SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended**: March 31, 2021**

2. Commission Identification No.: **94419**

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

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

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

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

8. Issuer's telephone number, including area code: **(632) 756-6840**

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

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

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

* Net of 15,892,224 treasury shares;

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

2,217,293,215 common shares are listed with the Philippine Stock Exchange, including 15,892,224 treasury shares as of March 31, 2021.

12. Indicate by check mark whether the registrant:

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

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2021
(With Comparative Audited Figures as of December 31, 2020)
(In thousands)

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$242,268**	$244,355
Receivables – net (Note 5)	**277,036**	275,622
Contract assets (Note 6)	**54,951**	54,525
Inventories (Note 7)	**164,578**	142,316
Other current assets (Note 8)	**17,985**	17,356
Total Current Assets	**756,818**	734,174
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**172,489**	177,951
Goodwill (Note 18)	**146,364**	147,245
Intangible assets - net (Note 10)	**14,916**	17,146
Right-of-use assets (Note 19)	**31,794**	32,661
Deferred tax assets	**2,832**	3,492
Financial assets at FVOCI	**1,215**	1,124
Other noncurrent assets (Note 11)	**19,398**	19,882
Total Noncurrent Assets	**389,008**	399,501
	$1,145,826	$1,133,675

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**$279,139**	$253,825
Contract liabilities (Note 6)	**3,139**	1,515
Loans payable (Note 13)	**207,205**	206,490
Other financial liabilities (Note 15)	**2,004**	1,681
Current portion of long-term debt (Note 14)	**2,019**	2,109
Current portion of lease liabilities (Note 19)	**7,253**	7,785
Income tax payable	**2,821**	3,351
Total Current Liabilities	**503,580**	476,756
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 14)	**31,566**	32,211
Lease liabilities (Note 19)	**27,701**	27,628
Net retirement liabilities	**8,902**	9,356
Deferred tax liabilities	**1,464**	1,598
Other noncurrent liabilities	**4,341**	5,263
Total Noncurrent Liabilities	**73,974**	76,056
Total Liabilities	**577,554**	552,812

(Forward)

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
EQUITY (Note 16)		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**$42,702**	$42,675
Subscribed capital stock	**714**	745
Additional paid-in capital	**193,835**	193,870
Subscriptions receivable	**(2,854)**	(2,889)
Unappropriated retained earnings	**216,467**	215,794
Treasury stock	**(1,013)**	(1,013)
Other components of equity	**(772)**	(875)
Cumulative translation adjustment	**(3,757)**	9,138
Remeasurement losses on defined benefit plans	**(9,750)**	(9,750)
	435,572	447,695
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**132,700**	133,168
Total Equity	**568,272**	580,863
	$1,145,826	$1,133,675

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(In thousands, except Earnings per Share)

	Unaudited 2021 Jan to Mar	Unaudited 2020 Jan to Mar
REVENUES FROM CONTRACTS WITH CUSTOMERS (Note 18)	**$327,544**	$255,815
COST OF SALES	**298,638**	236,349
GROSS PROFIT	**28,906**	19,466
OPERATING EXPENSES	**(25,406)**	(22,048)
OTHERS - Net		
Interest and bank charges	**(2,324)**	(2,625)
Foreign exchange gains (losses)	**1,243**	(533)
Interest income	**38**	105
Miscellaneous income (expense) - net	**(297)**	596
INCOME (LOSS) BEFORE INCOME TAX	**2,160**	(5,039)
PROVISION FOR INCOME TAX	**(1,179)**	(529)
NET INCOME (LOSS)	**$981**	($5,568)
Net Income (Loss) Attributable to:		
Equity holders of the Parent Company	**$2,193**	($4,617)
Non-controlling interests	**(1,212)**	(951)
	$981	($5,568)
Earnings (Loss) Per Share:		
Basic and diluted (Note 17)	**($0.0010)**	($0.0021)

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(In thousands)

	Unaudited 2021 Jan to Mar	Unaudited 2020 Jan to Mar
NET INCOME (LOSS) FOR THE PERIOD	**$981**	($5,568)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising from translation of foreign operations	**(12,151)**	(12,260)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:		
Fair value changes on financial assets at FVOCI – net of tax	**103**	21
	(12,048)	(12,239)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**($11,067)**	($17,807)
Total Comprehensive Loss Attributable to:		
Equity holders of the Parent Company	**($10,599)**	($16,856)
Non-controlling interests	**(468)**	(951)
	($11,067)	($17,807)

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(In thousands)

	Attributable to Equity Holders of the Parent Company											
							Other Comprehensive Income (Loss)					
.	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Components of Equity	Cumulative Translation Adjustment (Note 16)	Remeasurement losses on defined benefit plans	Attributable to Equity Holders of the Parent Company	Attributable to Non-controlling Interests (Note 16)	Total
Balances at January 1, 2021	$42,675	$745	$193,870	($2,889)	$215,794	($1,013)	($875)	$9,138	($9,750)	$447,695	$133,168	$580,863
Issued shares during the year	27	(27)	–	–	–	–	–	–	–	–	–	–
Refund on subscriptions	–	–	–	(4)	–	–	–	–	–	(4)	–	(4)
Forfeitures during the year	–	(4)	(35)	39	–	–	–	–	–	–	–	–
Cash dividends (Note 16)	–	–	–	–	(1,520)	–	–	–	–	(1,520)	–	(1,520)
	42,702	714	193,835	(2,854)	214,274	(1,013)	(875)	9,138	(9,750)	446,171	133,168	579,339
Net income (loss)	–	–	–	–	2,193	–	–	–	–	2,193	(1,212)	981
Other comprehensive income (loss)	–	–	–	–	–	–	103	(12,895)	–	(12,792)	744	(12,048)
Total comprehensive income (loss)	–	–	–	–	2,193	–	103	(12,895)	–	(10,599)	(468)	(11,067)
Balances at March 31, 2021	**$42,702**	**$714**	**$193,835**	**($2,854)**	**$216,467**	**($1,013)**	**($772)**	**($3,757)**	**($9,750)**	**$435,572**	**$132,700**	**$568,272**

	Attributable to Equity Holders of the Parent Company											
							Other Comprehensive Income (Loss)					
.	Capital Stock - Common	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings	Treasury Stock	Other Components of Equity	Cumulative Translation Adjustment	Remeasurement losses on defined benefit plans	Attributable to Equity Holders of the Parent Company	Attributable to Non-controlling Interests (Note 16)	Total
Balances at January 1, 2020	$42,674	$753	$146,208	($2,955)	$225,753	($1,013)	($736)	($17,683)	($10,451)	$382,550	$101,229	$483,779
Cash dividends (Note 16)	–	–	–	–	(3,471)	–	–	–	–	(3,471)	–	(3,471)
	42,675	745	193,870	(2,889)	222,282	(1,013)	(736)	(17,683)	(10,451)	379,079	101,229	480,308
Net loss	–	–	–	–	(4,617)	–	–	–	–	(4,617)	(951)	(5,568)
Other comprehensive income (loss)	–	–	–	–	–	–	21	(12,260)	–	(12,239)	–	(12,239)
Total comprehensive income (loss)	–	–	–	–	(4,617)	–	21	(12,260)	–	(16,856)	(951)	(17,807)
Balances at March 31, 2020	**$42,675**	**$745**	**$193,870**	**($2,889)**	**$217,665**	**($1,013)**	**($715)**	**($29,943)**	**($10,451)**	**$362,223**	**$100,278**	**$462,501**

.	Attributable to Equity Holders of the Parent Company											
							Other Comprehensive Income (Loss)					
	Capital Stock - Common	**Subscribed Capital Stock**	**Additional Paid-in Capital**	**Subscriptions Receivable**	**Retained Earnings**	**Treasury Stock**	**Other Components of Equity**	**Cumulative Translation Adjustment**	**Remeasurement losses on defined benefit plans**	**Attributable to Equity Holders of the Parent Company**	**Attributable to Non-controlling Interests** (Note 16)	**Total**
Balances at January 1, 2020	**$42,674**	**$753**	**$146,208**	**($2,955)**	**$225,753**	**($1,013)**	**($736)**	**($17,683)**	**($10,451)**	**$382,550**	**$101,229**	**$483,779**
Issued shares during the year	**1**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Redemption of preferred shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,000)**	**(30,000)**
Refund on subscriptions	**–**	**–**	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Forfeitures during the year	**–**	**(7)**	**(65)**	**72**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dilution of ownership interest in a subsidiary	**–**	**–**	**32,398**	**–**	**–**	**–**	**–**	**–**	**–**	**32,398**	**62,526**	**94,924**
Derecognition of put option financial liability	**–**	**–**	**15,329**	**–**	**–**	**–**	**–**	**–**	**–**	**15,329**	**–**	**15,329**
Cash dividends	**–**	**–**	**–**	**–**	**(6,504)**	**–**	**–**	**–**	**–**	**(6,504)**	**–**	**(6,504)**
	42,675	**745**	**193,870**	**(2,889)**	**219,249**	**(1,013)**	**(736)**	**(17,683)**	**(10,451)**	**423,767**	**133,755**	**557,523**
Net loss	**–**	**–**	**–**	**–**	**(3,455)**	**–**	**–**	**–**	**–**	**(3,455)**	**(2,918)**	**(6,373)**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**(139)**	**26,821**	**701**	**27,383**	**2,331**	**29,714**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**(3,455)**	**–**	**(139)**	**26,821**	**701**	**23,928**	**(587)**	**23,341**
Balances at December 31, 2020	**$42,675**	**$745**	**$193,870**	**($2,889)**	**$215,794**	**($1,013)**	**($875)**	**$9,138**	**($9,750)**	**$447,695**	**$133,168**	**$580,863**

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**$2,160**	($5,039)
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	**9,983**	10,243
Interest expense	**2,185**	2,642
Amortization of right-of-use assets (Note 19)	**2,701**	2,307
Amortization of intangible assets (Note 10)	**1,846**	1,908
Mark-to-market losses on put options (Note 15)	**385**	52
Mark-to-market gain on derivatives	**(125)**	–
Unrealized foreign exchange losses (gains)	**(1,749)**	151
Gains on sale of property, plant and equipment (Note 9)	**(81)**	(105)
Interest income	**(38)**	(378)
Operating income before working capital changes	**17,267**	11,781
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(3,783)**	57,263
Contract asset	**(426)**	1,493
Inventories	**(23,358)**	(8,612)
Other current assets	**(630)**	(2,056)
Increase (decrease) in:		
Accounts payable and accrued expenses	**20,356**	(31,516)
Contract liabilities	**1,623**	(2,333)
Retirement liabilities	**(454)**	(567)
Net cash provided by operations	**10,595**	25,453
Income tax paid	**(1,852)**	(508)
Interest paid	**(2,174)**	(3,729)
Interest received	**38**	104
Net cash provided by operating activities	**6,607**	21,320
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Property, plant and equipment (Note 9)	**(8,975)**	(4,458)
Intangible assets (Note 10)	**(25)**	(49)
Proceeds from sale of property, plant and equipment	**1,300**	741
Decrease (increase) in other noncurrent assets	**484**	1,200
Net cash used in investing activities	**(7,216)**	(2,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	**(4,239)**	(86,532)
Availment of loans	**5,316**	71,510
Payments of lease liabilities	**(3,082)**	(3,049)
Settlement of derivatives	–	14
Dividends paid to preference shareholders of a subsidiary (Note 16)	**(1,520)**	–
Refund on subscriptions	**(3)**	–
Decrease in other noncurrent liabilities	**(923)**	(553)
Net cash used in financing activities	**(4,451)**	(18,610)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**2,972**	(185)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,088)**	(41)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**244,356**	152,660
CASH AND CASH EQUIVALENTS AT MARCH 31	**$242,268**	$152,619

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. Corporate Information and Basis of Financial Statement Preparation

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

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

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

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

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on April 29, 2021.

2. Group Information

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

Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation	Functional Currency
IMI International (Singapore) Pte. Ltd.	**100.00%**	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ	**100.00%**	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	**100.00%**	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	**100.00%**	100.00%	China	Renminbi (RMB)
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ)	**100.00%**	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd. [a]	**100.00%**	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK)	**100.00%**	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	**100.00%**	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH)	**100.00%**	100.00%	Philippines	USD

(Forward)

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

[a] *New subsidiary under IMI SZ incorporated in 2019 as a spin-off of the Kuichong operations*
[b] *New entities of VIA in 2019*
[c] *IMI's ownership in VIA was diluted to 50.32% as a result of the initial public offering of VIA in the New York Stock Exchange (NYSE)*
[d] *In the process of liquidation*

3. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets and liabilities at fair value through profit or loss (FVPL) and financial assets through other comprehensive income (FVOCI). The unaudited interim condensed consolidated financial statements are presented in United States (U.S.) Dollar ($), and all values are rounded to the nearest thousands except when otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements as of and for the three months periods ended March 31, 2021 and 2020 have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 (Amended), *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The preparation of the financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2020.

Basis of Consolidation

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRSs 2018-2020 Cycle

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

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

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

The core of PFRS 17 is the general model, supplemented by:

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

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

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

Deferred effectivity

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Cash on hand	**$81**	$70
Cash in banks	**242,187**	244,285
	$242,268	$244,355

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to ten months and earn interest at the respective short-term investment rates.

Net proceeds from VIA's IPO in 2020 amounted to $87.19 million, net of underwriting discounts and commissions, but before expenses. In addition, proceeds from separate concurrent private placement by Corning Research and Development Corporation on VIA shares amounted to $20 million ($19.6 million net of commissions) (see Note 19).

5. **Receivables - net**

This account consists of:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Trade	**$273,980**	$273,279
Nontrade	**3,074**	2,825
Receivable from insurance	**1,085**	1,096
Receivable from employees	**362**	329
Due from related parties (Note 20)	**645**	299
Others	**557**	541
	279,703	278,369
Less allowance for ECLs	**2,667**	2,747
	$277,036	$275,622

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

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

Receivable from insurance
Claims to damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.09 million and which was fully impaired as of March 31, 2021 and December 31, 2020.

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

Allowance for ECLs
Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of $2.67 million and $2.75 million as of March 31, 2021 and December 31, 2020, respectively, were individually assessed to be impaired and fully provided with allowance for ECL.

Reversals for ECL recognized for the three-month period ended March 31, 2021 and 2020 amounted to ($0.04) million and ($0.01) million, respectively. Reversals during the period form part of "Operating Expenses" account.

6. **Contract Balances**

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Contract assets	**$54,951**	$54,525
Contract liabilities	**3,139**	1,515

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 periods ended March 31, 2021 and 2020, 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 increase in advance payments received from new and existing customers during the quarter.

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

7. Inventories

Increase in inventories mainly due to normalization of operations.

Provisions for inventory obsolescence and allowance for decline in inventories, recognized for the three-month period ended March 31, 2021 and 2020 amounted to $0.02 million and $0.32 million, respectively.

8. Other Current Assets

This account consists of:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Prepayments and deferred charges	**$5,902**	$5,807
Advances to suppliers	**5,460**	5,438
Input taxes	**3,675**	3,710
Tax credits	**2,435**	2,008
Derivative assets	**36**	–
Others	**477**	393
	$17,985	$17,356

Prepayments and Deferred Charges
Prepayments include prepayments for rent, life and fire insurance and prepaid insurance for product liability and recall which covers product recall expenses and potential liability to third parties seeking damage if the Group recalls any of its products.

Advances to suppliers
Advances to suppliers represent advance payments made to suppliers for direct materials.

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

9. **Property, Plant and Equipment - net**

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Property, Plant and Equipment	**$373,729**	$373,452
Less: Accumulated Depreciation	**196,887**	191,148
Accumulated Impairment losses	**4,353**	4,353
Property, Plant and Equipment (Net)	**$172,489**	$177,951

Additions to property, plant and equipment for the three-month period ended March 31, 2021 amounted to $8.97 million comprise mainly of purchases of machinery and equipment for new programs and constructions-in-progress for capacity expansion.

Depreciation expense amounted to $9.98 million and $10.24 million for the three-month period ended March 31, 2021 and 2020, respectively.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the three-month period ended March 31, 2021 and 2020 amounting to $0.08 million and $0.11 million, respectively.

10. **Intangible Assets - net**

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Intangible Assets	**$72,178**	$72,899
Less: Accumulated Amortization	**52,043**	50,534
Accumulated Impairment losses	**5,219**	5,219
Intangible Assets (Net)	**$14,916**	$17,146

Intangible assets consist of product development costs, intellectual properties, customer relationships, and software licenses.

Product development costs with a net book value of $5.86 million and $6.56 million as of March 31, 2021 and December 31, 2020, respectively, include capitalized costs arising from the development phase of certain projects which are still undergoing qualification. No additional costs were capitalized during the three-month period ended March 31, 2021.

The Group’s intellectual properties relate to the acquisition of VIA and VTS. Net book value as of March 31, 2021 and December 31, 2020 amounted to $4.97 million and $5.86 million, respectively.

In 2018, the acquisition of VTS gave rise to identification and valuation of customer relationships that were not recognized as internally-developed intangible assets. The net book value of the customer relationships amounted to $0.43 million and $0.76 million as of March 31, 2021 and December 31, 2020, respectively.

Software licenses which include computer software, applications and modules has net book value of $3.65 million and $3.96 million as of March 31, 2021 and December 31, 2020, respectively. Additional licenses acquired for the year amounted to $0.03 million.

Amortization for all intangibles amounted to $1.85 million and $1.91 million for the three-month period ended March 31, 2021 and 2020, respectively. No impairment loss were recognized for these intangible assets.

11. **Other Noncurrent Assets**

This account consists of:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Deferred charges	**$17,729**	$18,204
Miscellaneous deposits	**1,545**	1,547
Others	**124**	131
	$19,398	$19,882

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

Miscellaneous deposits comprise utilities and rent deposits.

12. **Accounts Payable and Accrued Expenses**

This account consists of:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Trade payables	**$194,162**	$176,556
Accrued expenses	**34,774**	33,117
Employee-related accruals	**27,603**	22,994
Nontrade payables	**15,465**	15,625
Taxes and government-related payable	**3,916**	3,101
Advances from customers	**2,302**	1,289
Accrued interest payable	**492**	822
Customers' deposits	**347**	231
Due to related parties (Note 20)	**28**	27
Others	**50**	63
	$279,139	$253,825

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

Advances from Customers
Advances from customers include financial liabilities pertaining to commercial agreements with certain customers of VIA.

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

Others
This account consists of unreleased checks and consignment payables of the Parent Company for the materials received from its customers.

13. Loans Payable

This account consists of borrowings of the following entities:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Parent Company	**$143,000**	$143,000
STEL	**35,500**	35,500
VIA and STI	**28,705**	27,111
CZ	**–**	879
	$207,205	$206,490

Parent Company
As of March 31, 2021 and December 31, 2020, the Parent Company has unsecured short-term loans aggregating to $143.00 million with maturities ranging from 30 to 94 days, and annual interest rates ranging from 1.44% to 3.05% in 2021 and 1.42% to 2.94% in 2020.

STEL
The loans of STEL are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate ranging from 3.00% to 3.17% in 2021 and 2.93% to 4.46% in 2020.

VIA and STI
The loans of VIA and STI were obtained from China, Germany and UK-based banks with terms ranging from 90 to 365 days and interest rates ranging from 1.16% to 4.0% in 2021 and 2020.

CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR plus 0.9%.

14. **Long-Term Debt**

This account consists of borrowings of the following entities:

	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Parent Company	**$29,495**	$29,796
VTS and IMI CZ	**4,090**	4,524
	33,585	34,320
Less current portion:		
Parent Company	**–**	–
VTS and IMI CZ	**2,019**	2,109
	2,019	2,109
Noncurrent portion	**$31,566**	$32,211

Parent Company
The long-term debt of the Parent Company aggregating to $30 million ($29.50 million if net of discount) and $30 million ($29.80 million if net of discount) as of March 31, 2021 and December 31, 2020, respectively, were obtained from Singapore-based and Philippine banks with terms of three to five years, subject to fixed annual interest rate of 3.798%.

Loan covenants related to the Parent Company's loans as of March 31, 2021 are as follows:

- The ratio of net debt to equity shall not exceed 1.75:1 with reference to the borrower's consolidated financial statements;
- Maintenance of debt service coverage ratio of at least 1.25:1 on the consolidated financial statements;
- Maintenance at all times of a current ratio of at least 1:1 on the parent financial statements;

As of March 31, 2021 and December 31, 2020, the Parent Company has complied with all of the above-mentioned loan covenants.

VTS and IMI CZ
VTS and IMI CZ have unsecured long-term loans with Japanese and Czech-based banks that are payable in regular monthly installments both with terms of five years. The VTS loan has interest rate ranging 1.67% while the CZ loan bears interest based on 1-month EURIBOR plus 0.9% but is not to exceed 15% per annum.

15. **Other Financial Liabilities**

The account consists of financial liabilities arising from the acquisition of STI as follows:

	Mar 31, 2020 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Put options over non-controlling interests	**$2,004**	$1,593
Derivative liabilities	–	88
	$2,004	$1,681

Put options over non-controlling interests
The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all non-controlling interests held upon the happening of certain trigger events as specified in the shareholders agreement.

Mark-to-market gains (loss) on put options included under “Miscellaneous income (expense) – net” account for the three-month period ended March 31, 2021 and 2020 amounted to ($0.39) million loss and $0.05 million, respectively.

16. **Equity**

Dividends

2021

IMI Singapore paid dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) on the anniversary dates amounting to $1.52 million in March 2021.

2020

IMI Singapore paid dividends on the redeemable cumulative preferred stocks (RCPS) to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) on the anniversary dates amounting to $3.47 million and $2.02 million in March 2020 and October 2020, respectively. In November 2020, dividends were paid to the redeemed portion of the RCPS that have accrued as of redemption date amounting to $1.01 million. No dividend payment was declared to common shareholders.

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 March 31, 2021 arose mainly from depreciation of the Euro against the USD.

Non-controlling interest

Issuance of capital stock - preferred by IMI Singapore

In 2019, IMI Singapore, a wholly-owned subsidiary of the Parent Company, issued RCPS, which were subscribed by AC Industrials (Singapore) Pte, Ltd., an entity under common control of AC Industrials. The preferred shares have certain features, rights and privileges, which include redemption at the option of the issuer and cumulative, non-participating dividend rights at rates to be determined by the Board of Directors. There is no conversion option to the shareholders to convert the RCPS into ordinary shares of IMI Singapore and the shareholders have no voting rights unless the resolution in question varies the rights attached to the RCPS or is for the winding-up of the IMI Singapore. Total shares issued aggregated to $100 million, $60 million of which was allotted and issued in July 2019 and $40 million in November 2019.

In November 2020, the Board approved the partial redemption of the RCPS amounting to $30.0 million and paid the dividends that have accrued as of redemption date amounting to $1.01 million. Outstanding balance of the RCPS as of December 31, 2020 amounted to $70.0 million.

Capital Management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

No changes were made in the objectives, policies and processes during the period ended March 31, 2021 and December 31, 2020.

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 trust receipts and loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	Mar 31, 2020 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
Trust receipts and loans payable	**$207,205**	$206,490
Long-term bank borrowings	**33,585**	34,320
Total bank debt	**240,790**	240,810
Less cash and cash equivalents	**242,268**	244,355
Net cash	**($1,478)**	($3,545)
Total Equity	**568,272**	580.863
Debt-to-equity ratio	**0.42:1**	0.41:1
Net cash-to-equity ratio	**(0.01):1**	(0.01):1

The Group is not subject to externally imposed capital requirements.

17. **Earnings per Share**

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

	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)
	(In thousands)	
Net income (loss)	**$2,193**	**($4,617)**
Weighted average number of common shares outstanding	**2,208,176**	**2,208,690**
Basic and diluted	**$0.0010**	**($0.0021)**

As of March 31, 2021 and 2020, the Parent Company has no dilutive potential common shares.

18. **Segment Information**

Management monitors operating results per geographical area for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue, interest income and expense and net income before and after tax of its major manufacturing sites. The Parent Company and PSi are combined under Philippine segment, STEL Group is categorized under China segment, IMI BG, IMI CZ and IMI Serbia are combined under Europe based on the industry segment and customers served, IMI Mexico is presented under Mexico segment, VIA and STI are combined under Germany/UK segment representing non-wholly owned subsidiaries, IMI USA, IMI Japan, IMI UK and IMI Singapore/ROHQ are combined being the holding and support facilities for strategic management, research and development, engineering development and sales and marketing.

Prior period information is consistent with the current year basis of segmentation.

The Parent Company and its subsidiaries generally account for inter-segment revenue and transfers as if the revenue and transfers were to third parties at current market prices. These transactions are accounted for in accordance with PFRS.

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's parent or main business location for the three-month period ended March 31, 2021 and 2020:

	Philippines							Consolidation	
March 31, 2021 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	$51,866	$4,153	$57,869	$86,892	$37,064	$73,034	$16,666	$–	$327,544
Intersegment	17,343	–	9,242	1,601	215	–	1,624	(30,025)	–
Total revenue	$69,209	$4,153	$67,111	$88,493	$37,279	$73,034	$18,290	($30,025)	$327,544
Segment interest income	$233	$1	$273	$136	$–	$1	$1,338	($1,944)	$38
Segment interest expense and bank charges	($1,241)	($181)	($662)	($273)	($512)	($831)	($243)	$1,618	($2,325)
Segment profit (loss) before income tax	($2,319)	($330)	$1,552	$6,713	$997	($3,371)	$557	($1,639)	$2,160
Segment provision for income tax	(337)	(24)	(319)	(603)	19	55	(4)	34	(1,179)
Segment profit (loss) after income tax	($2,656)	($354)	$1,233	$6,110	$1,016	($3,316)	$553	($1,605)	$981
Net income (loss) attributable to the equity holders of the Parent Company	($2,656)	($354)	$1,233	$6,110	$1,016	($2,255)	$553	($1,454)	$2,193

	Philippines							Consolidation	
March 31, 2020 (Unaudited)	**Parent Company**	**PSi**	**China**	**Europe**	**Mexico**	**Germany/UK**	**Singapore/ USA/Japan**	**and Eliminations**	**Total**
Revenue:									
Third party	$46,242	$3,450	$45,605	$75,975	$33,117	$47,085	$4,341	$–	$255,815
Intersegment	6,052	–	3,629	531	19	–	1,783	(12,014)	–
Total revenue	$52,294	$3,450	$49,234	$76,506	$33,136	$47,085	$6,124	($12,014)	$255,815
Segment interest income	$354	$1	$336	$110	$–	$–	$1,478	($2,174)	$105
Segment interest expense and bank charges	($1,650)	($201)	($746)	($332)	($748)	($734)	($54)	$1,840	($2,625)
Segment profit (loss) before income tax	($389)	($579)	($760)	$4,203	($2,992)	($4,054)	$5,672	($6,140)	($5,039)
Segment provision for income tax	(301)	(63)	(4)	(431)	–	446	(127)	(49)	(529)
Segment profit (loss) after income tax	($690)	($642)	($764)	$3,772	($2,992)	($3,608)	$5,545	($6,189)	($5,568)
Net income (loss) attributable to the equity holders of the Parent Company	($690)	($642)	($764)	$3,772	($2,992)	($2,730)	$5,545	($6,116)	($4,617)

Intersegment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The following table presents segment assets of the Group’s geographical segments as of March 31, 2021 and December 31, 2020:

	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan/ Singapore	Consoli-dation and Eliminations	Total
	Parent Company	PSi							
March 31, 2021 (Unaudited)	**$474,255**	**$11,139**	**$241,472**	**$305,317**	**$92,210**	**$315,777**	**$415,273**	**($709,617)**	**$1,145,826**
December 31, 2020 (Audited)	$467,735	$10,371	$238,505	$304,255	$91,016	$315,907	$415,927	($710,041)	$1,133,675

Investments in subsidiaries and intersegment receivables amounting to $422.90 million and $320.10 million as of March 31, 2021, respectively, and $392.90 million and $350.52 million as of December 31, 2020, respectively are eliminated in consolidation.

Goodwill acquired through business combinations recognized at consolidated level had been allocated to the following CGUs:

	Mar 31, 2020 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
STI	**$59,762**	$58,638
VIA	**46,746**	48,728
STEL	**38,225**	38,225
Parent Company	**1,098**	1,098
IMI CZ	**533**	556
	$146,364	$147,245

Revenue from Contracts with Customers

Revenues from contracts with customers are further disaggregated by type, customer’s nationality, market segment and timing of revenue recognition, as management believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table presents revenue by type:

	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)
	(In thousands)	
Manufacturing of goods	**$327,091**	$253,330
Non-recurring engineering services	**453**	2,485
Revenue from contracts with customers	**$327,544**	$255,815

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

	March 31, 2021 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	**$51,866**	**$–**	**$51,866**
PSi	**4,153**	**–**	**4,153**
China	**57,869**	**–**	**57,869**
Europe	**86,804**	**88**	**86,892**
Mexico	**36,699**	**365**	**37,064**

(Forward)

	March 31, 2021 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
Germany/UK	**22,666**	**50,368**	**73,034**
USA/Japan/Singapore	**–**	**16,666**	**16,666**
Revenue from contracts with customers	**$260,057**	**$67,487**	**$327,544**

	March 31, 2020 (Unaudited)		
	Revenue recognized over time	Revenue recognized at point in time	Total
		(In thousands)	
Philippines			
Parent Company	$46,242	$–	$46,242
PSi	3,450	–	3,450
China	43,249	2,356	45,605
Europe	75,952	23	75,975
Mexico	31,043	2,074	33,117
Germany/UK	17,781	29,304	47,085
USA/Japan/Singapore	–	4,341	4,341
Revenue from contracts with customers	$217,717	$38,098	$255,815

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

	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)
	(In thousands)	
Europe	**$135,655**	$117,801
America	**31,566**	21,761
Japan	**14,990**	12,920
Asia/Others	**145,333**	103,333
	$327,544	$255,815

Revenues are attributed to countries on the basis of the customer's location. Certain customers that are independent of each other but within the same group account for 9% and 8% of the Group's total revenue for the three-month period ended March 31, 2021 and 2020, respectively.

The following table presents revenues per market segment:

	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)
	(In thousands)	
Automotive	**$172,349**	$144,207
Industrial	**95,959**	57,571
Consumer	**18,221**	12,642
Telecom	**11,022**	15,130
Aerospace	**16,226**	10,844
Medical	**8,721**	7,798
Multiple markets / Others	**5,046**	7,623
	$327,544	$255,815

19. **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:

	Mar 31, 2020 (Unaudited)	**Dec 31, 2020 (Audited)**
	(In thousands)	
At beginning of period	**$32,661**	$32,028
Additions	**2,676**	8,451
Amortization expense	**(2,701)**	(9,818)
Cumulative translation adjustment	**(842)**	2,000
As end of period	**$31,794**	$32,661

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

	Mar 31, 2020 (Unaudited)	Dec 31, 2020 (Audited)
	(In thousands)	
At beginning of period	**$35,413**	$33,798
Additions	**2,668**	10,051
Interest expense on lease liabilities	**341**	1,644
Rental payments	**(3,082)**	(10,799)
Waived rentals	**–**	(423)
Cumulative translation adjustment	**(386)**	1,142
At end of period	**$34,954**	$35,413
Current	**$7,253**	$7,785
Noncurrent	**$27,701**	$27,628

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

	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)
	(In thousands)	
Amortization expense of right-of-use assets	$2,701	$2,307
Interest expense on lease liabilities	341	463
Expense related to short-term leases and low-value assets (included in cost of sales)	1,160	379
Expense (reversal) related to short-term leases and low-value assets (included in operating expenses)	(228)	(41)
	$3,974	$3,108

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.

20. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with subsidiaries, affiliate, and other related parties principally consisting of advances, loans and reimbursement of expenses. Sales and purchases of goods and services as well as other income and expenses to and from related parties are made at normal commercial prices and terms.

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

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the three months period ended March 31, 2021 and 2020, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transactions with BPI, an affiliate
As of March 31, 2021 and December 31, 2020, the Group maintains current and savings accounts with BPI amounting to \$1.23 million and \$0.72 million, respectively.

Total interest income earned from investments with BPI amounted to \$0.3K and \$2.2K for the three-month period ended March 31, 2021 and 2020, respectively.

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

	Receivables/Deposits		Payables	
	Mar 31, 2021 (Unaudited)	Dec 31, 2020 (Audited)	**Mar 31, 2021 (Unaudited)**	Dec 31, 2020 (Audited)
	(In thousands)			
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	**\$368**	\$100	**\$–**	\$–
KTM Asia Motorcycle Manufacturing Inc. (KAMMI)	**262**	184	**–**	–
AC Industrials Technology Inc. (AC Industrials)	**15**	15	**–**	–
BPI	**–**	–	**21**	21
Innove Communication Inc. (ICI)	**–**	–	**7**	6
	\$645	\$299	**\$ 28**	\$27

i. Transaction with MSTPI and KAMMI pertains to trade related receivables.

ii. Transaction with AC Industrials pertains to management fee on corporate and support services.

iii. Payables to BPI pertains to employee related transactions.

iv. Payables to ICI pertain to billings for software and WiFi connections. These are due and demandable.

c. Revenue/income and expenses from the Group's affiliates follow:

	Revenue/Income		Expenses	
	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)	**Mar 31, 2021 (Unaudited)**	Mar 31, 2020 (Unaudited)
	(In thousands)			
KAMMI	**$297**	$114	**$–**	$–
MSTPI	**240**	190	**–**	–
AC Industrials	**16**	12		
BPI	**1**	2	**–**	–
Technopark Land, Inc (TLI)	**–**	–	**385**	348
Laguna AAAWater Corp. (LAWC)	**–**	–	**238**	177
GTI	**–**	–	**34**	28
Innove Communication, Inc. (ICI)	**–**	–	**33**	7
AC	**–**	–	**11**	26
Ayala Group Legal (AG Legal)	**–**	–	**10**	1
BPI Asset Management and Trust Corporation	**–**	–	**–**	13
	$554	$318	**$711**	$600

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 represents recoveries for the provision of corporate and support services.

iii. Interest income earned from investments and gain on foreign currency forwards with BPI.

Expenses incurred from related party transactions include:

i. Rental expense from the lease contract between the Parent Company and TLI.

ii. Water allocation charged by LAWC

iii. Billings for cellphone charges and WiFi connections with GTI.

iv. Building rental, leased lines, internet connections and ATM connections with ICI.

v. Administrative services charged by AC related to certain transactions.

vi. Consultations on legal matters and assistance on regulatory and legal requirements from AG Legal.

vii. Lease rental for staff house with BPI Asset Management and Trust Corporation.

d. Revenue and expenses eliminated at the Group level follow:

i. Intercompany revenues mainly pertain to billings of IMI USA and IMI Japan to IMI Singapore and the Parent Company for recovery costs related to the management salaries of key management personnel under IMI ROHQ.

ii. Expenses incurred from related party transactions include interest expense of PSi, IMI MX, STI and IMI CZ from loans granted by the Parent Company, IMI Singapore and STSN.

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

21. 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, receivables, accounts payables and accrued expenses, with maturity of less than one year, 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 March 31, 2021 and December 31, 2020:

	Carrying Amounts		Fair Values	
	Mar 31, 2021	Dec 31, 2020	**Mar 31, 2021**	Dec 31, 2020
	(In thousands)			
Financial assets:				
Financial assets at FVOCI	**$1,215**	$1,124	**$1,215**	$1,124
Financial liabilities:				
Noncurrent portion of long-term debt	**$31,566**	$32,211	**$31,804**	$33,679
Financial liabilities on put options	**2,004**	1,592	**2,004**	1,592
	$33,570	$33,803	**$33,808**	$35,271

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 quoted prices.

Derivatives - These pertain to currency forwards hedged by the Group for risks associated with foreign currency fluctuations. The fair value of the currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturities as advised by the counterparty to the currency forwards contracts.

Financial liabilities on put options - Pertain to the liabilities of IMI UK arising from the written put options over the non-controlling interest of STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in UK. The risk-free rate used is (1.27%) for STI. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put options will occur.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization.

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 2021 and 2020 ranged from 1.67% to 2.33%.

Fair Value Hierarchy

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

	March 31, 2021			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVOCI	**$–**	**$1,215**	**$–**	**$1,215**
Liabilities measured at fair value:				
Financial liabilities on put options	**–**	**–**	**2,004**	**2,004**
Liabilities for which fair values are disclosed:				
Long-term debt	**$–**	**$–**	**$31,566**	**$31,566**

	December 31, 2019			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVOCI	$–	$1,214	$–	$1,214
Liabilities measured at fair value:				
Financial liabilities on put options	$–	$–	$1,592	$1,592
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$32,211	$32,211

The table below shows reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Dec 31, 2020	Mark-to-market loss	Currency Translation Adjustment	Mar 31, 2020
Financial liabilities on put options	**$1,592**	**$385**	**$27**	**$2,004**

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial liabilities categorized as Level 3:

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Probability of trigger events occurring	1% – 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by $0.01 million. Decrease in the probability to 1% would result in a decrease in fair value by $0.01 million.

22. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, composed of trust receipts and loans payable, long-term debt and other financial liabilities, were issued primarily to raise financing for the Group's operations. The Group has various financial instruments such as cash and cash equivalents, receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group also enters into currency forwards to manage the currency risk arising from its operations and financial instruments.

The Group's risk management policies are summarized below:

<u>Interest Rate Risk</u>
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) for the years ended March 31, 2021 and 2020. There is no other impact on the Group's equity other than those already affecting income.

	Effect on Net Income before Tax	
Increase/Decrease in Basis Points	**Mar 31, 2021 (Unaudited)**	Mar 31, 2020 (Unaudited)
+100	**($189)**	($168)
-100	**189**	168

The following table shows the information about the Group's debt as of March 31, 2020 and 2019 that are exposed to interest rate risk presented by maturity profile:

	Mar 31, 2021 (Unaudited)	Mar 31, 2020 (Unaudited)
Within one year	**$45,783**	$16,286
One to five years	**29,896**	50,917
	$75,679	$67,203

<u>Liquidity Risk</u>
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.

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's maximum exposure to credit risk as of March 31, 2021 and December 31, 2020 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 18% and 20% of trade receivables relating to three major customers as of March 31, 2021 and December 31, 2020, respectively.

As of March 31, 2021 and December 31, 2020, the aging analysis of trade receivables follows:

		Neither past due nor	Past due but not impaired					
	Total	**impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**	**Specifically impaired**
March 31, 2021 (Unaudited)	**$273,980**	**$221,579**	**$27,051**	**$12,348**	**$3,766**	**$1,840**	**$5,973**	**$1,423**
December 31, 2020 (Audited)	$273,279	$225,020	$26,443	$10,695	$3,153	$1,010	$5,454	$1,504

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 2021 and 2020, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

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: (In Thousands)

Philippine Peso (₱)

	Mar 31, 2021 (Unaudited)		Dec 31, 2020 (Audited)	
	In USD	**In PHP**	In USD	In PHP
Cash and cash equivalents	**$1,185**	**₱57,504**	$1,096	₱52,639
Receivables	**1,967**	**95,475**	2,015	96,810
Miscellaneous deposits	**711**	**34,510**	719	34,510
Accounts payable and accrued expenses	**(17,321)**	**(840,631)**	(18,288)	(878,264)
Net retirement liabilities	**(6,867)**	**(333,259)**	(8,990)	(431,725)
Net foreign currency-denominated liabilities	**($20,325)**	**(₱986,401)**	($23,448)	(₱1,126,030)

Euro (€)

	Mar 31, 2021 (Unaudited)		Dec 31, 2020 (Audited)	
	In USD	**In EUR**	In USD	In EUR
Cash and cash equivalents	**$4,153**	**€3,537**	$2,990	€2,443
Receivables	**10,302**	**8,775**	10,264	8,386
Accounts payable and accrued expenses	**(14,109)**	**(12,016)**	(16,388)	(13,390)
Net foreign currency-denominated assets	**$346**	**€296**	($3,134)	(€2,561)

Renminbi (RMB)

	Mar 31, 2021 (Unaudited)		Dec 31, 2019 (Audited)	
	In USD	**In RMB**	In USD	In RMB
Cash and cash equivalents	**$1,289**	**RMB8,473**	$2,351	RMB15,346
Receivables	**20,532**	**134,917**	20,873	136,194
Accounts payable and accrued expenses	**(27,945)**	**(183,628)**	(26,081)	(170,178)
Net foreign currency-denominated assets	**($6,124)**	**(RMB40,238)**	($2,857)	(RMB 18,638)

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 March 31, 2021 and December 31, 2020 follows:

	March 31, 2021 (Unaudited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	**$83,723**	**€69,977**	**RMB1,540**	**£965**
Receivables	**19,489**	**5,914**	**29,028**	**5,904**
Accounts payable and accrued expenses	**(53,402)**	**(20,597)**	**(169,881)**	**(2,446)**
Net foreign currency-denominated assets	**$49,810**	**€55,294**	**(RMB139,313)**	**£4,423**

**The USD-denominated monetary assets and liabilities are translated using EUR0.9091 for $1, RMB7.0851 for $1 and GBP0.8108 for $1.*

	December 31, 2020 (Audited)			
	In USD	**In EUR***	**In RMB***	**In GBP***
Cash and cash equivalents	$100,825	€80,925	RMB1,936	£1,098
Receivables	16,740	5,512	24,915	4,573
Accounts payable and accrued expenses	(48,619)	(15,521)	(158,942)	(3,897)
Net foreign currency-denominated assets	$68,946	€70,916	(RMB132,091)	£1,774

**The USD-denominated monetary assets and liabilities are translated using EUR0.81706 for $1, RMB6.5249 for $1 and GBP0.74041 for $1.*

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of March 31, 2021 and December 31, 2020. 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.

		Effect on Net Income before Tax	
Currency	Increase/Decrease in USD Rate	**Mar 31, 2021 (Unaudited)**	Mar 31, 2020 (Unaudited)
PHP	+1%	**$27**	$158
	-1%	**(27)**	(158)
EUR	+1%	**(2)**	(11)
	-1%	**2**	11
RMB	+1%	**(39)**	(328)
	1%	**39**	328

23. **Contingencies**

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested. The outcome of these cases is not presently determinable.

The Group's expanding global activities, while continuing to present a myriad of growth opportunities, also tend to increase its exposure to potential disputes with customers and suppliers. Such exposure could, in turn, directly or indirectly, affect the Group's ability to realize its short and long-term target revenues and operating margins from its services as well as adversely impact its net assets, financial position and results of operations. In this connection, the Group is currently involved in an ongoing arbitration proceeding arising from a contractual dispute with its customer.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims and assessments.

24. **Notes to Consolidated Statement of Cash Flows**

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

		Cash Flows		Non-cash changes					
	Dec 31, 2020 (Audited)	Availment	Settlement/ Repayment	Reclass	Addition	Declaration	Accretion of interest expense	Foreign currency translation	**Mar 31, 2021 (Unaudited)**
Loans and trust receipts payable	$206,490	$5,316	($3,682)	$–	$–	$–	$–	(919)	**$207,205**
Current portion of long-term debt	2,109	–	(257)	246	–	–	–	(79)	**2,019**
Long-term debt	32,211	–	(300)	(246)	–	–	–	(99)	**31,566**
Lease liabilities	35,413	–	(3,082)	–	2,668	–	341	(386)	**34,954**
Other noncurrent liabilities	5,263	–	(923)	–	–	–	–	1	**4,341**
	$281,486	$5,316	($8,244)	$–	$2,668	$–	$341	($1,482)	**$280,085**

Most of the loans are from existing revolving credit lines.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

	For the three months ended 31 March	
	2021	**2020**
	(in US$ thousands, except Basic EPS)	
Revenues from Sales and Services	**$327,544**	$255,815
Cost of Goods Sold and Services	**298,638**	236,349
Gross Profit	**28,906**	19,466
Net Income Attributable to Equity Holders of the Parent Company	**2,193**	(4,617)
EBITDA[i]	**19,312**	11,446
Basic Earnings per Share (EPS)	**$0.001**	($0.002)

Revenues from Sales and Services

The Company posted US$328 million of revenue in the first quarter of 2021 amidst tight supply levels in the electronics component market. Top line sales grew 28% compared to the same period in 2020 which was impacted by the initial stages of the pandemic.

With the continued recovery of mobility and industrial end-markets, wholly-owned businesses grew 22% year-on-year to US$255 million. Financial performance could have been better if not for longer supply lead times on certain critical components. IMI operations teams are in close coordination with customers and suppliers to recover deferred revenue opportunities.

Non-wholly owned subsidiaries started the year with US$73 million of revenues, a 55% growth versus the first quarter of 2020. VIA optronics continues to transition its business towards high growth automotive and industrial customers. These segments had already accounted for 71% of display solutions revenue by the 4th quarter of 2020 and the company plans to invest in research and development to drive further growth and innovation. On the other hand, STI Ltd. growth was driven mainly by the aerospace and defense segment. With significant project wins in previous years, and a Brexit framework now in place, STI is able to focus on ushering new businesses through the mass production phase in 2021.

Gross Profit and Gross Profit Margin

Despite additional labor and freight costs spent to cover extended supply lead times, gross profit margin grew to 8.8% compared to 7.6% in the previous year.

[i] EBITDA = EBITDA represents income before income tax after adding back depreciation and amortization, interest expense and other non-recurring items. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

Net Income Attributable to Parent

The company reported for the first three quarters of 2021 an income of US$2.2 million versus last year's loss of (US$4.6) million driven by higher operating income by US$6.1 million.

EBITDA

EBITDA higher by US$7.9 million or 69% due to higher operating income before depreciation and amortization.

Financial Condition

We remain resolutely committed to our disciplined approach to capital allocation and to maintaining a robust balance sheet. As of Q1 2021, current ratio stood at 1.50:1 and debt-to-equity ratio was 0.42:1. The Company is also on a net cash position of $1.48 million.

As operations normalize, the Company started to spend on capital expenditures to continue the expansionary strategic priorities including additional machineries and building expansions intended for emerging technologies, new projects, and improvement of existing facilities. Capital expenditures amounted to $9.0 million in the first quarter of 2021 versus $4.5 million in the same period last year. For the full year of 2021, the Company expects to spend $40M on capital expenditures for existing operations and new expansion projects.

Key Performance Indicators of the Company

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

	As of end	
	Mar 31, 2021	**Dec 31, 2020**
Performance indicators		
Liquidity:		
Current ratio[a]	1.50x	1.54x
Solvency:		
Debt-to-equity ratio[b]	0.42x	0.41x

	For the three months ended 31 Mar	
	2021	**2020**
Operating efficiency:		
Revenue growth[c]	28%	-21%
Profitability:		
Gross profit margin[d]	8.8%	7.6%
Net income margin[e]	0.7%	-1.8%
Return on equity[f]	0.50%	-1.24%
Return on assets[h]	0.19%	-0.45%
[ii]EBITDA margin	5.9%	4.5%

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

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

In the above:

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

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

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

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

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

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

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

Income Statement Items
(Three months ended 31 March 2021 versus 31 March 2020)

28% increase in Revenues ($255.8M to $327.5M)
Driven by continued market recovery of end-market segments. Q12020 was affected by pandemic-related shutdowns.

26% increase in Cost of Goods Sold and Services ($236.3M to $298.6M)
Relevant to the increase in revenues.

15% increase in Operating expenses ($22.0M to $25.4M)
Increase in operating expenses mainly due to higher people cost and technology related expenses.

11% decrease in Interest and bank charges ($2.6M to $2.3M)
Due to lower balance of loans. Total loans (ST and LT) in March 2020 was $252.5 million compared to $240.8 million balance as of March 2021.

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performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

333% increase in Foreign exchange gains (losses) (-$0.5M to $1.2M)
Forex gain $1.2 million versus last year's forex loss of ($0.5) million driven by appreciation of USD against EUR on USD net asset position for EUR functional currency entities.

23% increase in Provision for Tax ($0.5M to $1.2M)
Higher taxable income.

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

16% increase in Inventories ($142.3M to $164.6M)
Increase attributable to normalization of operations across all sites.

13% decrease in Intangible assets ($17.1M to $14.9M)
Decrease mainly due to amortization.

19% decrease in Deferred tax assets ($3.5 to $2.8M)
Mainly due to reversal of deferred tax asset recognized.

10% increase in Accounts payable and accrued expenses ($253.8M to $279.1M)
Mainly from increase in trade payables related to increase in orders.

107% increase in Contract liabilities ($1.5M to $3.1M)
Increase in advance payments received to render manufacturing services.

16% decrease in Income tax payable ($3.4M to $2.8M)
Decrease in tax liability driven by losses in other subsidiaries.

7% decrease in Current portion of lease liabilities ($7.7M to $7.3M)
Payment of lease liabilities.

19% increase in Other financial liabilities ($1.7M to $2.0M)
Increase in valuation of put options.

8% decrease in Deferred tax liabilities ($1.6M to $1.5M)
Reversal of deferred tax liabilities unrealized forex gains and contract asset.

141% decrease in cumulative translation adjustments ($9.1M to -$3.8M)
Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. The significant movement is due to depreciation of EUR against USD from 1.22 to 1.17.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended March 31, 2021 and 2020 and December 31, 2020

Ratios	Formula	Mar 31, 2021	Mar 31 2020	Dec 31, 2020
(i) Current ratio	Current assets / Current Liabilities	**1.50**	**1.27**	1.54
(ii) Quick / Acid ratio	Current assets less inventories, contract assets and other current assets/Current liabilities	**1.03**	**0.78**	1.09
(iii) Solvency ratio	Total Assets / Total Liabilities	**1.98**	**1.69**	2.05
(iv) Debt ratio	Total Debt / Total Assets	**0.21**	**0.24**	0.21
(v) Debt-to-Equity ratio	Bank debts (loans and trust receipts payable and long-term debt) / Total Equity	**0.42**	**0.55**	0.41
(vi) Assets-to-Equity ratio	Total Assets / Total Equity	**2.02**	**2.23**	1.95
(vii) Interest rate coverage ratio	Earnings before interest and taxes / Interest Expense	**1.91**	**(0.96)**	
(viii) Profitability ratios				
GP margin	Gross Profit / Revenues	**8.8%**	**7.6%**	
Net profit margin	Net Income after Tax / Revenues	**0.67%**	**-1.80%**	
EBITDA margin	EBITDA / Revenues	**5.9%**	**4.5%**	
Return on assets	Net Income after Tax / Total Asset	**0.19%**	**-0.45%**	
Return on equity	Net Income after Tax / Average equity attributable to parent	**0.50%**	**-1.24%**	

	(in US$'000)		
	Mar 31, 2021	**Mar 31 2020**	**Dec 31, 2020**
Current Assets	756,818	621,009	734,174
Current Liabilities	503,580	488,252	476,756
Total Assets	1,145,826	1,032,203	1,133,675
Bank Debts	240,791	252,521	240,810
Total Liabilities	577,554	612,557	552,812
Total Equity	568,272	462,501	580,863
Average equity Attributable to parent	441,633	372,387	415,122
Revenues	327,544	255,815	
Gross Profit	28,906	19,466	
Net income attributable to equity holders of the parent	2,193	(4,617)	
Earnings before interest and taxes	4,446	(2,519)	
Interest expense	2,325	2,625	
EBITDA	19,312	11,446	

PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 15, 2021 the stockholders considered and approved the following:

    - Election of the following Board of Directors for the ensuing year:

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

    - Appointment of Sycip, Gorres, Velayo & Co. as the external auditors of the Company for the ensuing year.

2. In the Organizational meeting held immediately after the Regular Annual Stockholders' meeting, the Board of Directors elected the following:

    - Chairpersons and the Member of the Board Committees:

Executive Committee
Arthur R. Tan - Chairman
Rafael Ma. C. Romualdez – Member
Alberto M. de Larrazabal – Member

Audit and Risk Committee
Edgar O. Chua – Chairman (Independent Director)
Rafael C. Romualdez - Member
Hiroshi Nishimura – Member (Independent Director)

Corporate Governance and Nomination Committee
Sherisa P. Nuesa – Chairman (Independent Director)
Hiroshi Nishimura – Member (Independent Director)
Edgar O. Chua – Member (Independent Director)

Personnel and Compensation Committee
Sherisa P. Nuesa – Chairman (Independent Director)
Alberto M. de Larrazabal – Member
Jose Ignacio A. Carlos – Member

Finance Committee
Delfin L. Lazaro – Chairman
Alberto M. de Larrazabal – Member
Rafael C. Romualdez – Member

Proxy Validation Committee
Solomon M. Hermosura – Chairman
Laurice S. Dela Cruz – Member
Neilson C. Esguerra – Member

Related Party Transaction Committee
Hiroshi Nishimura – Chairman (Independent Director)
Rafael C. Romualdez – Member
Edgar O. Chua – Member (Independent Director)
Alberto M. de Larrazabal – Member

- Mr. Edgar O. Chua as our lead independent director;

- Mr. Jamie Augusto Zobel de Ayala as Chairman of the Board; and

- The officers under our By-Laws and Manual of Corporate Governance:

Arthur R. Tan	-	President and Chief Executive Officer
Jerome S. Tan	-	Chief Finance Officer and Treasurer
Eric De Candido	-	Chief Operations Officer
Mary Ann S. Natividad	-	Chief Commercial Officer
Laurice S. Dela Cruz	-	Global Head, Financial Planning and Analysis, and Compliance Officer
Rosalyn O. Tesoro	-	Chief Information Officer and Data Protection Officer
Solomon M. Hermosura	-	Corporate Secretary
Rosario Carmela G. Austria	-	Assistant Corporate Secretary

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **INTEGRATED MICRO-ELECTRONICS, INC.**

By:

LAURICE S. DELA CRUZ
Compliance Officer

Date: May 6, 2021

ANTHONY RAYMOND P. RODRIGUEZ
Investor Relations Officer

Date: May 6, 2021

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CERTIFICATION

We, LAURICE S. DELA CRUZ and ANTHONY RAYMOND P. RODRIGUEZ, Compliance Officer and Investor Relations Officer, respectively, of Integrated Micro-Electronics, Inc. (the "Corporation"), with SEC Registration Number 94419 and with principal office at North Science Avenue, Laguna Technopark-Special Processing Zone, Binan, Laguna, state under oath that:

1) On behalf of the Corporation, we have caused the SEC Form 17-Q (Quarterly Report) to be prepared;
2) We have read and understood its contents which are true and correct of my own personal knowledge and/or based on true records; and
3) The Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for the complete and official submission of reports and/or documents through electronic mail.

IN WITNESS WHEREOF, we have hereunto set our hands this MAY 06 2021 in Makati City.

LAURICE S. DELA CRUZ
Compliance Officer

ANTHONY RAYMOND P. RODRIGUEZ
Investor Relations Officer

SUBSCRIBED AND SWORN to before me this MAY 06 2021 in Makati City, affiants exhibited to me, as competent evidence of their identities, to wit:

Name	Competent Evidence of Identity	Date /Place of issue
LAURICE S. DELA CRUZ	Passport Number EC8481675	August 5, 2016/DFA Batangas
ANTHONY RAYMOND P. RODRIGUEZ	Passport Number P3386828A	June 13, 2017/DFA Manila

Doc. No. 493;
Page No. 100;
Book No. XXXV;
Series of 2021.

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

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

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-155 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 8533973ME – 01/04/2021 - Makati City
MCLE Compliance No. VII – 0000267 – 07/30/201
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