**2,193,493,147**	**$42,720,682**	2,193,425,374	$42,719,224	2,192,778,323	$42,705,563

* *Out of the total issued shares, 15,892,124 shares or $1.01 million as of December 31, 2023, 2022 and 2021 pertain to treasury shares.*

As of December 31, 2023, 2022 and 2021, there were 285, 284 and 283 registered common stockholders, respectively.

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

Details of this account follow:

	2023		2022		2021	
	Shares	**Amount**	Shares	Amount	Shares	Amount
At beginning of year	**30,468,570**	**$692,454**	31,238,565	$708,788	32,951,281	$744,823
Issuances during the year - ESOWN	**(67,773)**	**(1,458)**	(647,051)	(13,661)	(1,463,036)	(30,633)
Forfeitures during the year - ESOWN	**(77,527)**	**(1,685)**	(122,944)	(2,673)	(249,680)	(5,402)
At end of year	**30,323,270**	**$689,311**	30,468,570	$692,454	31,238,565	$708,788

Subscriptions Receivable
Details of this account follow:

	2023	2022	2021
At beginning of year	**$2,620,195**	$2,701,935	$2,888,800
Forfeitures during the year	**(21,067)**	(36,254)	(44,286)
Refund/(collections) during the year	**(23,051)**	(45,486)	(142,579)
At end of year (Note 28)	**$2,576,077**	$2,620,195	$2,701,935

Dividends
No dividend payment was declared to common shareholders in 2023 and 2022.

Retained Earnings
Accumulated net earnings of the subsidiaries amounting to $64.19 million and $176.87 million as of December 31, 2023 and 2022, 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, 2023 amounted to $12.24 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, 2023, 2022 and 2021 follows:

	2023	2022	2021
EU and MX	**$6,439,844**	($8,405,817)	($12,785,609)
VIA and STI	**(1,901,418)**	(9,738,945)	(11,847,140)
STEL	**(859,667)**	(5,196,802)	1,335,547
Consolidation and eliminations	**10,442,405**	(10,996,363)	(2,618,629)
	$14,121,164	($34,337,927)	($25,915,831)
Attributable to:			
Equity holders of the Parent	**$15,719,118**	($23,803,135)	($29,003,117)
Non-controlling interest	**(1,597,954)**	(10,534,792)	3,087,286
	$14,121,164	($34,337,927)	($25,915,831)

As a result of divestment of STI, CTA in the amount of $6.87 million was derecognized.

Non-controlling interest
Sale of subsidiary
In 2023, the Group sold its share in STI resulting to the derecognition of non-controlling interest related to STI amounting to $8.38 million (see Note 2).

In August 2021, the Board of IMI Singapore, a wholly-owned subsidiary of the Parent Company 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, 2023 and 2022.

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.

	2023	2022
Loans payable	**$210,027,008**	$192,659,599
Long-term bank borrowings	**146,698,174**	150,413,532
Total bank debt	**356,725,182**	343,073,131
Less cash and cash equivalents	**91,588,016**	115,824,555
Net bank debt	**$265,137,166**	$227,248,576
Total Equity	**$310,585,250**	$415,283,856
Debt-to-equity ratio	**1.15:1**	0.83:1
Net debt-to-equity ratio	**0.85:1**	0.55:1

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

20. Cost of Sales

This account consists of:

	2023	2022	2021
Direct, indirect and other material-related costs (Note 8)	**$957,021,559**	$1,043,619,962	$932,394,674
Direct labor, salaries, wages and employee benefits (Note 27)	**178,327,058**	175,021,942	188,179,409
Depreciation and amortization (Notes 10, 12 and 30)	**29,376,951**	34,250,332	46,431,467
Facilities costs and others (Note 22)	**42,481,955**	45,716,660	42,766,262
	$1,207,207,523	$1,298,608,896	$1,209,771,812

21. Operating Expenses

This account consists of:

	2023	2022	2021
Salaries, wages and employee benefits (Note 27)	**$57,060,171**	$58,804,816	$61,950,473
Depreciation and amortization (Notes 10, 12 and 30)	**7,805,516**	7,606,067	11,891,409
Facilities costs and others (Note 22)	**57,032,614**	41,339,423	34,639,830
	$112,390,281	$107,750,306	$108,481,712

The Group restructured its operations to respond to the decline in business activities. The cost of the restructuring in 2023 amounted to $1.16 million.

22. Facilities Costs and Others - Net

This account consists of:

	Cost of Sales			Operating Expenses		
	2023	2022	2021	**2023**	2022	2021
Utilities	**$20,707,291**	$23,465,974	$19,098,985	**$1,899,257**	$2,145,489	$1,692,556
Outsourced activities	**9,331,680**	10,509,065	9,737,817	**19,233,479**	14,694,883	14,206,768
Repairs and maintenance	**5,824,423**	6,171,663	6,220,292	**2,226,766**	908,797	1,495,487
Insurance	**2,191,557**	1,427,143	2,347,400	**4,872,304**	4,883,416	5,292,394
Technology-related	**1,381,448**	1,654,064	2,524,353	**5,070,206**	4,843,938	2,073,278
Travel and transportation	**1,237,676**	808,041	524,157	**3,657,491**	2,914,180	1,234,769
Government-related	**984,551**	1,156,872	1,577,684	**3,675,523**	3,011,828	3,342,392
Promotional materials, representation and entertainment	**244,369**	156,194	71,283	**1,292,086**	1,121,341	907,893
Postal and communication	**202,862**	245,808	511,576	**520,604**	546,688	476,510
Staff house	**58,130**	74,309	29,943	**90,421**	83,799	244,971
Membership fees	**10,295**	19,752	55,591	**151,318**	229,669	201,195
Provision (reversal of provision) for inventory obsolescence (Note 8)	**–**	–	–	**3,926,309**	2,367,099	211,766
Provision for ECLs (Note 6)	**–**	–	–	**574,495**	585,488	2,010,852
Provision for onerous contracts (Notes 4 and 18)	**–**	–	–	**487,971**	1,034,073	–
Loss on write off of inventories (Notes 8 and 29)	–	–	–	**9,508,020**	–	–
Others – net	**307,673**	27,775	67,181	**(153,636)**	1,968,735	1,248,999
	$42,481,955	$45,716,660	$42,766,262	**$57,032,614**	$41,339,423	$34,639,830

Others include sales commission, donations, small tools and instruments, spare parts, materials, office supplies, and copying expenses.

23. Interest Expense and Bank Charges

This account consists of:

	2023	2022	2021
Interest expense on loans (Notes 16 and 17)	**$19,013,077**	$13,076,061	$8,433,898
Interest on leases (Note 30)	**1,395,174**	932,077	1,349,772
Bank charges	**514,236**	578,565	731,254
Others	**177,561**	69,026	38,743
	$21,100,048	$14,655,729	$10,553,667

Others include interest on employee housing and car loans in 2023, 2022, and 2021.

24. Other Income (Expenses) - Net

Other income (expenses) - net consists of:

	2023	2022	2021
Financial subsidies	**$1,976,113**	$2,599,524	$2,817,097
Other income from customers	**1,045,366**	1,260,832	445,611
Gain on insurance claims	**11,968**	415,795	458,016
Sale of materials and scrap (Note 8)	**63,114**	26,916	96,459
Mark-to-market gain on put options (Note 19)	**–**	–	1,627,806
Loss on lease modifications	**–**	–	(159,630)
Reversal (provision) of impairment on property, plant and equipment (Notes 4 and 10)	**(5,045,014)**	(361,185)	1,612,065

(Forward)

	2023	2022	2021
Reversal (provision) of impairment loss on product development cost (Notes 4 and 12)	–	(1,604,842)	636,456
Gain (loss) on sale and retirement of property, plant and equipment – net (Note 10)	**60,061**	(2,355,745)	438,498
Loss on disposal of subsidiary (Note 2)	**(81,108,320)**	–	–
Impairment loss on goodwill (Note 11)	**(15,590,835)**	–	–
Other income (expense) – net	**890,961**	457,808	224,404
	($97,696,586)	$439,103	$8,196,782

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. The balance of the Serbia grant incentive included under "Other noncurrent liabilities" account amounted to $3.56 million and $3.13 million in 2023 and 2022, respectively.

Loss on disposal of subsidiary related to the sale of STI in 2023.

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, 2023, there are three remaining project activities with ITH which will expire in 2027 and 2028. 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 2023 to 2025) as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of 15% (2022: 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% (2022: 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 2023, 2022 and 2021. 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, 2023, 2022 and 2021, the statutory German corporate income tax rate applicable to VIA AG is 15.0% plus solidarity surcharge of 5.5% thereon (15.82% in total). The municipal trade tax is 3.5% of the trade income.

For VIA's subsidiaries, VIA LLC (USA) a tax rate of 23.75% in 2023, 2022 and 2021, for VIA Suzhou (China) a tax rate of 25% for 2023, 2022 and 2021, and for VTS (Japan) a tax rate of 34.1% is applicable.

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, 2023 and 2022, 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:

	2023	2022
Deferred tax assets:		
Lease liabilities	**$1,259,966**	$4,324,978
Net operating loss carry-over	**–**	749,310
Allowance for inventory obsolescence	**659,526**	348,052
Allowance for doubtful accounts	**111,881**	139,500
Fair value adjustment on property, plant and equipment arising from business combination	**315,417**	–
Others	**2,641,092**	1,598,268
	$4,987,882	$7,160,108

	2023	2022
Deferred tax liabilities:		
Right-of-use asset	**$600,792**	$4,205,842
Fair value adjustment on property, plant and equipment arising from business combination	**1,513,265**	1,573,339
Contract assets	**143,995**	244,816
Unrealized foreign exchange gain on monetary assets – net	**31,360**	32,171
Allowance for inventory obsolescence	**30,137**	–
Allowance for doubtful accounts	**2,258**	–
Others	**31,344**	60,699
	$2,353,151	$6,116,867

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, 2023			
	Deferred Tax Assets	**Deferred Tax Liabilities**	**Total Deferred Tax Assets - net**	**Total Deferred Tax Liabilities - net**
Parent Company	**$–**	**($121,627)**	**$–**	**($121,627)**
PSI	**421,961**	**(425,661)**	**–**	**(3,700)**
IMI BG and VIA	**2,270,132**	**(708,001)**	**1,562,131**	**–**
IMI CZ	**135,282**	**–**	**135,282**	**–**
IMI MX	**339,942**	**(181,646)**	**158,296**	**–**
STEL	**1,601,045**	**(31,343)**	**1,601,045**	**(31,343)**
Serbia	**189,033**	**–**	**189,033**	**–**
Consolidation	**30,487**	**(884,873)**	**2,984**	**(857,370)**
	$4,978,882	**($2,353,151)**	**$3,648,771**	**($1,014,040)**

	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)

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, 2023 and 2022, the temporary differences for which no deferred tax assets have been recognized are as follows:

	2023	2022
Net operating loss carry-over	**$104,299,151**	$80,551,989
Accumulated impairment losses on property, plant and equipment	**2,819,266**	2,819,266
Excess of cost over NRV of inventories	**1,081,480**	417,786
Provisions	**581,909**	567,139
Allowance for doubtful accounts	**77,317**	34,733
	$108,859,123	$84,390,913

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, 2023 and 2022, 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.

As of December 31, 2023, the entities operating in the Philippines has incurred NOLCO in taxable year 2020 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act. However, the NOLCO incurred in taxable year 2022 can be carried over as a deduction from gross income for the next three consecutive years. The extension to five years is no longer applicable, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2023	2024 to 2026	$17,604,458	$–	$17,604,458
2022	2023 to 2025	23,764,143	–	23,764,143
2021	2022 to 2026	14,809,729	–	14,809,729
2020	2021 to 2025	8,581,594	–	8,581,594
		$64,759,924	$–	$64,759,924

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
2023	$8,331,415	$–	$8,331,415
2022	5,227,605	–	5,227,605
2021	10,480,752	–	10,480,752
2020	11,015,123	–	11,015,123
2019	9,404,108	–	9,404,108
2018 and prior	23,872,971	–	23,872,971
	$68,331,974	$–	$68,331,974

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:

	2023	2022	2021
Statutory income tax	**(25.00%)**	(25.00%)	(25.00%)
Tax effects of:			
Nondeductible expenses and movement in unrecognized deferred taxes	**50.07%**	12.39%	34.29%
Income subject to minimum corporate income tax	**0.041%**	0.244%	0.129%
Income subject to gross income tax	**1.50%**	23.63%	12.50%
Difference in tax jurisdiction	**(31.61%)**	(82.47%)	(59.51%)
Interest income subjected to final tax	**0.005%**	0.029%	0.002%
Provision for income tax	**(4.99%)**	(71.18%)	(37.59%)

The Group is subject to Pillar Two rules and has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in PAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates. However, the legislation will not be effective before 31 December 2023 and as such, there is no current tax impact for the year ended December 31, 2023. Based on the Group's Country-by-Country Report ("CbCR") for FY2023, the Group may have potential exposure to Pillar Two income taxes on profits earned in the following countries, namely: IMI Bulgaria and IMI NIS Serbia, where the expected Pillar Two effective tax rate is likely to be lower than 15%. However, the potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable until the 2024 financial data becomes available and after carrying out the full impact assessment when the Pillar Two rules are already in effect.

26. Loss per Share

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

	2023	2022	2021
Net loss attributable to equity holders of Parent Company	**($105,626,141)**	**($6,756,929)**	($10,564,571)
Weighted average number of common shares outstanding	**2,207,956,596**	**2,208,004,253**	2,208,146,264
Basic and diluted EPS	**($0.048)**	**($0.003)**	($0.005)

As of December 31, 2023, 2022 and 2021, the Group has no dilutive potential common shares.

27. Personnel Costs

Details of salaries, wages, and employee benefits follow:

	2023	2022	2021
Salaries, wages and benefits	**$201,945,952**	$199,313,442	$217,544,067
Government related contributions	**12,599,886**	10,654,788	10,271,628
Retirement expense under defined contribution plans	**8,575,737**	8,161,495	8,714,491
Net retirement expense under defined benefit plans	**1,873,003**	2,218,249	2,286,783
Others	**10,392,651**	13,478,784	11,312,913
	$235,387,229	$233,826,758	$250,129,882

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:

	2023	2022	2021
Cost of sales (Note 20)	**$178,327,058**	$175,021,942	$188,179,409
Operating expenses (Note 21)	**57,060,171**	58,804,816	61,950,473
	$235,387,229	$233,826,758	$250,129,882

Defined Benefit Plans

The Parent Company, IMI BG, IMI Serbia, and PSi have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2023.

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:

	2023	2022
Parent Company	**$6,391,640**	$4,225,271
IMI BG	**2,381,158**	1,910,386
Psi	**(219,459)**	(225,090)
STI	**–**	856,149
IMI Serbia	**54,062**	20,946
	$8,607,401	$6,787,662

Parent Company, IMI BG, IMI Serbia, 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:

	2023													
	Net Retirement Expense					**Remeasurements**								
	1-Jan	**Current Service Cost**	**Net Interest**	**Subtotal**	**Separation and Benefits Paid**	**Return on Plan Assets (Excluding Amount Included in Net Interest)**	**Actuarial Changes Due to Experience Adjustments**	**Actuarial Changes Due to Demographic Assumptions**	**Actuarial Changes Arising from Changes in Financial Assumptions**	**Subtotal**	**Actual Contribution**	**Disposal of subsidiary**	**Foreign Currency Exchange Difference**	**31-Dec**
Present value of defined benefit obligation	**$19,916,370**	**$1,539,599**	**$1,272,417**	**$2,812,016**	**($1,800,582)**	**$–**	**$694,907**	**$–**	**$1,380,975**	**$2,075,882**	**$–**	**($969,011)**	**$192,880**	**$22,227,555**
Fair value of plan assets	**(13,128,708)**	**–**	**(939,013)**	**(939,013)**	**–**	**540,438**	**–**	**–**		**540,438**	**–**	**–**	**(92,871)**	**(13,620,154)**
Net retirement liabilities	**$6,787,662**	**$1,539,599**	**$333,404**	**$1,873,003**	**($1,800,582)**	**$540,438**	**$694,907**	**$–**	**$1,380,975**	**$2,616,320**	**$–**	**($969,011)**	**$100,009**	**$8,607,401**

	2022													
	Net Retirement Expense					Remeasurements								
	1-Jan	Current Service Cost	Net Interest	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Netto Interest)	Actuarial Changes Due Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Disposal of subsidiary	Foreign Currency Exchange Difference	31-Dec
Present value of defined benefit obligation	$24,662,688	$1,861,195	$1,048,689	$2,909,884	($2,262,643)	$–	$79,571	$–	($3648842)	($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

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, 2023 and 2022 follows:

	2023	2022
Net pension liabilities	**$8,826,860**	$7,012,752
Net pension asset	**219,459**	225,090
	$8,607,401	$6,787,662

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

The distribution of the plan assets as of December 31, 2023 and 2022 follows:

	2023	2022
Government securities	**$7,558,908**	$6,898,768
Equities	**2,500,942**	999,271
Corporate bonds	**1,217,638**	947,265
Trust funds	**450,751**	2,627,167
Mutual funds	**1,043,700**	602,953
Investment properties	**421,923**	1,003,732
Cash and cash equivalents	**990**	1,865
Others	**425,302**	47,687
	$13,620,154	$13,128,708

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, 2023 and 2022, the fair value of these plan assets amounted to $0.82 million and $2.93 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 $3.26 million to the defined benefit plans for 2024.

The actual return of plan assets amounted to $0.54 million, $0.93 million and $0.16 million in 2023, 2022 and 2021, respectively.

The average duration of net retirement liabilities ranges from 9.44 to 18.04 years as of December 31, 2023 and 9.11 to 18.33 years as of December 31, 2022.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2023 and 2022:

	2023	2022
Less than one year	**$2,797,499**	$2,444,184
More than one year to five years	**10,116,471**	9,400,759
More than five years to ten years	**12,766,596**	11,327,781
More than ten years to fifteen years	**13,722,895**	13,982,186
More than fifteen years	**47,135,610**	46,836,131
	$86,539,071	$83,991,041

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

	2023	2022	2021
Discount rate	**4.03% - 6.25%**	1.80% - 7.35%	0.34% - 5.19%
Salary increase rate	**4.00% - 8.50%**	4.00% - 7.50%	3.00% - 6.50%

The sensitivity analysis per entity below has been determined based on reasonably possible changes of each significant assumption on the net retirement liabilities as of the end of the balance sheet date, assuming all other assumptions were held constant:

	Increase/Decrease in	Effect on Net Retirement Liability	
Actuarial Assumption	Actuarial Assumption	2023	2022
Discount rate	+1%	**($1,511,077)**	($1,245,286)
	-1%	**1,591,261**	1,359,093
Salary increase rate	+1%	**1,735,981**	1,497,069
	-1%	**(1,661,656)**	(1,386,536)

The mortality rate in 2023 and 2022 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 2023 and 2022. IMI Serbia used the 2012 table of mortality published by the Statistical Office of the Republic of Serbia for 2023 and 2022.

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

	2023	2022	2021
Cost of sales	**$1,149,805**	$1,400,104	$1,541,183
Operating expenses	**723,198**	818,145	745,600
	$1,873,003	$2,218,249	$2,286,783

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:

	2023	2022	2021
Cost of sales	**$7,686,567**	$7,162,887	$6,942,099
Operating expenses	**889,170**	998,608	1,772,392
	$8,575,737	$8,161,495	$8,714,491

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 2023, 2022 and 2021 follow:

	2023		2022		2021	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
At beginning of year	**137,004,327**	**₱6.60**	**137,127,271**	**₱6.61**	137,376,951	₱6.61
Forfeitures	**(77,527)**	**12.50**	**(122,944)**	**13.56**	(249,680)	8.19
At end of year	**136,926,800**	**₱6.60**	**137,004,327**	**₱6.60**	137,127,271	₱6.61

The balance of the subscriptions receivable amounted to $2.58 million, $2.62 million and $2.70 million as of December 31, 2023, 2022 and 2021, respectively (see Note 19).

There is no share option expense recognized in 2023, 2022 and 2021.

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 (defined to include display solutions and sensors) 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, 2023, 2022 and 2021:

December 31, 2023	**Philippines**		**China**	**Europe**	**Mexico**	**Germany/UK**	**USA/ Japan/ Singapore / IMI UK**	**Consolidation and Eliminations**	**Total**
	Parent Company	**PSi**							
Revenue from contracts with customers:									
Third party	$257,678,074	$4,515,281	$249,689,473	$424,345,896	$153,446,320	$214,891,014	$22,646,874	$–	$1,327,212,932
Intersegment	17,219,876	–	20,806,936	16,671,948	3,001,409	–	4,012,124	(61,712,293)	–
Total revenue from contracts with customers	$274,897,950	$4,515,281	$270,496,409	$441,017,844	$156,447,729	$214,891,014	$26,658,998	($61,712,293)	$1,327,212,932
Segment interest income	$3,909,415	$5,538	$3,399,448	$1,090,987	$–	$1,757,102	$7,326,495	($15,243,895)	$2,245,090
Segment interest expense	$16,501,172	$741,574	$3,322,109	$2,516,098	$4,337,471	$5,345,023	$1,759,279	($13,422,678)	$21,100,048
Segment profit (loss) before income tax	$8,779,880	(1,182,742)	$12,302,712	27,426,638	($15,097,742)	($128,245,054)	$4,892,434	($21,527,970)	($112,651,844)
Segment provision for income tax	(1,732,584)	(8,163)	(326,733)	(2,204,965)	18,190	(1,343,962)	724	(21,374)	(5,618,867)
Segment profit (loss) after income tax	$7,047,296	($1,190,905)	$11,975,979	25,221,673	($15,079,552)	($129,589,016)	$4,893,158	($21,549,344)	(118,270,711)
Net income (loss) attributable to the equity holders of the Parent Company	$7,047,296	($1,190,905)	$11,975,979	$25,221,673	($15,079,552)	($116,944,446)	$4,893,158	($21,549,344)	($105,626,141)

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

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

OVERVIEW
MESSAGES
LEADERSHIP
SUSTAINABILITY
FINANCIAL
CORPORATE INFORMATION

The Germany/UK reportable segment includes impairment, write-down of assets and other expenses incurred in relation to the potential early termination of a customer project and impending liquidity issues of another customer, in the display solutions segment. Details of the losses included in under "Other income (expense)" in the consolidated statements of income are as follows:

	Amount of loss	Recoverable value
Write-down of inventories to NRV (Notes 8 and 22)	$9,508,020	$3,255,566
Impairment of property, plant and equipment (Notes 10 and 21)	5,406,199	324,948
Write-down of ROU assets (Note 30)	1,310,071	–
Total asset impairment/writedown	16,224,290	$3,580,514
Others	2,595,397	
Total losses	$18,819,687	

Others include supplier claims, transportation costs and other costs of disposal/scrapping.

Inventories were written down to net realizable value (NRV) based from an offer received from the customer to cover some of the costs for material as well as charges for one customer and internal management valuation for the other customer. The recoverable value of the property, plant and equipment were determined by an external valuation expert and determined the amount based on liquidation/scrap value after deducting cost for scrapping process since the associated production line and the production facility are customer-specific and no longer usable for the cash-generating unit. The production line was recognized at fair value less cost of disposal amounting to EUR297,545 ($324,948).

The following table presents segment assets of the Group's geographical segments as of December 31, 2023 and 2022:

	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan/ Singapore	Consolidation and Eliminations	Total
	Parent Company	**PSi**							
2023	**$613,005,264**	**$3,350,414**	**$208,516,055**	**$327,871,869**	**$129,413,417**	**$121,905,306**	**$302,486,991**	**($711,921,788)**	**$1,706,549,316**

	Philippines		China	Europe	Mexico	Germany /UK	USA/ Japan/ Singapore	Consolidation and Eliminations	Total
	Parent Company	**PSi**							
2022	$612,148,519	$5,162,866	$228,514,351	$295,338,592	$105,924,441	$261,134,473	$433,447,826	($837,786,675)	$1,103,884,393

Investments in subsidiaries and intersegment receivables amounting to $447.15 million and $326.58 million as of December 31, 2023, respectively, and $360.58 million and $408.22 million as of December 31, 2022, 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, 2023 and 2022.

<u>Revenue from Contracts with Customers</u>
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:

	2023	2022
Manufacturing of goods	**$1,323,481,365**	$1,405,402,031
Non-recurring engineering services	**3,731,567**	3,614,481
Revenue from contracts with customers	**$1,327,212,932**	$1,409,016,512

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

	2023		
	Revenue recognized over time	**Revenue recognized at point in time**	**Total**
Philippines			
Parent Company	**$257,678,074**	**$–**	**$257,678,074**
PSi	**4,515,281**	**–**	**4,515,281**
China	**249,689,473**	**–**	**249,689,473**
Europe	**422,861,189**	**1,484,707**	**424,345,896**
Mexico	**151,438,240**	**2,008,080**	**153,446,320**
Germany/UK	**214,891,014**	**–**	**214,891,014**
USA/Japan/Singapore	**19,524,182**	**3,122,692**	**22,646,874**
Revenue from contracts with customers	**$1,320,597,453**	**$6,615,479**	**$1,327,212,932**

	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

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

	2023	2022	2021
Europe	**$921,631,187**	$940,205,928	$775,010,938
America	**182,120,031**	175,174,834	184,955,706
Japan	**57,307,924**	70,436,636	77,943,575
Rest of Asia/Others	**166,153,790**	223,199,114	262,679,979
	$1,327,212,932	$1,409,016,512	$1,300,590,198

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 12.33%, 10.68% and 8.97% of the Group's total revenue in 2023, 2022 and 2021, respectively.

The following table presents revenues per market segment:

	2023	2022	2021
Automotive	**$800,268,154**	$748,133,702	$648,027,420
Industrial	**390,166,599**	476,146,759	413,898,749
Consumer	**33,872,523**	71,740,418	82,371,007
Telecommunication	**30,321,101**	37,895,276	52,342,497
Aerospace/defense	**36,165,083**	39,953,992	54,329,773
Medical	**23,204,347**	23,005,325	28,798,655
Multiple market/others	**13,215,125**	12,141,040	20,822,097
	$1,327,212,932	$1,409,016,512	$1,300,590,198

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

	2023	2022
Europe*	**$114,227,864**	$190,694,116
America**	**31,387,166**	30,502,194
Rest of Asia/Others	**86,231,841**	85,551,938
	$231,846,871	$306,748,248

**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:

	2023	2022	2021
Europe*	**$15,757,118**	$15,815,549	$23,211,315
America**	**5,862,792**	6,871,681	7,215,748
Rest of Asia/Others	**15,562,557**	19,169,169	27,895,813
	$37,182,467	$41,856,399	$58,322,876

**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:

	2023	2022
As at January 1, 2023	**$19,266,348**	$28,457,787
Additions	**12,594,844**	1,099,695
Deductions	**(1,313,898)**	–
Amortization expense	**(8,889,808)**	(9,134,302)
Loss on lease modifications	**(41,049)**	–
Disposal through subsidiary sold	**(2,854,555)**	–
Cumulative translation adjustment	**710,696**	(1,156,832)
As at December 31, 2023	**$19,472,578**	$19,266,348

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

	2023	2022
As at January 1, 2023	**$19,937,666**	$31,220,799
Additions	**12,594,844**	1,156,394
Interest expense on lease liabilities	**1,395,174**	932,077
Rental payments	**(9,822,200)**	(11,571,267)
Waived rentals	**(41,049)**	(56,698)
Disposal through subsidiary sold	**(3,344,661)**	–
Cumulative translation adjustment	**1,268,861**	(1,743,639)
As at December 31, 2023	**$21,988,635**	$19,937,666
Current	**$8,265,812**	$7,067,675
Noncurrent	**$13,722,823**	$12,869,991

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

	2023	2022	2021
Amortization expense of right-of-use assets (Notes 20 and 21)	**$8,889,808**	**$9,134,302**	$10,875,975
Interest expense on lease liabilities (Note 23)	**1,395,174**	**932,077**	1,349,772
Expense related to short-term leases and low-value assets	**1,357,090**	**619,764**	1,265,975
	$11,642,072	**$10,686,143**	$13,491,722

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, 2023 and 2022 follow:

	2023	2022
Within one year	**$8,482,824**	$5,660,158
After one year but not more than two years	**5,133,061**	5,283,763
After two years but not more than three years	**2,986,827**	3,093,442
After three years but not more than four years	**2,936,224**	1,493,346
After four years but not more than five years	**558,242**	1,028,240
More than five years	**–**	4,202,209
	$20,097,178	$20,761,158

Lease Commitments

Parent Company

In 2023, 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 and four months from September 1, 2023 to August 31, 2028.

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 (Lessee) has existing agreement involving the lease of residential house and lots located in Sta. Rosa, Laguna covering a period of five years from Januar1, 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 November 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.

<u>Terms and Conditions of Transactions with Related Parties</u>
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, 2023, 2022 and 2021, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

- Transactions with BPI, an affiliate

  As of December 31, 2023 and 2022, the Group maintains current and savings accounts and short-term investments with BPI amounting to $0.97 million and $2.17 million, respectively.

  Total interest income earned from investments with BPI amounted to $0.003 million, $0.003 million and $0.001 million for the years ended December 31, 2023, 2022 and 2021, respectively.

  The Group has an outstanding short term and long-term loans from BPI amounting to $182.31 million and $177.59 million as of December 31, 2023 and 2022, respectively.

  Total interest accrued for the loan payable to BPI amounted to $9.06 million, $5.78 million and $1.36 million for the years ended December 31, 2023, 2022 and 2021, respectively.

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

	Receivables		Payables	
	2023	2022	**2023**	2022
KTM Asia Motor Manufacturing Inc. (KAMMI)	**$988,479**	$2,444,570	**$–**	$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**208,760**	85,745	**–**	–
AC Industrials Technology Inc. (AC Industrials)	**–**	–	**46,904**	–
Ayala Corporation (AC)	**–**	–	**596,737**	–
HMC, Inc. (HMCI)	**–**	–	**17,658**	–
BPI	**–**	–	**7,698**	10,458
Innove Communication, Inc. (ICI)	**–**	–	**12,831**	7,383
Globe Telecom, Inc. (GTI)	**–**	–	**–**	1,117
	$1,197,239	$2,530,315	**$681,828**	$18,958

i. Transaction with KAMMI and MSTPI pertains to trade related receivables.
ii. Transaction with AC and ACI 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 HMCI pertain to provision of health 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		
	2023	2022	2021	**2023**	2022	2021
KAMMI	**$2,437,678**	$5,012,496	$1,511,811	**$–**	$–	$–
MSTPI	**122,961**	135,821	882,121	**–**	–	–
AC Industrials	**–**	–	49,868	**46,807**	–	–
BPI	**2,567**	2,999	1,396	**41,352**	38,914	–
AREIT	**–**	–	–	**1,473,220**	1,444,719	1,512,012
Laguna Water (LAWC)	**–**	–	–	**1,189,047**	1,071,846	1,035,751
AC	**–**	–	–	**670,643**	536,818	641,891
AG Legal	**–**	–	–	**23,250**	57,730	113,269
ICI	**–**	–	–	**217,156**	310,287	185,239
HMCI	**–**	–	–	**194,305**	–	–
GTI	**–**	–	–	**98,915**	117,306	160,840
	$2,563,206	$5,151,316	$2,445,196	**$3,954,695**	$3,577,620	$3,649,002

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 with TLI).
iii. Water allocation charged by LAWC.
iv. Building rental, leased lines, internet connections and ATM connections with ICI.
v. Health services from HMCI.
vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.
vii. Billings for cellphone charges and WiFi connections with GTI.
viii. 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 $24.60 million and $4.57 million in 2023 and 2022, 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. The specific project for which the guarantee was issued never materialized and the guarantee has not taken into effect to date. C-Con ceased to be a related party after the divestment by AC Industrials on August 18, 2023.

Compensation of Key Management Personnel of the Group

Compensation of key management personnel by benefit type follows:

	2023	2022
Short-term employee benefits	**$6,091,130**	$6,450,787
Post-employment benefits	**867,215**	724,073
	$6,958,345	$7,174,860

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, 2023 and 2022:

	Carrying Amounts		Fair Values	
	2023	2022	**2023**	2022
Financial assets:				
Financial assets at FVOCI	**$2,364,096**	$1,829,432	**$2,364,096**	$1,829,432
Financial liabilities:				
Noncurrent portion of long-term debt	**$140,213,655**	$147,365,278	**$144,909,080**	$136,209,707
	$140,213,655	$147,365,278	**$144,909,080**	$136,209,707

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 2023 and 2022 ranged from 1.05% to 4.99% and from 1.83% to 4.30%, respectively.

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

	December 31, 2023			
	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	**$–**	**$2,364,096**	**$–**	**$2,364,096**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$144,909,080**	**$144,909,080**
	$–	**$–**	**$144,909,080**	**$144,909,080**

	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

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, 2023 and 2022. 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	**2023**	2022
+100	**($2,178,962)**	($2,143,904)
-100	**2,178,962**	2,143,904

The following table shows the information about the Group's debt as of December 31, 2023 and 2022 that are exposed to interest rate risk presented by maturity profile:

	2023	2022
Within one year	**$70,634,080**	$67,025,099
One to five years	**147,262,150**	147,365,278
	$217,896,230	$214,390,377

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:

	2023				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Accounts payable and accrued expenses:					
Trade payables	**$–**	**$197,238,858**	**$–**	**$–**	**$197,238,858**
Employee-related accruals and contributions	**–**	**22,098,824**	**–**	**–**	**22,098,824**
Accrued expenses*	**–**	**29,038,925**	**–**	**–**	**29,038,925**
Nontrade payables	**–**	**19,000,151**	**–**	**–**	**19,000,151**
Accrued interest payable	**–**	**1,731,352**	**–**	**–**	**1,731,352**
Due to related parties	**–**	**681,828**	**–**	**–**	**681,828**
Contract liabilities	**–**	**2,748,320**	**–**	**–**	**2,748,320**
Other current liabilities	**–**	**1,032**	**1,523,795**	**–**	**1,524,827**
Loans payable**	**–**	**182,615,096**	**28,956,207**	**–**	**211,571,303**
Current portion of lease liabilities			**8,482,824**		**8,482,824**
Current portion of long-term debt**	**–**	**3,197,375**	**8,714,478**	**–**	**11,911,853**
Noncurrent portion of lease liabilities	**–**	**–**	**–**	**11,614,353**	**11,614,353**
Noncurrent portion of long-term debt**	**–**	**–**	**–**	**148,349,969**	**148,349,969**
	$–	**$458,351,761**	**$47,677,304**	**$159,964,322**	**$665,993,387**

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

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

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

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, 2023 and 2022, as follows:

	2023		2022	
Financial Institution / Currency	**Credit Limit**	**Available Credit Line**	Credit Limit	Available Credit Line
Local:				
USD	**132,000,000**	**9,000,000**	132,000,000	9,300,000
PHP	**800,000,000**	**403,835,000**	300,000,000	300,000,000
Foreign:				
USD	**104,500,000**	**42,359,387**	99,000,000	71,600,000
JPY	**800,000,000**	**650,850,000**	800,000,000	518,830,000
Singapore Dollar (SGD)	**16,000,000**	**1,535,000**	21,000,000	16,742,770
EUR	**15,800,000**	**14,226,789**	8,657,435	5,666,843
GBP	-	-	5,000,000	2,159,680
CZK	-	-	50,000,000	–

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, 2023 and 2022 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 24% and 19% of trade receivables relating to three major customers as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the aging analysis of receivables, contract assets and miscellaneous deposits follows:

	2023						
			Days Past Due				
	Total	**Current**	**<30 Days**	**30-60 Days**	**60-90 Days**	**90-120 Days**	**>120 Days**
Receivables:							
Trade	**$260,623,416**	**$206,109,745**	**$29,531,821**	**$8,138,296**	**$4,955,965**	**$1,143,199**	**$10,744,390**
Nontrade	**16,590,926**	**15,437,369**	**725,781**	**79,284**	**156,299**	**129,190**	**63,003**
Receivable from employees	**223,780**	**208,595**	**15,185**	**–**	**–**	**–**	**–**
Due from related parties	**1,197,239**	**68,424**	**177,691**	**86,794**	**226,900**	**129,674**	**507,756**
Others	**6,058,958**	**6,058,958**	**–**	**–**	**–**	**–**	**–**
Contract assets	**52,900,849**	**52,900,849**	**–**	**–**	**–**	**–**	**–**
Miscellaneous deposits	**3,213,241**	**3,213,241**	**–**	**–**	**–**	**–**	**–**
	$340,808,409	**$283,997,181**	**$30,450,478**	**$8,304,374**	**$5,339,164**	**$1,402,063**	**$11,315,149**
Expected credit loss		**$–**	**$–**	**$–**	**$–**	**$–**	**$985,684**
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**9%**

	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%

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, 2023 and 2022 represents specifically identified impaired financial assets.

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2023 and 2022:

	December 31, 2023					
	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	**$103,008,016**	**$–**	**$–**	**$–**	**$–**	**$103,008,016**
Receivables:						
Trade	**84,225,866**	**89,921,945**	**11,753,994**	**20,207,940**	**54,513,671**	**260,623,416**
Nontrade	**2,988,940**	**12,308,549**	**15,442**	**124,438**	**1,153,557**	**16,590,926**
Receivable from employees	**–**	**223,780**	**–**	**–**	**–**	**223,780**
Due from related parties	**–**	**58,624**	**–**	**9,800**	**1,128,815**	**1,197,239**
Others	**–**	**6,058,958**	**–**	**–**	**–**	**6,058,958**
Financial assets at FVOCI	**2,364,096**	**–**	**–**	**–**	**–**	**2,364,096**
Miscellaneous deposits	**3,213,241**	**–**	**–**	**–**	**–**	**3,213,241**
	$195,800,159	**$108,571,856**	**$11,769,436**	**$20,342,178**	**$56,796,043**	**$393,279,672**

	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

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 2023 and 2022, 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 51% and 48% of the Group's sales for the years ended December 31, 2023 and 2022, respectively, and 53% and 53% of costs for the years ended December 31, 2023 and 2022, 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)

	2023		2022	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$1,947,777**	**RMB13,795,521**	$255,404	RMB1,778,784
Receivables	**9,389,369**	**66,502,083**	13,244,212	92,240,641
Accounts payable and accrued expenses	**(10,898,081)**	**(77,187,838)**	(14,606,522)	(101,728,582)
Net foreign currency-denominated assets (liabilities)	**$439,065**	**RMB3,109,766**	($1,106,906)	(RMB7,709,157)

Philippine Peso (₱)

	2023		2022	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$ 1,004,584**	**₱55,623,830**	$1,044,085	₱58,212,959
Receivables	**1,345,465**	**74,498,404**	1,249,406	69,660,655
Miscellaneous deposits	**655,805**	**36,311,942**	649,932	36,236,942
Accounts payable and accrued expenses	**(10,403,845)**	**(576,060,904)**	(10,348,754)	(576,994,759)
Net retirement liabilities	**(11,814,529)**	**(654,170,479)**	(4,313,259)	(240,485,773)
Net foreign currency-denominated liabilities	**($19,212,520)**	**(₱1,063,797,207)**	($11,718,590)	(₱653,369,976)

Euro (€)

	2023		2022	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$ 1,922,215**	**€1,737,674**	$3,081,643	€2,899,005
Receivables	**24,355,149**	**22,016,949**	15,552,641	14,630,894
Accounts payable and accrued expenses	**(33,141,647)**	**(29,959,905)**	(17,664,812)	(16,617,885)
Net foreign currency-denominated assets (liabilities)	**($6,864,283)**	**(€6,205,282)**	$969,472	€912,014

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, 2023 and 2022 follows:

	2023			
	In USD	**In EUR**	**In RMB**	**In GBP**
Cash and cash equivalents	**$41,539,707**	**€35,077,560**	**RMB19,384,715**	**£–**
Receivables	**11,770,652**	**3,012,624**	**59,764,440**	**–**
Accounts payable and accrued expenses	**(43,236,874)**	**(21,149,375)**	**(119,701,444)**	**(2,308,396)**
Net foreign currency-denominated assets (liabilities)	**$10,073,485**	**€16,940,809**	**(RMB40,552,289)**	**(£2,308,396)**

**The USD-denominated monetary assets and liabilities are translated using EUR0.9040 for $1, RMB7.0827 for $1 and GBP0.7849 for $1.*

	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.*

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, 2023 and 2022. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

There is no other impact on the Group's equity other than those already affecting income. The increase in USD rate as against other currencies demonstrates weaker functional currency while the decrease represents stronger USD value.

Currency	Increase/Decrease in USD Rate	**Effect on Net Income before Tax** **2023**	2022
RMB	+1%	**($5,351)**	$10,595
	-1%	**5,351**	(10,595)
PHP	+1%	**123,838**	110,305
	-1%	**(123,838)**	(110,305)
EUR	+1%	**99,421**	6,365
	-1%	**(99,421)**	(6,365)
USD*	+1%	**184,350**	98,736
	-1%	**(190,285)**	(98,391)

**The USD-denominated monetary assets and liabilities are translated using EUR0.9040 for $1 and RMB7.0827 for $1.*

34. Contingencies

As of December 31, 2023, 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.

35. Events After the Balance Sheet Date

VIA optronics AG files Annual Report 2022 or Form 20-F

VIA optronics AG ("VIA"), a leading supplier of interactive display solutions, announced on April 26, 2024 that it has filed its Annual Report on Form 20-F for the year ended December 31, 2022 (the "Annual Report") with the U.S. Securities and Exchange Commission ("SEC").

The changes in the final audited financial statements of VIA have no material impact on the IMI's audited consolidated financial statements filed with Philippine Stock Exchange and Securities and Exchange Commission for the years 2022, 2021 and 2020.

Conclusion and Findings of Internal Review

An internal review was conducted by BDO AG Wirtschaftsprüfungsgesellschaft ("BDO") and DLA Piper UK LLP ("DLA Piper" and, together with BDO, the "Advisors"), who were appointed by VIA's Supervisory Board to investigate the potential incidents and to review compliance with VIA's policies and business guidelines during the period from January 1, 2017 to December 31, 2022 (the "Investigation Period").

The Advisors' preliminary findings indicated deviations from the Company's compliance procedures during the Investigation Period primarily involving VIA's former Chief Executive Officer, Jürgen Eichner (Mr. Eichner).

In February 2024, the Advisors furnished a final report to the VIA Supervisory Board which identified failures by Mr. Eichner and one other employee to comply with company policies and business guidelines. In particular, the Advisors identified discrepancies that occurred during the Investigation Period in areas including expense recording and reimbursement, company credit card usage for personal transactions, the receipt of annual bonus payments in contravention of Mr. Eichner's service agreement, unearned compensation for vacation days, inadequate documentation of vehicle usage, and other unapproved payments made to Mr. Eichner.

The Advisors believe that certain of these incidents may constitute fraud and/or embezzlement, and under German law, VIA is required to initiate legal claims for the reimbursement of any such improperly transferred sums. While the total value of the impermissible transactions and any consequential damages relating thereto remains under consideration, currently the Advisors have identified improper payments amounting to a minimum of between €300,000 to €500,000 that they believe could be subject to reimbursement, plus consequential damages. The amount is not material to the consolidated financial statement of the Group.

Based on these findings, the VIA Supervisory Board determined that the actions taken by Mr. Eichner in connection with his service as VIA's former CEO were material violations of his fiduciary duties and led to a loss of trust. Accordingly, on February 23, 2024, the Supervisory Board terminated the service agreement between Mr. Eichner and VIA for "cause" and revoked the appointment of Mr. Eichner as a member of VIA's Management Board, effective immediately.

VIA Voluntary Delisting and Deregistration of its American Depositary Shares

VIA announced on April 9, 2024 its intention to voluntarily delist its American Depository Shares ("ADSs") from the New York Stock Exchange ("NYSE"), terminate its registration with the U.S. Securities and Exchange Commission ("US SEC"), and terminate its ADS program.

VIA notified the NYSE on April 9, 2024 of its intent to voluntarily delist its ADSs from the NYSE, pursuant to a resolution adopted by its Supervisory Board. VIA has also notified The Bank of New York Mellon (which acts as depositary under the ADS program) of the termination of the ADS program.

Subsequently, VIA filed Form 15 or Certification and Notice of Termination of Registration under Section 12(g) of the Securities Change Act of 1934 on April 29, 2024. As of reporting date, no change in the status of VIA's voluntary delisting and deregistration.

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