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Transforming

electronics design and manufacturing through sustainable technologies

INTEGRATED REPORT 2021

IMI power modules serve the growing demand for medium and high efficiency power systems.

Vision

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

Mission

Passionately create a unique product realization experience that our partners love

Core Values

Integrity

Honesty, trustworthiness, and consistency in words and actions

Customer Focus

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

Concern for Others

Caring for co-employees, community, and country

Excellence

Doing the best and continuously exceeding expectations

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ABOUT THE COVER

IMI is stepping up technology by transforming with innovation and action. As a major player in commercially viable electric vehicle ecosystems, we aim to establish our sustainability and climate action roadmap in 2022 in line with the direction of the industry toward carbon neutrality. As we do so, we are determined to further reinforce our future-proofed technology expertise in the global stage.

ABOUT THIS REPORT:
SUSTAINABLY RESILIENT

With the world's pandemic moving towards the endemic stage, society has entered a different environment that is more cognizant of humanity. Business and trade have looked inward in defining the sustainable purpose of existence in the heels of a more disruptive landscape, and in light of technology that is making what was once science fiction a reality.

With the breadth of experience of more than 40 years, Integrated Micro-Electronics Inc. is transforming in two fronts: 1) how to define our long-term purpose, and 2) how we do business throughout our value-chain, from manufacturing and design to supply chain management and customer responsiveness.

Aligned with the Sustainable Development Goals, IMI, as technology solutions and manufacturing company, works together with our OEM/Tier 1 partners and customers in one direction of achieving carbon neutrality. This is a higher and more progressive objective that targets overall prosperity for our people and all stakeholders without compromising the health of our planet. Face to face and digital touchpoints are areas where our efforts are felt, attaining sustainability of operations and ways of working in all our offices, sites, and factories.

We implement and operationalize our long-term objectives with the most appropriate use of digital tools and technology that will speed up processes and reduce time to market costs through the leadership of our management teams. We further establish the core competence of our procurement and supply chain management to design systems that can anticipate shortages, longer lead times, and complex disruptions. We ensure that we can track, compute, analyze, and decide on operational and commercial metrics in real time not only to save costs but to raise value that will benefit the overall ecosystem.

2021 was a transition year on the road toward a challenging recovery. But IMI continues to put in the right foundations that will enable the organization to not just be sustainably resilient but progressively prosperous for all stakeholders in the decades to come.

KAAKAY

#BrigadangAyalaKaakay is a concrete example of how Ayala companies come together for the Greater Good.

This 12-week food distribution program in select locations across Metro Manila targets over 10,000 families. Each family receives a weekly supply of rice, fresh vegetables, canned goods, and bread that will cover four square meals for a family of five. The food distribution is scheduled every week from November 2021 to February 2022.

Kaakay runs an inclusive eco-system of on-ground implementing partners like Virlanie Foundation, Caritas Manila, National Council for Social Development, and host barangays, while boosting the recovery and growth of local businesses by sourcing goods from rice farmers in Isabela (covering Regions 2 & 3), and vegetables from Benguet and CAR-based farmers. In addition, the bread included for food packs is produced fresh by a group of urban poor mothers who trained under TESDA's community-based bread-baking project through Virlanie Foundation.

FERNANDO ZOBEL DE AYALA "We are happy to be able to help in our own way, particularly those who lost their jobs during the pandemic. We thank our partners, suppliers, and beneficiaries for making Kaakay possible."

#AyalaForTheGreaterGood

TG LIMCAOCO "Kaakay buys fresh vegetables and rice from local farmers in the provinces which directly goes to affected families in Metro Manila."

PAOLO BORROMEO "We are inspired by the stories of resilience we heard from our beneficiaries today. We are very happy that we were able to augment their needs through this program."

RENE ALMENDRAS "We hope to support breadwinners who now have less than P200 pesos a day to survive on, and they are forced to stretch that to support a family of five. We want to help them rebound by being their kaakay."

BOBBY DY "We are grateful as well for this opportunity to help our fellow Filipinos. As the economy rebounds and businesses bounce back this 2022, let's help everyone bounce back."

RUEL MARANAN "Kaakay provides us a wonderful opportunity to assist families through supplemental feeding. We hope we are able to help thousands of Filipino families in a practical and meaningful way."

ART TAN "It's easy to lose hope when one gets retrenched or loses a loved one during the pandemic. In these times, all we really need is a Kaakay, somebody to offer a hand and open opportunities."

ERIC FRANCIA "The stories of our beneficiaries affirm our decision to launch Kaakay. I am inspired by their resourcefulness and creativity, making use of available resources in the area to earn extra."

ERNEST CU "Kaakay is a good program to alleviate hunger and provide livelihood oppprtunities. It's also great to expose our employees and executives to these kinds of programs so they are sensitized to the needs of the community, and continue to drive adoption of products that really serve these communities."

2021 AT A GLANCE

(in US$ millions)	2021	2020	2019
Key Performance Indicators			
Revenues	1,300.6	1,135.8	1,250.4
Net Loss	(10.6)	(3.5)	(7.8)
EBITDA	46.4	58.9	41.4
Financial Position			
Total Assets	1,123.2	1,133.7	1,096.3
Capital Expenditures	31.0	18.7	38.8
Financial Ratios			
Return on Equity	-2.5%	-0.8%	-2.0%
Current Ratio	1.59	1.54	1.49
Debt-to-Equity Ratio	0.69	0.41	0.55
Stock Information			
Stock price (year-end) (in PHP)	8.40	9.10	7.89
Issued and outstanding shares	2,217,293,215	2,217,293,215	2,217,293,215
Market capitalization (in PHP)	18,625,263,006	20,177,368,257	17,494,443,466
Earnings/Loss per Share	(US$ 0.005)	(US$ 0.002)	(US$ 0.004)
Common Dividend per Share	-	-	US$ 0.00201/ PHP0.10542

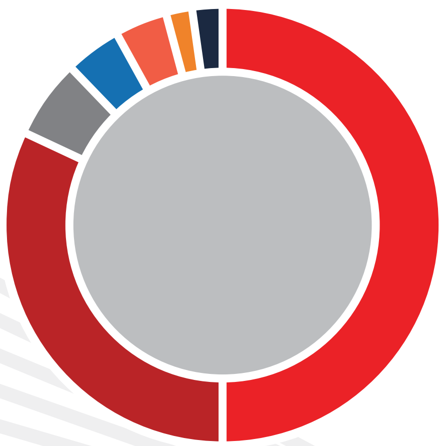
19th
in the list of top EMS providers*

6th
largest in the automotive EMS market**

14th
in the list of top EMS/ODM providers in Europe***

*Manufacturing Market Insider 2021
**New Venture Research 2020
***in4ma Market Research & Analyses 2020

REVENUES BY MARKET SEGMENT



- Automotive 50%
- Aerospace/Defense 4%
- Industrial 32%
- Medical 2%
- Consumer 6%
- Multiple Markets 2%
- Telecom 4%

COMPANY HIGHLIGHTS

STI was recognized as preferred manufacturing partner for PMI pachymeter by UK medtech firm Occuity

IMI brought EV chargers to the Philippines; the 1st integrated EV charging & transport system for the Ayala group was installed in December 2021

VIA optronics acquired Germaneers, a solutions provider of high-end OEMs

IMI China's booth at the 2021 NEPCON tradeshow in Shanghai

VALUE DISTRIBUTED

Operating Costs
2021 1,068.1
2020 916.4
2019 1,027.2

Wages and Benefits Paid
2021 250.1
2020 215.6
2019 226.8

Taxes Paid
2021 9.7
2020 9.4
2019 10.2

Dividends Paid
2021 -
2020 -
2019 4.4

SUSTAINABILITY IMPACT

Total Employment
14,455

Water Consumed (m^3)
1,352 CUBIC METERS (Excluding VIA)

Scope 1	Scope 2	Scope 3
712	95,835	3,068
TON CO2e	TON CO2e	TON CO2e

Hazardous Waste
Recycled and Recovered
98.7%*

Plastic Waste
Recycled and Recovered
215K 2021
209K 2020

*Philippines Only

GLOBAL FOOTPRINT

Onward to the next 40 years of IMI, from our 21 manufacturing sites across 10 countries, we continue to provide technology solutions that push the boundaries of global electronics manufacturing. We will press forward in exploring synergies, partnerships, and ventures in the areas of new technologies and emerging markets.

We are more than ready to take the next giant leaps into the future.

14,455* Total Headcount
Including STI and VIA

422,616 M^2 Total Factory Space

*Includes offices and non-manufacturing sites in Asia (Taiwan, Singapore and Malaysia)

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

MESSAGE FROM THE CHAIRMAN

Fellow Shareholders,

The past two years have undoubtedly been some of the most trying times for IMI and its stakeholder community, as COVID-19 continued to exact not just an economic but also a human toll. I offer my thoughts and prayers to every employee, customer, supplier, and partner who has been affected by this global health crisis. Across IMI's worldwide footprint, we have pulled together as an institution to support our people as we work through these unprecedented challenges, and are grateful for the resilience that our community has shown since the beginning of the pandemic.

We ended 2021 with the global economy still under tremendous pressure. The rapid contractions in economic activity in 2020 created fresh challenges over the past year, particularly throughout the global supply chain. Demand for electronic devices continued to be high as people and businesses continued to work remotely. This only deepened the ongoing component shortages that have impacted our company's core markets in automotive, industrial, and consumer electronics. While the world began to open up, it did so at an uneven pace, as each country responded to the pandemic in its individual way. The ensuing trade imbalances, supply bottlenecks, and inflationary pressures hampered IMI's capability to competitively deliver its products and services.

These complex forces weighed heavily on the business results of 2021, as the company posted a decline in profitability, even as revenue grew by 15 percent year over year. Despite these challenging conditions, IMI completed many operational milestones and strategic investments to strengthen its ability to grow in the years to come. Reflective of the broader trends across the Ayala group, 2021 was truly a transitional year for the company. IMI shifted its strategic focus away from managing the many uncertainties created by the pandemic toward evolving itself so it emerges stronger, and more able to accelerate growth as the new normal reveals itself.

IMI will build on this transition in 2022 as the world at large migrates its handling of COVID-19 from mitigation to management. The accelerating availability of vaccines will allow increasing levels of productivity while cushioning the impact of the occasional surge. We expect these shortages and trade imbalances to start softening toward the end of the year, allowing IMI to return to its normal standards of efficiency and profitability. Throughout 2022, IMI will join the rest of the Ayala group in formalizing its goals and contributions toward achieving net-zero greenhouse gas emissions by 2050 – building these into the fabric of the company's strategy and operations.

Tower One & Exchange Plaza, headquarters of Ayala Corporation located at the Makati Central Business District

"Throughout 2022, IMI will join the rest of the Ayala group in formalizing its goals and contributions toward achieving net zero greenhouse gas emissions by 2050 – building these into the fabric of the company's strategy and operations."

In closing, I extend my gratitude to all our stakeholders for their support, guidance, and commitment. Special thanks in particular to our employees, who, despite the challenges unique to each of their countries, have continued to contribute to our common objectives while living out our values and purpose. I remain positive about the prospects for IMI over the next few years, and look forward to the sustainable value that our company will create for partners, clients, investors, and the world.

Jaime Augusto Zobel de Ayala
Chairman

MESSAGE FROM THE CEO

Dear Shareholders,

It was a recovery year as the world struggled to get up from the impacts of the pandemic that shrunk the global economy by 3.2 percent in 2020. Global GDP bounced back to 5.9 percent in 2021 with new challenges that were offshoots of the ongoing COVID-19 crisis. Despite the vaccination rollouts, many regions were in and out of lockdowns and restrictions. For most, the unpredictable variants of COVID-19 sent the world on a roller coaster ride from high to low infection rates, exacerbating the effects of component shortages, shipping delays, and an overall surge in inflation. For global OEMs and suppliers in the automotive, industrial and medical spaces, the major bane was in the supply chain.

The electronics manufacturing sector entered 2021 in the expansion mode. However, as the year progressed, the challenges in the supply chain on a global basis pulled back further improvements. Shortages and several weeks of delays and shipping costs that were more than three times compared to pre-pandemic times continue to pull back growth. Despite the disruptions, electronics PMI still ended with the industry expanding and demand conditions improving.

During an installation of the EV charging & transport system

IMI maintained its course amidst the current risks and challenges in the supply chain. The company ended up with overall revenues of US$1.3 billion by the end of 2021. Moreover, IMI won new programs with an annual revenue potential of US$356 million, 52 percent more than the previous year. In fact, IMI's hit rate or probability in winning projects increased dramatically from an average of just 8.3 percent in the previous years to 24.4 percent in 2021.

"One sector that has seen exponential growth in the last two years since the pandemic started was the Electric Vehicle. The market had doubled in 2021 and may reach a market share of 10 percent by the end of 2022. This segment is a culmination of the use of digital technologies and the direction toward sustainable transport."

While we navigate throughout these new disruptions, we are making sure that supply chain flexibility and the agility to face risks, shortages, and delays should now be a standard core competency across our global footprint. We are doing so not just by increasing our level of customer coordination, communication and collaboration with both suppliers and customers, but also by using data analytics and market intelligence to measure, analyze trends, and predict trends.

As we continue on our digital transformation, we are prioritizing to address our gaps to be able to gain more efficiency, save costs and add value to all our processes across all regions throughout all our supplier and customer touchpoints. As a result, we have seen gains in how we manage our operations, our supply chain, our commercial accounts, and our human resources.

One sector that has seen exponential growth in the last two years since the pandemic started was the Electric Vehicle. The market had doubled in 2021 and may reach a market share of 10 percent by the end of 2022. This segment is a culmination of the use of digital technologies and the direction toward sustainable transport. We have felt this in IMI as more than half of our newly won programs in 2021 are part of the EV ecosystem.

Lastly, we are now seeing many governments and industries speeding up their processes in defining net-zero roadmaps and embedding them into their long-term strategies. As a global company, we can say that we are aligned with these trends. As in the past, our commitments to sustainability are firm. We are currently working with our parent company, Ayala Corporation in defining net-zero targets for the whole conglomerate. We continue to discuss and work with our customers and suppliers along the same breadth. As the world moves to a more sustainable future, we are committed to helping our partners as a catalyst in attaining net-zero targets by designing and manufacturing products and systems that save lives, save energy, and improve quality of life.

Arthur R. Tan
Chief Executive Officer

REPORT FROM THE PRESIDENT

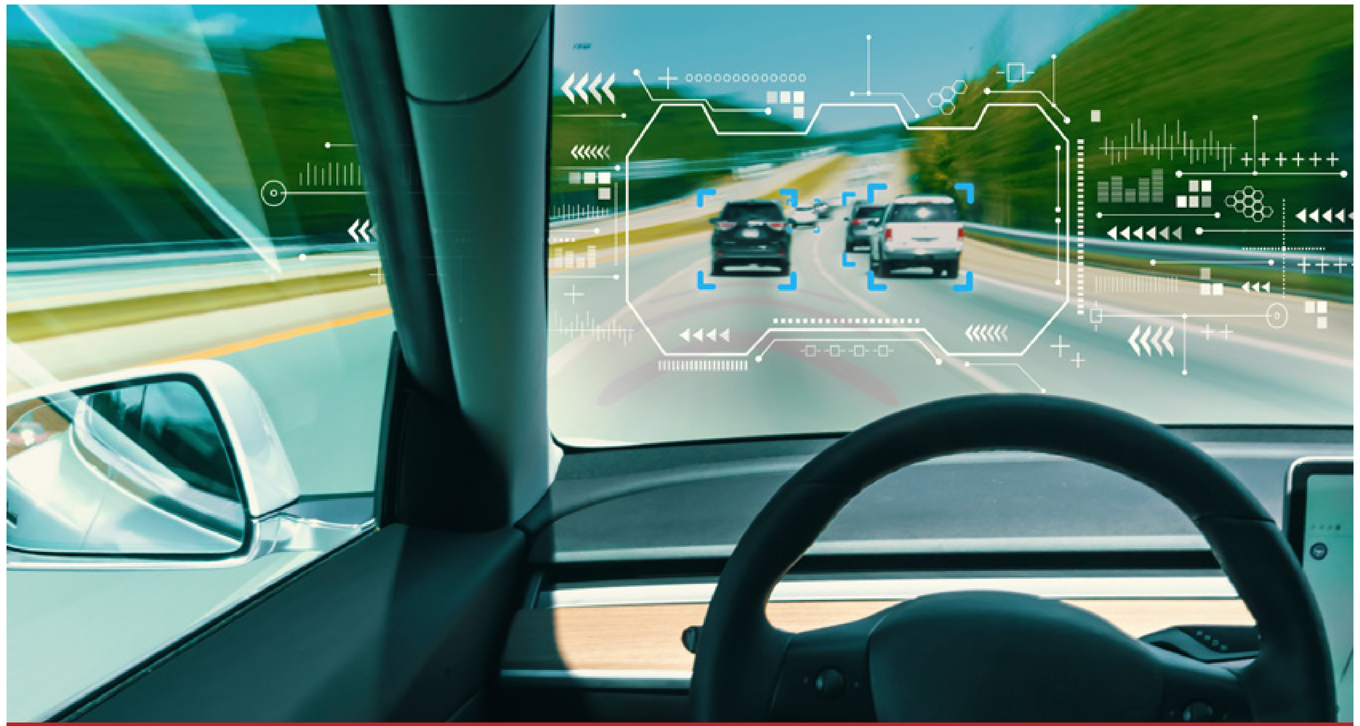
As the global economy grappled to find its balance in 2021, we faced a new set of challenges that have complicated the recovery of the electronics industry. Widespread component shortages, rising expenses in global logistics, and extended freight delivery times took its toll on IMI operations and its margins. Sales backlog peaked to as much as US$88 million in the third quarter of the year, leading to less optimum utilization and manufacturing inefficiencies. Competitive labor markets in manufacturing regions led to high attrition rates and increased personnel costs as demand for skilled talent exceeded the pool of available workers.

Despite these many obstacles, customer demand remained strong and product development continued to flourish. This is reflected in IMI's total revenues of US$1.30 billion, a 15 percent growth compared to the previous year, even beating 2019's pre-COVID total of US$1.25 billion. IMI wholly owned sites improved year on year by 16 percent to US$1.00 billion in sales. Overcoming immense challenges in 2021, these operating sites remained profitable, earning US$6.6 million of net income for the year. Subsidiaries VIA and STI also rebounded to US$296 million of sales, representing an improvement of 10 percent against 2020 results. However, as we invested in additional machinery, space, and talent to ramp up key projects in VIA and STI, the weak topline growth driven partly by component shortages resulted in inefficient utilization of these facilities, causing a significant drop in margins. As a group, IMI ended the year with a net loss of US$10.6 million.

"Our global sales teams have boosted their efforts to ensure a strong rebound for IMI. New project wins in 2021 reached US$356 million of annual revenue potential (ARP) for IMI wholly owned sites. A significant portion of these wins is for electric vehicle and automated driving projects, two of the main subsegments that we have invested heavily in for the past few years."

IMI continues to pursue multiple avenues in mitigating the effects of industry-wide obstacles on its operations. We have been leveraging our global supply chain network by identifying alternative parts for components most affected by shortages, allowing us to shorten lead times and reduce costs in certain key projects. By building direct relationships with key component manufacturers, we are able to directly participate in escalation processes and actively manage our global supply chain. Our collaborative partnerships with customers have also opened opportunities for price renegotiations, enabling us to work as a team in facing these headwinds. Given the supply chain challenges, regional teams have enhanced their focus on closely monitoring the company's cash flow to minimize working capital requirements and effectively manage inventory levels.

Our global sales teams boosted their efforts to ensure a strong rebound for IMI. New project wins in 2021 reached US$356 million of annual revenue potential (ARP) for IMI wholly owned sites. A significant portion of these wins is for EV and automated driving projects, two of the main subsegments that we have invested heavily in for the past few years. Supporting technologies that enable next-generation platforms such as automotive cameras, EV charging stations, power modules, and IoT-related devices are also well represented on our list of wins for the year.



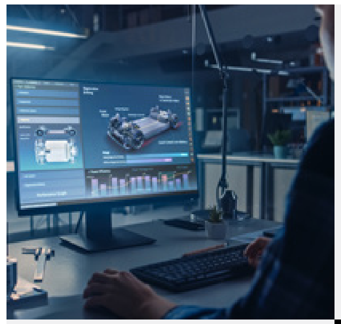
Selr-driving autonomous car with autopilot

MOBILITY

Our mobility business unit significantly increased its booked business for the coming years with US$218 million of annual revenue potential secured in 2021. More than 50 percent of the newly acquired projects are related to electric vehicles (EV) and plug-in hybrid electric vehicles (PHEV). Over the last two years, IMI has centered the core of its strategy in car electrification and has set in motion the necessary actions to become a leader in this fast-growing segment. We are now equipped with the capabilities to produce complex box-build projects that have electronic content up to ten times more than traditional automotive platforms. Through these efforts, we were able to expand our portfolio within the industry, securing new Tier 1 and OEM customers who trust that our team is now ready to embrace the challenges in the electrification of the mobility market.

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

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

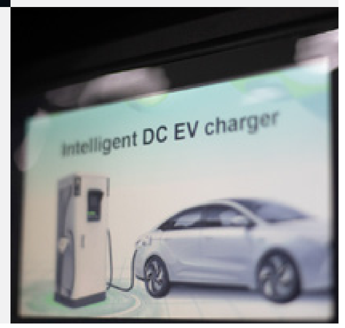


US$218 million

of annual revenue potential secured for mobility in 2021.

More than 50%

of the newly acquired projects are related to EV and PHEV.



AUTOMOTIVE CAMERAS

IMI is recognized as one of the leaders in automotive camera technology. Our work in the past decade has made us a preferred development partner of top Tier 1's in the industry. As we continue to cater to next-generation platforms, our camera teams have also witnessed a dramatic shift to projects dedicated to EVs and automated driving systems. Of the US$21 million of ARP won in 2021, more than 50 percent are specifically designed for EVs. These projects will be the first batch of fully automated focus, alignment, and optical test systems developed in IMI.

> **"Looking to the future, we see opportunities in adjacent technologies like Light Detection and Ranging (LiDAR)."**

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

Looking to the future, we see opportunities in adjacent technologies such as Light Detection and Ranging (LiDAR). By utilizing more than 11 years of camera development and manufacturing expertise and partnering with IMI power module teams, we have started to develop cutting-edge solid-state LiDAR systems that will be utilized in next-generation cars.

Visualization of self-driving EV while changing lanes and overtaking

INDUSTRIAL

Not only do we support the electrification of transportation by working on the components that go into them, but we are also involved in developing the supporting infrastructure that will enable the worldwide adoption to vehicle electrification. Since the market's infancy stage, IMI has been a development and manufacturing partner for some of the largest EV charging companies in the world. In 2021, to support the Ayala Group's commitment to net-zero greenhouse emissions goals, we took the lead in bringing to the Philippines one of the EV charging systems that IMI China helped design and produce. As we build on our knowledge and capabilities in the industry, we shall continue to pursue other opportunities with other established manufacturers with a significant presence in other key regions.

With lens flare 3D rendering

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

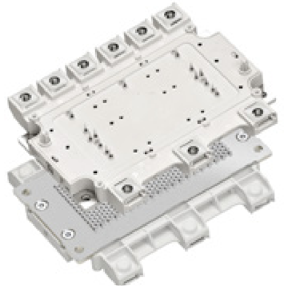
POWER MODULES

Our power modules serve the growing demand for medium and high-efficiency power systems in the renewable energy and EV markets. Our expertise stretches across multiple technologies using different substrates such as silicon carbide and gallium nitride. IMI's core strength in the market is our ability to fully customize design and manufacturing services that can go in tandem with products built in our traditional EMS facilities.

The EV market is power module's fastest growing segment.

Our technology roadmap points to power modules as a crucial enabler of multiple growth segments. We have invested heavily in building up our capabilities to ensure that IMI is equipped to be a key player in the power system market. IMI has recently doubled the manufacturing area dedicated to power modules to 3,000 square meters. Business pipeline is also growing with US$12 million of ARP won out of a US$24 million pipeline in 2021.

As we leverage IMI's end-to-end service expertise, the team is optimistic for this segment's continued growth in 2022. Although power components have not been spared from supply shortage issues, our involvement in the design and development of products allows us the opportunity to proactively identify alternative components with our customers.



3000 sqm.

of manufacturing area dedicated to power modules.

VIA optronics
Solutions for a brighter life

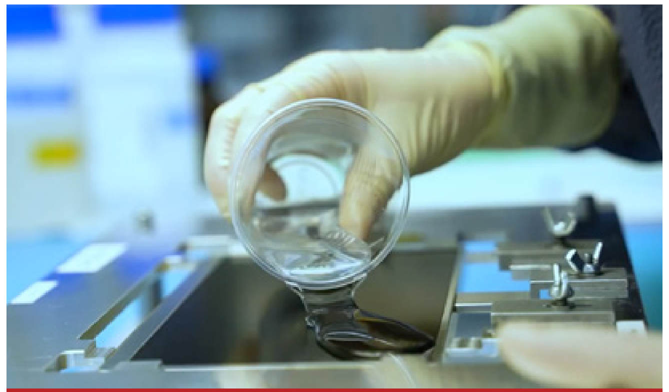
Since we acquired VIA in 2016, our management teams have identified strategy roadmaps to maximize VIA's potential in high-margin markets. We leveraged IMI's position as a top automotive EMS company and VIA's expertise in robust, high-reliability display processes to continuously improve automotive proficiency and build relationships with proven industry partners. Over the past five years, we have transformed a service company mainly focused on the industrial and consumer segments, and developed it into a key player in mobility displays. For VIA, 2021 was characterized by strong growth, particularly in the further build-up of capabilities, capacities, and talent.

In May, the German subsidiary acquired Germaneers GmbH, a high-tech engineering company focused on automotive system integration and user interfaces. Germaneers provides solutions for a range of well-known high-end original equipment manufacturers (OEMs). Auto OEMs utilize the company's services from the earliest phase of car development for design, system development, and prototyping. The tech engineering company's innovative technologies enable new use cases, which can be found in interior control panels of German and European premium brands in the automotive sector.

In June, VIA formed a strategic partnership with SigmaSense, a global leader in touch sensing performance. As part of the strategic partnership, the company made a financial investment in SigmaSense and expanded its collaboration to develop new touch solutions for automotive applications, industrial displays, and consumer electronics.

In September, VIA announced the production readiness of its German facility dedicated to a leading American EV manufacturer. The facility has the capacity to produce approximately 10,000 units of large high-end 3D-shaped cold-form car dashboard assemblies per month and can include cluster and interactive center information displays. The new facility adds 1,500 square meters to VIA's existing manufacturing footprint, with significant potential for further expansion. This brings the total production volume in Nuremberg up to 60,000 units per month.

In December, the Company announced the incorporation of a new entity, VIA optronics (Philippines) Inc., to provide customized and platform camera solutions, from design and development to process testing and quality control. VIA Philippines was incorporated to facilitate the integration of a camera design and development team within VIA.



Inside interactive displays

A further highlight in December was VIA optronics AG and VIA optronics GmbH attaining IATF 16949 certification for automotive quality management systems for its Nuremberg, Germany headquarters and manufacturing site. The IATF 16949 is a technical specification aimed at the development of a process-oriented quality management system that provides for continuous improvement, defect prevention and reduction of variation and waste in the automotive industry supply chain and assembly process.

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

sti
ELECTRONICS SOLUTIONS PROVIDER

STI persevered through immense challenges in 2021. The electronic component shortage was particularly difficult for the high complexity segments that STI specializes in. With meticulously designed aerospace and defense products forming a large part of its portfolio, STI has had to work through significant delays in its supply chain. Unlike other segments where alternative components can provide some reprieve against component shortages, opportunities to change parts in highly sensitive products are very limited.

Through a difficult year, we have taken the opportunity to retool our team in STI. With business significantly delayed, we trimmed the company's headcount into a leaner organization and reduced expenses in all areas that we could identify. We have likewise rebuilt our commercial team to enable better customer engagement in an ever-changing market environment.

Despite all these challenges, we have maintained our commitment to excellence in manufacturing and service to our customers. In May, our facility in the UK won the International Supplier of Year award from Collins Aerospace based upon consistent performance in these difficult times. STI UK was runner-up in the Make UK Manufacturing awards for its critical pandemic work in the UK Ventilator challenge, and its continued work in meeting urgent government requirements around COVID testing.

This year 2022, we will utilize our expertise in satellite technology, radio frequency, and industrial applications to serve market demand for a world currently affected by severe geopolitical tensions. STI aims to ramp up business for its sites and drive better utilization of its facilities.

Hook won the International Supplier of Year award

from Collins Aerospace based upon consistent performance in these difficult times.

As we start to move past the challenges of 2021, we are confident that our various teams across the globe will work tirelessly to achieve success in the coming years. Determined to attain business growth and profitability every year, we shall continue to embrace our role as enablers of technology that leads to a more sustainable and interconnected future.

Jerome S. Tan
President

GLOBAL SITES CERTIFICATION

IMI SITE LOCATION	(ISO 9001:2015)			IATF 16949:2016			(ISO 14001:2015)			(ISO 13485:2016)			(ISO 45001:2018)		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
IMI PH - Laguna (EMS 1, ATC Lab)	SGS	17-Apr-21	16-Apr-24	SGS	15-Apr-21	14-Apr-24	SGS	07-Sep-21	13-Aug-24	SGS	21-Jan-22	16-Dec-24			
IMI PH - Laguna (EMS 2, Camera, Captive, Power Module)	SGS	17-Apr-21	16-Apr-24	SGS	17-Apr-21	16-Apr-24	SGS	07-Sep-21	13-Aug-24	SGS	21-Jan-22	16-Dec-24			
IMI CN - Chengdu	SGS	9-Aug-21	8-Aug-24	SGS	9-Aug-21	8-Aug-24	SGS	27-Nov-19	26-Nov-22				SGS	31-Oct-19	30-Oct-22
IMI CN - Jiaxing	TUV-SUD	12-Mar-21	11-Mar-24	TUV-SUD	12-Mar-21	11-Mar-24	SGS	24-Jul-21	23-Jul-24						
IMI CN - Kuichong	SGS	7-Aug-21	6-Aug-24	SGS	7-Aug-21	6-Aug-24	SGS	04-Jan-21	03-Jan-24	SGS	28-Dec-19	27-Dec-22			
IMI CN - Pingshan	SGS	30-Jun-20	30-Aug-22	SGS	30-Jun-20	30-Aug-22	SGS	04-Jan-21	03-Jan-24						
IMI Bulgaria	LRQA	22-May-21	23-May-24	LRQA	30-Apr-21	29-Apr-24	LRQA	12-Dec-19	11-Dec-22						
IMI Serbia	LRQA	22-May-21	23-May-24	LRQA	20-May-20	19-May-23									
IMI Czech Republic	Lloyd's Register	14-Jul-21	13-Jul-24	Lloyd's Register	14-Jul-21	13-Jul-24	URS	22-Feb-22	16-Feb-25						
IMI USA	DNV-GL	12-Jun-21	11-Jun-24												
IMI Mexico	TUV Rheinland	7-Jan-22	6-Jan-25	TUV Rheinland	7-Jan-22	6-Jan-25	TUV Rheinland	11-Oct-21	10-Oct-24						

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

SITE LOCATION	(ISO 9001:2015)			IATF 16949:2016		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
STI Cebu, Philippines	Lloyd's Register	26-Apr-21	25-Apr-24	Lloyd's Register	26-Apr-21	25-Apr-24
STI HOOK, United Kingdom	Lloyd's Register	21-Jun-19	20-Jun-22			
STI Poynton, United Kingdom	Lloyd's Register	28-Apr-20	27-Apr-23			
Via optronics - China Suzhou	DQS	2-Jan-21	1-Jan-24	DQS	2-Jan-21	1-Jan-24
Via optronics - Nuremberg, Germany	DQS	9-Oct-20	8-Oct-23			

SITE LOCATION	AS 9100D			(ISO 13485:2016)		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
STI Cebu, Philippines	LRQA	6-Feb-22	5-Feb-25	Lloyd's Register	21-Sep-20	20-Sep-23
STI HOOK, United Kingdom	Lloyd's Register	21-Jun-19	20-Jun-22	Lloyd's Register	14-Jan-20	13-Jan-23
STI Poynton, United Kingdom	Lloyd's Register	28-Apr-20	27-Apr-23			
Via optronics - China Suzhou	DQS	22-Nov-20	21-Nov-23			

SITE LOCATION	(ISO 45001:2018)			(ISO 14001:2015)		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
STI Cebu, Philippines	TUV Nord	15-Nov-19	14-Nov-22	TUV Nord	2-Dec-19	1-Dec-22
STI HOOK, United Kingdom	Lloyd's Register	9-Mar-21	15-Mar-23	Lloyd's Register	9-Mar-21	15-Mar-23
STI Poynton, United Kingdom				AFAQ	30-Nov-20	29-Nov-23

SITE LOCATION	ISO/IEC 27001:2013			Nadcap		
	CERTIFYING BODY	VALID FROM	VALID UNTIL	CERTIFYING BODY	VALID FROM	VALID UNTIL
STI HOOK, United Kingdom	Lloyd's Register	24-Mar-20	23-Mar-23	PRI	31-Jul-21	31-Jan-23

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

OUR LEADERSHIP

BOARD OF DIRECTORS

Jaime Augusto Zobel de Ayala
Chairman

Fernando Zobel de Ayala
Director

JAIME AUGUSTO ZOBEL DE AYALA
Chairman

Jaime Augusto Zobel de Ayala, Filipino, 62, has served as Chairman of the Board of Directors of IMI since January 1995. He holds the following positions in publicly listed companies: Chairman Ayala Corporation, Globe Telecom, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the Chairman of AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of AC Ventures Holding Corp., Alabang Commercial Corporation, AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd. Outside the Ayala Group, he is a Director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council, Asia Center Advisory Committee, HBS Board of Dean's Advisors, and HBS Asia-Advisory Committee. He sits on the Board of Singapore Management University (SMU) and is a Chairman of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, Asean Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and Word Wildlife Philippines National Advisory Council. He is Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and Trustee Emeritus of Eisenhower Fellowships. He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

FERNANDO ZOBEL DE AYALA
Director

Fernando Zobel de Ayala, Filipino, 61, has served as a Director of IMI since January 1995. He holds the following positions in publicly listed companies: Director, President and Chief Executive Officer of Ayala Corporation; Chairman of Ayala Land, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.); Director of Bank of The Philippine Islands and Globe Telecom, Inc.; and Independent Director of Pilipinas Shell Petroleum Corporation. He is the Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Alabang Commercial Corporation, Accendo Commercial Corp., BPI Foundation, and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc. AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of AG Holdings Ltd., AC Infrastructure Holdings Corporation, Altaraza Development Corporation, Asiacom Philippines, Inc., BPI Asset Management and Trust Corp. and Manila Peninsula; Member of the Board of INSEAD Business School and Georgetown University; Member of the Board of Trustees of Asia Philanthropy Circle, and Asia Society; Member of International Advisory Board of Tikehau Capital; Member of the Philippine-Singapore Business Council; Member of the International Council of The Metropolitan Museum; Co-Chairman of Asia Pacific Acquisitions Committee of the Tate Museum; Member of the Chief Executives Organization and Habitat for Humanity International's Asia-Pacific Development Council; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum. He graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

ARTHUR R. TAN
Chief Executive Officer

Arthur R. Tan, Filipino, 62, has been a member of the Board of Directors of IMI since July 2001. He has been the Chief Executive Officer of IMI since April 2002 and was re-elected as President effective January 1, 2020. Concurrently, he is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee. Concurrently, he is also the Chairman of the Board and Chief Executive Officer of Merlin Solar Technologies (Phils.), Inc.; Chairman of the Board of Psi Technologies Inc.; Group President and CEO of AC Industrial Technology Holdings, Inc.; President and CEO of Speedy-Tech Electronics, Ltd., Director of Surface Technology International, Ltd. and American Motorcycles Inc.; Member of the Board of Advisors of Via Optronics; Chairman of the Advisory Board of MT-CCON Technologies; Chairman and CEO of AC Motors and Skyeye Analytics, Inc.; and an Independent Board Member of SSI Group, Inc., Lyceum of the Philippines University, and East Asia Computer Center/FEU Institute of Technology. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

JEROME S. TAN
President

Jerome S. Tan, Singaporean, 60, has been the President of IMI since June 28, 2021. He served as Senior Managing Director and the Global Chief Financial Officer and Treasurer of IMI from January 2011 to June 28, 2021, providing leadership, direction, and management of all Finance functions, including Treasury, Financial Planning and Analysis and Controllership. He brings more than 30 years of broad experience and various achievements in finance, strategic planning, business development and acquisition/integration. He had assumed regional leadership roles in multi-national Banking and Finance companies, and Food and Beverage industry located in different countries in the Asia Pacific Region. Prior to joining IMI, he was with General Electric holding various regional and operating roles in Finance and Business Development, including CFO for CNBC / NBC Universal Asia Pacific, CFO of GE Money Singapore and GE Money Bank in the Philippines. Before taking on operating CFO positions, he was the Regional FP&A Leader for GE Money Asia; and a Business Development Director for GE Capital responsible for mergers and acquisition. Prior to joining GE, he was also a key member of the management team of San Miguel Brewing International Ltd., managing Treasury and Financial Planning, and Corporate Planning and Business Development. He started his career in banking as an Associate in Robert Fleming, Inc. based in New York and was also an Assistant Director in First Pacific Bank Asia, Ltd. in Hong Kong. He graduated with B.A. in Economics under the Honors Program from De La Salle University in 1982 and obtained an MBA in General Management from the Darden Business School at University of Virginia in 1987.

JOSE IGNACIO A. CARLOS
Director

Jose Ignacio A. Carlos, Filipino, 52, has been a Director of IMI since December 2006. Concurrently, he is the President of Polymer Products Philippines, Inc. and AVC Chemical Corporation. He is also a member of the Board of Directors of Resins, Inc., Riverbanks Development Corporation, Mindanao Energy Systems, Inc., Cagayan Electric Power and Light Co., and Philippine Iron Construction and Marine Works, Inc. He is not a director of any publicly listed company in the Philippines other than IMI. He earned a BS Management degree from the Ateneo de Manila University in 1991 and finished Masters of Business Administration at the Johnson Graduate School of Management Cornell University in 1999.

RAFAEL C. ROMUALDEZ
Director

Rafael C. Romualdez, Filipino, 59, has been a Director of IMI since May 1997. He is a Director of Resins Inc. (RI) and sits in the boards of several of its affiliates: RI Chemical Corp., Chemserve Inc., Claveria Tree Nursery, Inc., (CTNI), and Bio Renewable Energy Ventures Inc. (BIOREV); he is also Chairman of Philippine Iron Construction and Marine Works, Inc. (PICMW), Pacific Resins, Inc. (PRI), and MC Shipping Corporation, also subsidiaries of RI. He is a Director of Lakpue Drug Inc. and La Croesus Pharma Inc. He earned a Bachelor of Arts degree in Mathematics from Boston College in 1986 and a Master in Business Administration from George Washington University in 1991.

DELFIN L. LAZARO
Director

Delfin L. Lazaro, Filipino, 75, has served as member of the Board of IMI since May 2000. He holds the following positions in publicly listed companies: Director of Ayala Corp., Ayala Land, Inc., and Globe Telecom, Inc.; and Independent Director of Monde Nissin Corp. His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings, Inc. and AYC Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., AC International Finance, Ltd., Purefoods International Ltd. and Probe Productions, Inc. He is an Independent Adviser to the Board of Directors of Ayala Land, Inc. and a member of the BPI Advisory Council. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

ALBERTO M. DE LARRAZABAL
Director

Alberto M. de Larrazabal, Filipino, 65, has served as a Director of IMI on April 15, 2021. He is a Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head of Ayala Corporation. He is the Chairman, President and CEO of AC Ventures Holdings Corp., Chairman of Darong Agricultural and Development Corp.; President and CEO, AYC Finance Ltd., LiveIt Investments Ltd., Azalaea International Venture Partners Ltd., AC International Finance Ltd., PFIL North America, Inc. (PFIL NA), and Bestfull Holdings Ltd.; Vice Chairman of Lagdigan Land Corporation; President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc.; Director of Ayala Hotels, Inc., AC Infrastructure Holdings Corp., Ayala Healthcare Holdings, Inc., AC Energy International, Inc., AC Industrial Technology Holdings, Inc., Affinity Express Holdings Ltd., Ayala Aviation Corp., Asiacom Philippines, Inc., Ayala Group Legal, HealthNow, Inc., Michigan Holdings, Inc., A.C.S.T Business Holdings, Inc., Pioneer Adhesives, Inc., BF Jade E-Services Philippines, Inc., Cartera Interchange Corp., AYC Holdings Ltd., AG Holdings Ltd., Fine State Group Ltd., AG Region Pte. Ltd., Ayala International Holdings Ltd., Ayala International Pte. Ltd., Strong Group Ltd., Total Jade Group Ltd., VIP Infrastructure Holdings Pte. Ltd., Purefoods International Limited ("PFIL NA") and AI North America, Inc. Prior to joining Ayala, he was Globe's Chief Commercial Officer ("CCO"). As CCO, Mr. de Larrazabal oversaw the integration and execution of Globe's strategies across all commercial units, including marketing, sales and channels, and product development for all segments of business. He joined Globe in June 2006 as Head of the Treasury Division. He became Globe's Chief Finance Officer in April 2010 then Chief Commercial Officer in November 2015. He had over two decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations. Prior to joining Globe, he held such positions as Vice President and CFO of Marsman Drysdale Corp., Vice President and Head of the Consumer Sector of JP Morgan, Hong Kong, and Senior Vice President and CFO of San Miguel Corp. He holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University.

EDGAR O. CHUA
Lead Independent Director

Edgar O. Chua, Filipino, 65, has been an Independent Director of IMI since April 2014 and its Lead Independent Director since August 16, 2017. He is currently an Independent Director of Metropolitan Bank and Trust Company, a publicly listed company, Energy Development Corp., Philcement and PHINMA Corp. He is also in the advisory boards of Mitsubishi Motors Philippines Corp. and Coca Cola Bottlers Corp. He is the Chief Executive Officer of Amber Kinetics Philippines. He is the Chairman of the Makati Business Club, College of Saint Benilde, University of St. La Salle Bacolod, and the Philippine Eagle Foundation. He is also President of De La Salle Philippines. He is also a trustee of various civic and business organizations. He was the Country Chairman of the Shell Companies in the Philippines from September 2003 to October 2016. He had corporate responsibility for the various Shell companies in the exploration, manufacturing, and marketing sector of the petroleum business. Likewise, he also oversaw the Shared Services operations and various Shell holding companies. Outside the Philippines, he held senior positions as Transport Analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia. Mr. Chua earned his Bachelor of Science Degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminar and courses including the senior management course in INSEAD, France.

SHERISA P. NUESA
Independent Director

Sherisa P. Nuesa, Filipino, 67, has been an Independent Director of IMI since April 2018. Currently, she is an Independent Director of the other publicly listed companies of the Ayala Group, namely Manila Water Company, Inc., AC Energy Corp. (formerly AC Energy Philippines, Inc.), and Ayala Land, Inc.; She is a Director of Far Eastern University, also publicly listed company. She is also an Independent Director of FERN Realty Corp. She is a Senior Adviser to the Boards of Metro Retail Stores Group, Inc. and Vicsal Development Corp. She is a member of the boards of trustees of the Judicial Reform Initiative, and the Financial Executives (FINEX) Institute Foundation. She was the President and Director of the ALFM Mutual Funds Group and Trustee of the Institute of Corporate Directors from 2012 to early 2021. In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and has been active in speaking and lecturing engagements. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corp. and served in various capacities in Ayala Corp., Ayala Land, Inc., and Manila Water Company, Inc. She was awarded the ING-FINEX CFO of the Year for 2008. She received a Master in Business Administration degree from the Ateneo Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and in Stanford University. She graduated summa cum laude with a degree of Bachelor of Science in Commerce from the Far Eastern University in 1974. She is a Certified Public Accountant.

HIROSHI NISHIMURA
Independent Director

Hiroshi Nishimura, Japanese, 69, has been an Independent Director of IMI since June 17, 2020. He served as an Independent Director of the company from April 2010 to April 15, 2020. He is the Chairman and President of Linkwest International Consultancy Services, Inc. He also serves as the Executive Vice President of All Purpose Appliances & Multi-Products, Inc. He served as President of Panasonic Communications Philippines Corp. (PCP), formerly known as Kyushu Matsushita Electronics Philippines (PKME), from 2000-2007. He is not a director of any publicly listed company in the Philippines other than IMI. He finished a degree in Electronics Engineering Course at Kurame University in 1976.

MANAGEMENT COMMITTEE

Arthur R. Tan
Chief Executive Officer

Jerome S. Tan
President

Mary Ann S. Natividad
Chief Commercial Officer

Nick Davey
Chief Technology Officer

Eric De Candido
Chief Operations Officer

Ernest Ang
Chief Procurement Officer

Rosalyn O. Tesoro
Chief Information Officer

Laurice S. Dela Cruz
Chief Finance Officer (OIC)

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

MANAGEMENT TEAM

OPERATIONS GROUP

PHILIPPINES
Andrew C. Carreon

CHINA
Joselito S. Bantatua

MEXICO
Thomas Caveneget

EUROPE
Eric de Candido (OIC)

GLOBAL INDUSTRIAL EXCELLENCE
Lionel Clouet

GLOBAL QUALITY
Onur Bayulgen

GLOBAL NPI
Paul Tomlinson

GLOBAL MANUFACTURING SOLUTIONS
Jawaharlal K. Milanes

SINGAPORE
Jerome S. Tan

USA
Timothy Patterson

COMMERCIAL BUSINESS UNITS

Mobility
Thibaut de Vaureix

Power Module
Jean Marc Renard

Industrial
Adriaan Dick Glimmerveen

Camera
John Roderick Javate

TECHNOLOGY & INNOVATION GROUP

Lucrecio B. Mendoza

SUPPORT GROUP

FINANCE
Anthony Raymond P. Rodriguez
Imelda Oei

SALES
Otsubo Atsushi (Japan)
Julien Fournial (Europe)
Qing Cheng Ren
Ma. Alicia Carla G. Buencamino
Mike Greenlee

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

FACILITIES
Marcelino Sin

PSi Technologies, Inc.

Andrew Carreon
Blesilda Santiago

VIA OPTRONICS

Jürgen Eichner

STI

David Taylor

BEYOND ESG & SUSTAINABILITY

"IMI has always been in the forefront of pioneering ESG values. With our aim to be the catalyst of sustainable manufacturing solutions while partnering with the world's top brands and products, we remain committed to to reach carbon neutrality for all our sites and factories. Our continuing support for the TCFD initiatives is a natural path for us to take and uphold."

Arthur R. Tan
CEO

TCFD ADOPTION

As a public company, we recognize the value of global standards for corporate disclosure. We joined the network of supporters of Task Force on Climate-Related Financial Disclosure (TCFD) in January 2021 to promote a more resilient financial system through climate-related disclosure.

TCFD was setup by the G20's Financial Stability Board in 2015 with the goal of developing voluntary and consistent climate-related financial risk disclosure which can be adopted by companies to help inform investors, lenders, the market, and other members of the public to understand material risk related to climate change.

As we continue with our TCFD journey, we will be guided by the Task Force's recommendations which involve four thematic areas: governance, strategy, risk management, and metrics and targets, where there are eleven adoptable recommendations which take into account physical and transition risks associated with climate change. By committing to this framework with focus on financial materiality, we hope to make the quality of information valuable to investors.

"As we continue with our TCFD journey, we will be guided by the Task Force's recommendations which involve four thematic areas: governance, strategy, risk management, and metrics and targets, where there are eleven adoptable recommendations which take into account physical and transition risks associated with climate change."

Environment is key and affects our entire existence.

TCFD – Roadmap Status

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

Disclosures are preset

On-going development

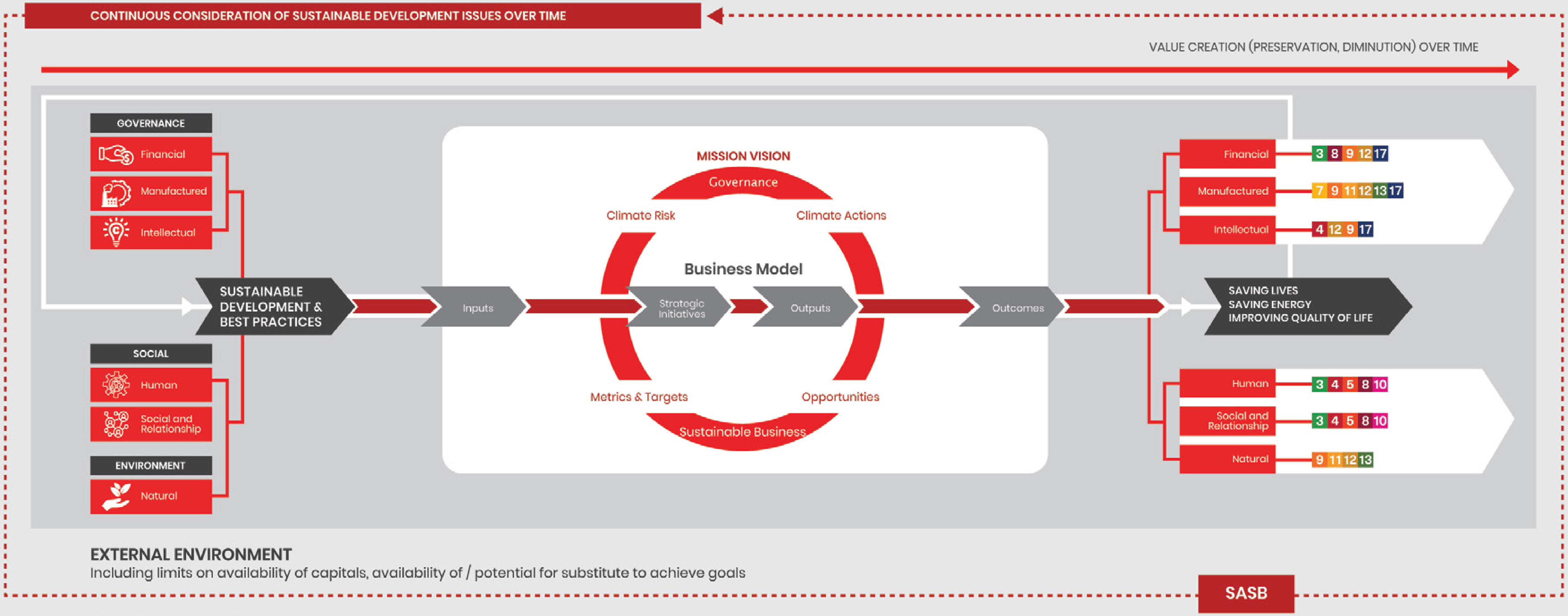
Needs significant Enhancing

OUR INTEGRATED VALUE CHAIN

Our management team provides a streamlined range of corporate functions while actively strengthening our portfolio and seeking synergy opportunities among our stakeholders.

We always ensure that we have an effective process in planning, implementing, and managing the flow of goods, services, and information along our integrated value chain.

ALIGNING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG) WITH THE VALUE CREATION PROCESS & INCORPORATING TCFD IN OUR JOURNEY TO NET-ZERO



IMI SDG COMMITMENTS

HOW WE CREATE AND SHARE VALUE

<table>
<tr><th>SIX VALUE CREATING CAPITALS</th><th>KEY INPUTS</th><th>STRATEGIC INITIATIVE</th><th>OUTPUTS</th><th>OUTCOMES</th><th>MANAGING RISK</th><th>TAKING ADVANTAGE OF OPPORTUNITIES</th></tr>
<tr>
<td>FINANCIAL CAPITAL</td>
<td>We remain resolutely committed to our disciplined approach to capital allocation and to maintaing a robust balance sheet.
• Market capitalization of PHP18.6 billion (US$365.2 million)
• Current ratio of 1.54:1
• Debt-to-equity ratio of 0.41:1</td>
<td>Manage working capital in line with our focus on cash flow management and ensure that the company is using its financial resources effectively and efficiently.</td>
<td><table><tr><th></th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Revenue</td><td>$1.30B</td><td>$1.14B</td><td>$1.25B</td></tr><tr><td>Net Income/(Loss)</td><td>($10.6M)</td><td>($2.5M)</td><td>($7.8M)</td></tr><tr><td>Debt-to-Equity</td><td>0.69</td><td>0.41</td><td>0.55</td></tr><tr><td>Bank Borrowings</td><td>$317.3</td><td>$240.8</td><td>$268.5</td></tr><tr><td>Earnings/(Loss) per Share</td><td>($0.005)</td><td>($0.002)</td><td>($0.004)</td></tr><tr><td>Return on Equity</td><td>-2.5%</td><td>-0.8%</td><td>-2.0%</td></tr></table></td>
<td>We improve financial leverage and profitability to raise returns to shareholders and investors.</td>
<td rowspan="6">We define risk as effect of uncertainty on IMI goals and objectives. Our Enterprise Risk Management principles, framework, and process ensure efficient, effective, and consistent risk management that helps create and protect value, improve performance, encourage innovation, climate action, environmental stewardship, and support achievement of objectives.

Our enterprise-wide approach recognizes that management of risk is not just implementing appropriate control and mitigation on negative risks but also identify potential opportunities.

In 2021 as we began our journey to adopting the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD), we have incorporate climate-related risks and opportunities into our risk management framework.</td>
<td rowspan="6">• Regional manufacturing
• Convergence of key market segments like mobility, connectivity, and smart energy
• Focus on sustainable cost reduction programs
• Rising importance of sustainability in operations and business environment
• Emergence of new players in traditional and emerging market
• Products and services with strong focus on risks and opportunities related to transition to lower-carbon economy</td>
</tr>
<tr>
<td>MANUFACTURED CAPITAL</td>
<td>We continue with our disciplined capital investments as well as maximum utilization of existing capacity.
• 21 manufacturing plants across ten countries
- Capital expenditure of PHP18.6 billion (US$365.2 million) in 2021</td>
<td>Embed sustainability and quality in all operations through principles of Lean Manufacturing and Industrial Excellence.</td>
<td><table><tr><th></th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Total Assets</td><td>1.12B</td><td>$1.13B</td><td>$1.10B</td></tr><tr><td>Capital Expenditure</td><td>31.0M</td><td>$18.7M</td><td>$38.8M</td></tr><tr><td>Depreciation and Amortization</td><td>$59.4M</td><td>$55.4M</td><td>$48.7M</td></tr></table></td>
<td>Customer satisfaction forms the basis of reputation and trust.</td>
</tr>
<tr>
<td>INTELLECTUAL CAPITAL</td>
<td>We leverage on our extensive experience and know-how in technologies to deliver higher value to our partners.
• Our considerable resources for product design and development and engineering provide leading service offerings to our customers
• Our technology teams provide innovation and product solutions across all customer-focused units</td>
<td>Technical collaboration to co-develop with customers and industry experience to move toward higher box build value add services.</td>
<td><table><tr><th></th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Number of engineers and technicians</td><td>2,400</td><td>2,767</td><td>2,594</td></tr><tr><td>Indirect labor costs</td><td>$76.7</td><td>$75.2M</td><td>$74.5M</td></tr></table></td>
<td>Innovative product solutions demonstrate the ability to create and capture sustainable and profitable value.</td>
</tr>
<tr>
<td>HUMAN CAPITAL</td>
<td>We exercise fair and beneficial practices toward labor and community where it conducts its business. IMI takes care of the well-being of the corporate, labor, and other stakeholders' interests.
• Global workforce
• Skills and competencies
• Work arrangements</td>
<td>Continuous and timely implementation of health and safety measures, virtual support solutions, and E-learning platforms for learning and development.</td>
<td><table><tr><th></th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Salaries, wages, and benefits</td><td>$250.1M</td><td>$215.6M</td><td>$226.8M</td></tr><tr><td>Total Training hours</td><td>837K</td><td>851K</td><td>1.2M</td></tr><tr><td>Safe man hours</td><td>32M</td><td>39M</td><td>44.7M</td></tr></table></td>
<td>Employee competence adds value to the organization through unique skills that increase the quality of the organizational operations.</td>
</tr>
<tr>
<td>SOCIAL AND RELATIONSHIP CAPITAL</td>
<td>We strengthen our shared values and commitments to further support our partners and communities around us.
• Partnership with more than 300 customers and over 200 major suppliers
• Engagement and collaboration with governments, academe, stakeholders, investors, and communities</td>
<td>Ensure ongoing involvement, monitoring, and measurement of progress and success from community engagements and collaborations Integration of Environmental, Social, and Governance (ESG) stewardship.</td>
<td><table><tr><th></th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Key customers with more than 15 years of tenure</td><td>20+</td><td>20+</td><td>20+</td></tr><tr><td>Major Suppliers</td><td>Over 2000</td><td>Over 200</td><td>Over 200</td></tr><tr><td>Taxes to governments</td><td>$9.7M</td><td>$9.4M</td><td>$10.2M</td></tr></table></td>
<td>Long-term and strong relationship with our customers, suppliers, and other stakeholders helps in achieving competitive advantage and enhances the organizational performance.</td>
</tr>
<tr>
<td>NATURAL CAPITAL</td>
<td>We strive to benefit the natural order or at least does not harm and minimize environmental impact. We implement sustainable environmental practices in a safe and legal manner.
• Energy
• Water
• Waste</td>
<td>Adoption of international management systems standards on environmental management systems through ISO 14001 and full support on UN SDGs. Identify climate-related risks and opportunities and assess the impact of these on the organization's business and strategy.</td>
<td><table><tr><th></th><th>2021</th><th>2020</th><th>2019</th></tr><tr><td>Direct Scope 1 GHG emission (in tons CO2e)</td><td>713</td><td>503</td><td>407</td></tr><tr><td>Indirect Scope 2 GHG emission (in '000 tons CO2e)</td><td>96</td><td>93</td><td>105</td></tr><tr><td>Indirect Scope 3 GHG emission (in '000 tons CO2e)</td><td>3.1</td><td>1.9</td><td>1.7</td></tr><tr><td>Energy consumption (in million kw/h)</td><td>144</td><td>144</td><td>163</td></tr><tr><td>Water consumption (in million m3)</td><td>1.3</td><td>1.4</td><td>1.4</td></tr><tr><td>Hazardous waste (in '000 kg)</td><td>680</td><td>611*</td><td>1,038*</td></tr></table>
Note: 2019 & 2020 Hazardous Waste was corrected*</td>
<td>Full support and compliance with sustainability initiatives of customers and regulators as regards inputs used and wastes generated addresses the increasing threat of climate change and other environmental impacts to our business and communities.</td>
</tr>
</table>

GOVERNANCE

Governance is defined in the TCFD recommendations as "a set of relationships among an organization's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organization are set, progress against performance is monitored, and results are evaluated."

During one of the outreach projects #BrigadangAyala 'Kaakay' of the group

IMI's commitment to the principles of good corporate governance embodies its continuous advocacy to create and sustain increased value for all of its stockholders and other stakeholders. The company sets forth the principles of appropriate supervision and good management and has laid the groundwork for development and implementation of value-creating activities. The company ensures accountability, fairness, and transparency on the agreed principles of governance to all stockholders and other stakeholders concerned, thereby, safeguarding their rights as well as promoting their participation in the corporate governance process.

In line with its commitment to TCFD, IMI is committed to addressing the impact it has on the climate and has been taking strategic steps to further this cause. At present, this is an evolving journey for the company while taking to heart the direction from top management to prioritize efforts on sustainability, ESG and climate action.

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

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

DEVIATIONS FROM THE CODE	EXPLANATION
Non-executive directors serving in more than five publicly listed companies	Mr. Jaime Augusto Zobel de Ayala and Mr. Fernando Zobel de Ayala both hold more than five directorships in publicly listed companies. As monitored and assessed by the Office of the Compliance Officer, this has not affected their effectivity as directors particularly in terms of time and commitment to the company. Mr. Jaime Augusto and Fernando Zobel de Ayala attended all of the BOD meetings in 2021.
Executive remuneration not disclosed on an individual basis	For executive remuneration, only the aggregate remuneration of the top five highest-paid officers is disclosed for the protection and privacy of the individual officers.
Notice of Annual and Special Shareholders' Meeting not sent at least 28 days before the meeting.	The 2021 Definitive Information Statement was distributed to stockholders on March 25, 2021, 21 calendar days before the Annual Stockholders' Meeting on April 15, 2021, in compliance with SEC's required timeline of at least 21 business days before the date of the Annual Stockholders' Meeting.

The compliance is supported by an attestation from the company's Chief Executive Officer, Compliance Officer, and the Chief Audit Executive for 2021 on the adequacy of the company's system of internal controls, risk management, compliance, and governance processes. The attestation is available on the company website.

BOARD STRUCTURE AND PROCESS

THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

Ayala Corporation (AC) has established a sustainability council which IMI is a part of. This ensures we are kept abreast of current sustainability matters concerning AC. Furthermore, as a member of the sustainability council, we are able to learn from shared experiences which is crucial given sustainability and climate change are developing subject areas with research and practical guidance constantly being produced.

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

BOARD COMPOSITION

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

BOARD DIVERSITY POLICY

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

LEAD INDEPENDENT DIRECTOR

In 2021, Mr. Edgar O. Chua was appointed Lead Independent Director by the Board. As stated in the Board's Charter, it is the lead independent director's role, among others, to act as an intermediary between the Chairman of the Board and the other Directors, when the need arises; to convene and chair the periodic meetings of the non-executive and the independent directors with the external auditor and head of internal audit, compliance and risk, as needed; and to contribute to the performance evaluation of the Chairman of the Board.

INDEPENDENT DIRECTORS

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

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

The Corporation has set a term limit of nine years in accordance with the rules set by the SEC. As of 2021, none of the independent directors have served the company for more than nine years, reckoning from 2012, in compliance with SEC Memorandum Circular No. 9, series of 2011. Moreover, none of the directors or senior management have worked for the Corporation's external auditing firm within the three years immediately preceding the date of their election or appointment.

BOARD PERFORMANCE

BOARD MEETING AND ATTENDANCE

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

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

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

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

BOARD REMUNERATION

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

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

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

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

In 2021, the following directors received gross remuneration as follows:

Non-Executive and Independent Directors	Gross Remuneration (in PhP)
Jaime Augusto Zobel de Ayala	620,000
Fernando Zobel de Ayala	620,000
Delfin L. Lazaro	700,000
Jose Ignacio A. Carlos	680,000
Rafael C. Romualdez	800,000
Alberto M. de Larrazabal*	600,00
Jose Teodoro K. Limcaoco*	160,000
Hiroshi Nishimura	720,000
Sherisa P. Nuesa	800,000
Edgar O. Chua	840,000
Diosdado P. Banatao**	300,000
TOTAL	**6,840,000**

**Mr. de Larrazabal replaced Mr. Limcaoco on April 15, 2021.*
*** Mr. Jerome Tan replaced Mr. Banatao on June 28, 2021.*

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

BOARD COMMITTEES

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

EXECUTIVE COMMITTEE

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

PERSONNEL AND COMPENSATION COMMITTEE

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

AUDIT AND RISK COMMITTEE

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

FINANCE COMMITTEE

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

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

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

RELATED PARTY TRANSACTION COMMITTEE

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

BOARD AND BOARD COMMITTEE MEMBERSHIP STOCKHOLDERS, BOARD, BOARD COMMITTEE MEETINGS, AND DIRECTORS' ATTENDANCE FOR THE YEAR ENDED DECEMBER 31, 2021

DETAILS	MEMBERSHIP AND ATTENDANCE							
	STOCKHOLDER & BOARD		BOARD COMMITTEE					
MEETINGS	AS	BOD*	EC**	ARC	FC	CGNC	RPTC	PCC
NO. OF MEETINGS	1	6	2	4	4	7	2	3
Jaime Augusto Zobel de Ayala, Non-Executive Director	C 1/1	C 6/6	-	-	-	-	-	-
Fernando Zobel de Ayala, Non-Executive Director	- 1/1	M 6/6	-	-	-	-	-	-
Arthur R. Tan, Executive Director	- 1/1	VC 6/6	C 2/2	-	-	-	-	-
Jerome S. Tan Executive Director	- 0/0	M 4/4	-	-	-	-	-	-
Delfin L. Lazaro, Non-Executive Director	- 1/1	M 6/6	-	-	C 4/4	-	-	-
Jose Ignacio A. Carlos, Non-Executive Director	- 1/1	M 6/6	-	-	-	-	-	M 3/3
Rafael C. Romualdez, Non-Executive Director	- 1/1	M 6/6	M 2/2	M 4/4	M 4/4	-	M 2/2	-
Alberto M. de Larrazabal, Non-Executive Director	- 1/1	M 5/5	-	-	M 3/3	-	M	M 1/2
Jose Teodoro K. Limcaoco,*** Non-Executive Director	- 0/0	M 1/1	M 2/2	-	M 1/1	-	M 1/1	M 1/1
Hiroshi Nishimura, Independent Director	- 1/1	M 5/6	-	-	-	M 6/7	C 2/2	-
Sherisa P. Nuesa, Independent Director	- 1/1	M 6/6	-	M 4/4	-	C 7/7	-	C 3/3
Edgar O. Chua, Independent Director	- 1/1	M 6/6	-	C 4/4	-	M 7/7	M 2/2	-
Diosdado P. Banatao**** Independent Director	- 1/1	M 2/2	-	-	-	-	-	-

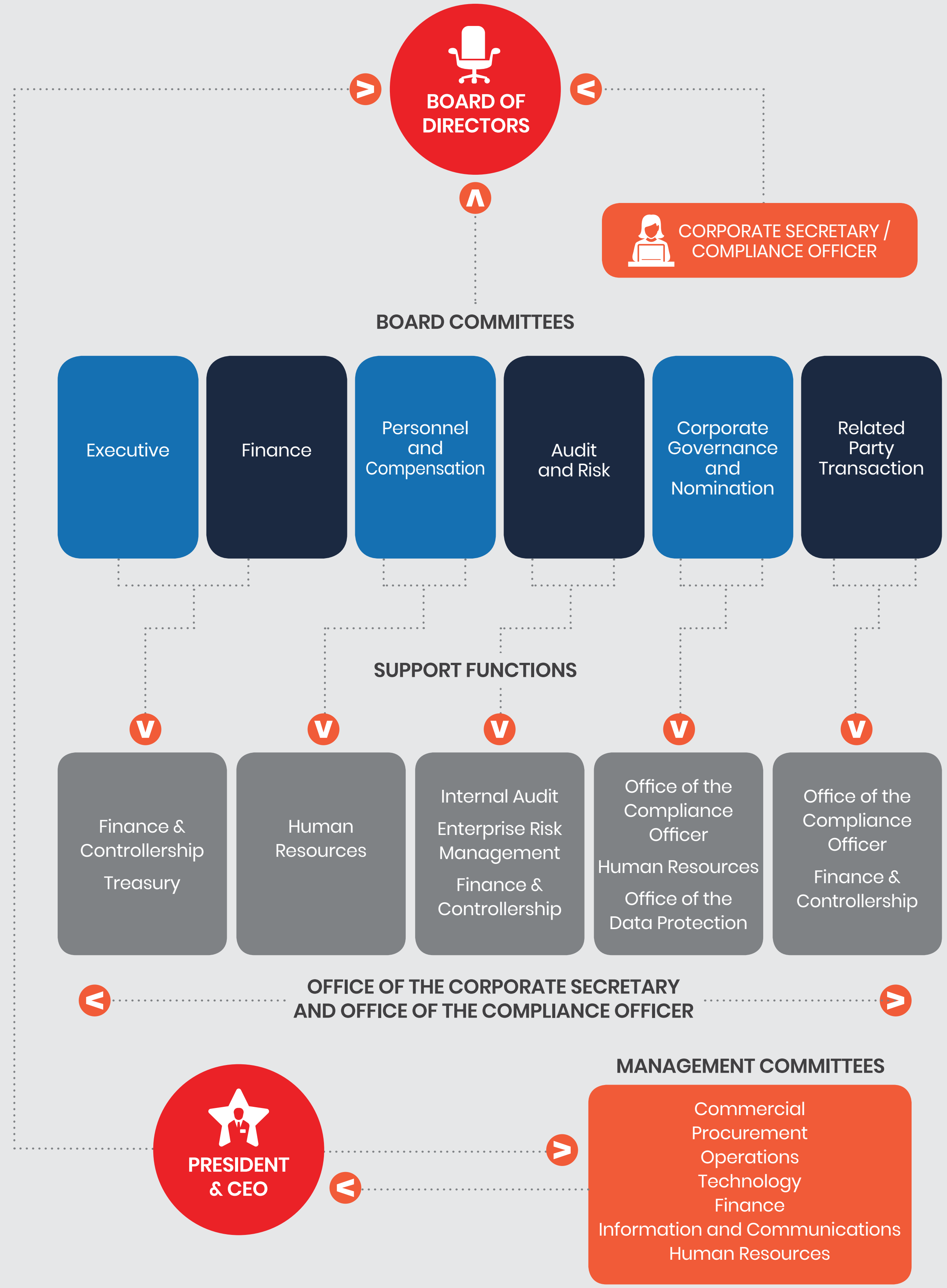
C - Chairman
VC - Vice Chairman
M - Member

*In 2021 and during the incumbency of the director.
**The actions of the Executive Committee were taken via digital/electronic means.

AS - Annual Stockholder
BOD - Board of Directors
EC - Executive Committee
ARC - Audit and Risk Committee
FC - Finance Committee
CGNC - Corporate Governance and Nomination Committee
RPTC - Related Party Transaction Committee
PCC – Personnel and Compensation Committee

*** Mr. Limcaoco was replaced by Mr. de Larrazabal on April 15, 2021.
**** Mr. Banatao was replaced by Mr. Jerome S. Tan on June 28, 2021.

BOARD STRUCTURE



PERFORMANCE ASSESSMENT

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

Each director has been requested to complete a self-assessment form that includes criteria such as: Part I: Board Effectiveness; Part II: Committee Effectiveness; Part III: Individual Effectiveness; and Part IV: President and CEO Effectiveness.

For 2021, the Board assessment survey resulted to a favorable overall perception on board effectiveness. The evaluation report also included relevant comments of the Board members that will help in enriching and improving the Board's effectiveness to carry out its responsibilities.

TRAINING OF DIRECTORS

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

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

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

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

The 2021 Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit was held on October 21, 2021 which included sessions on Sustainability (also included a segment by South Pole on climate change and net zero), Governance and Risk Management. This session provided important insight into the matter of climate change whilst also highlighting our Board's commitment to continue focusing on this matter. The session held by South Pole on climate change and net zero was particularly insightful and will have further enhanced the knowledge of our Board and Directors on this subject area. South Pole is a climate change expert and leading project developer that implements projects and strategies to reduce emissions for companies and governments.

Prior to this, the Integrated CG, RM, and Sustainability Summit conducted by the Ayala Group in collaboration with the ICD was held on November 10, 2020. These summits have been held since 2014, which reinforce our commitment to continuous education.

Corporate Governance Programs Attended in 2021

Director	Program	Training Institute	Date of Training
Jaime Augusto Zobel de Ayala (NED), Chairman of the Board Arthur R. Tan (ED), Vice Chairman of the Board and CEO Jerome S. Tan (ED), President Fernando Zobel de Ayala (NED) Delfin L. Lazaro (NED) Alberto M. de Larrazabal (NED) Edgar O. Chua (ID) Sherisa P. Nuesa (ID) Jose Ignacio A. Carlos (NED) Rafael C. Romualdez (NED) Hiroshi Nishimura (ID)	The Board Agenda 2021: The Pathway to Recovery Through ESG (Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit)	Institute of Corporate Directors	October 21, 2021 (Through Zoom Webinars)
Jose Ignacio A. Carlos (NED)	Corporate Governance Orientation Program	Institute of Corporate Directors	December 7, 2021 (Through Zoom Webinars)

NED – Non-Executive Directors
ID – Independent Directors

MANAGEMENT OVERSIGHT

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

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

Management Committee

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

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

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

ACCOUNTABILITY AND AUDIT

EXTERNAL AUDITORS

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

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

During the Annual Stockholders' Meeting last April 15, 2021, the shareholders re-appointed Sycip Gorres Velayo & Co. (SGV & Co.) as the company's external auditor for the year 2021, with Ms. Cyril Jasmin B. Valencia as the lead engagement partner. The audit partner principally handling the company's account is rotated every five years in accordance with Securities and Exchange Commission (SEC) regulations.

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

	2021	2020	2019
Audit and Audit-related fees*	4.65	4.17	16.00
Tax fees**	-	-	-
All other fees***	0.06	0.07	0.07
TOTAL	**4.71**	**4.24**	**16.07**

In PhP Millions
**Audit and Audit-Related Fees. This category includes the audit of annual financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. The 2021 audit fees include the review of the audit work of the other independent auditors of VIA optronics amounting to PhP350,000. The 2019 audit fees include fees for the review of interim financial statements amounting to PhP11.9 million. The fees are exclusive of out-of-pocket expenses incidental to the independent auditors' work.*

***Other fees include validation of votes during Annual Stockholders' Meeting.*

GLOBAL INTERNAL AUDIT

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

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

Global IA activities conform with the International Standards for the Professional Practice of Internal Auditing and its Code of Ethics, comply with the Code of Corporate Governance for publicly listed companies, and are continuously evaluated through an independent Quality Assessment Review. In carrying out Global IA mandate, it adopts a risk-based audit approach with coverage of the most critical processes in its assurance/advisory reviews and annual internal audit plan. The internal audit plan and any changes thereto are reviewed and approved by the ARC and are reassessed quarterly to consider emerging risks, dynamic business, market, industry, and customer conditions to allow maximum and timely coverage of key risk areas.

Global IA undergoes once every five years a formal external quality assessment, with the recent review in 2019. The objectives of the assessment are to:

- assess Global IA's conformance with the International Standards for the Professional Practice of Internal Auditing and its Code of Ethics; and
- identify areas where Global IA can maximize performance and adding more value to the Corporation.

The recent assessment was conducted by Punongbayan & Araullo (P&A), independent consulting and accounting firm, and it was concluded that Global IA generally conforms to the definition of internal auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

As of 2021, the audit team has an average of 12.7 years internal audit experience with various professional qualifications, namely Certified Internal Auditor, Certified Public Accountant, Certified Information Systems Auditor, Certified Risk Manager, Certified Scrum Master, Lean Six Sigma, Verband der Automobilindustrie (VDA) 6.3 Process Audit, Qualified Persons in Industrial Regulatory Affairs (QPIRA), ISO9001 Lead Auditor and members of the Institute of Internal Auditors and Certified Public Accountants.

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

All members of the Global IA are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

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

DISCLOSURE AND TRANSPARENCY

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

OWNERSHIP STRUCTURE

As of December 31, 2021, IMI's outstanding common shares were held as follows:

Name of Shareholder and Beneficial Owner	Total Share Outstanding*	% to Total Share
AC Industrial Technology Holdings, Inc.	1,153,725,046	52.03%
Resins, Inc.	291,785,034	13.16%
Shares owned by the Public	683,052,530	30.81%
AC, ESOWN, Directors and Officers	88,730,605	4.00%
TOTAL	2,217,293,215	100.00%

**Based on the Public Ownership Report as of December 31, 2021*

RELATED PARTY TRANSACTIONS

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

The Company also complies with SEC Memorandum Circular No. 10: Rules on Material RPT for Publicly Listed Companies. The SEC-defined material RPTs cover transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the company's consolidated assets based on latest audited financial statement. The Company submitted a revised policy on material RPT in accordance with the Rule.

No RPTs classified as financial assistance to entities other than wholly owned subsidiaries were entered into in 2021. There were also no cases of noncompliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years.

POLICY ON INSIDER TRADING

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

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

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

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

CHANGES IN SHAREHOLDINGS

Reported trades in IMI securities of the directors and officers in 2021:

		Number of Shares			
	Security	As of Dec. 31, 2020	Acquired	Disposed of	As of Dec. 31, 2021
DIRECTORS					
Jaime Augusto Zobel de Ayala	Direct	100	-	-	100
Fernando Zobel de Ayala	Direct	100	-	-	100
Arthur R. Tan	Direct	1,955,452	-	-	1,955,452
	Indirect	19,268,100	-	-	19,268,100
Alberto M. de Larrazabal	Direct	100	-	-	100
Edgar O. Chua	Direct	100	-	-	100
Sherisa P. Nuesa	Direct	112,807	-	-	112,807
	Indirect	890,578	-	150,000	740,578
Jose Ignacio A. Carlos	Direct	1	-	-	1
Delfin L. Lazaro	Direct	100	-	-	100
Rafael C. Romualdez	Direct	1	-	-	1
Hiroshi Nishimura	Direct	115	-	-	115
	Indirect	712,463	-	-	712,463
Jerome S. Tan*	Indirect	2,884,733	-	-	2,884,733
OFFICERS					
Laurice S. Dela Cruz	Indirect	157,221	-	-	157,221
Eric De Candido	Indirect	-	-	-	-
Mary Ann S. Natividad	Direct	75,204	-	-	75,204
	Indirect	1,430,036	-	70,000	1,360,036
Rosalyn O. Tesoro	Indirect	19,505	-	-	19,505
Anthony Raymond P. Rodriguez*	Direct	-	-	-	-
Solomon M. Hermosura	Indirect	620,015	-	620,000	15
Rosario Carmela G. Austria	Direct	-	-	-	-
TOTAL		**28,126,731**	**-**	**840,000**	**27,286,731**

**Appointed last June 28, 2021*

WHISTLE BLOWER POLICY

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

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

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

STAKEHOLDER RELATIONS

SHAREHOLDER MEETING AND VOTING PROCEDURES

Notice of Annual Stockholders' Meetings was sent to all shareholders at least twenty-one (21) days before the meeting by adopting SEC-allowed alternative modes of distributing the notice and other meeting materials. The notice includes the agenda and a detailed explanation on the same, the allowed means of participation and voting, and sets the date, time, place for validating proxies, which must be done at least five business days prior to the meeting.

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

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

The requirements and procedure for electronic voting in absentia are included in the Notice and the Definitive Information Statements (Annex "C") which is sent to the stockholders at least 21 business days prior to the date of the meeting. The Company also provides non-controlling or minority shareholders the right to nominate candidates for board of directors and to propose items for inclusion in the meeting agenda.

DIVIDEND POLICY

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

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

SHAREHOLDER AND INVESTOR RELATIONS

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

After the release of quarterly financial results, the company management team conducts briefings for the media, investors, and credit analysts. In 2021, these briefings were done virtually through the online app Zoom.

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

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

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

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

STRATEGY

Strategy is defined in the TCFD recommendations as "an organization's desired future state. An organization's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organization's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.

In 2019, we committed to supporting the UN SDGs through IMI's Sustainability Blueprint. IMI focuses and champions SDG 9—Industry, Innovation, and Infrastructure, as well as SDG 12—Responsible Consumption and Production. By 2030, IMI envisions to achieve the following, subject to re-assessment, as we finalize our goal-setting.

- Attain an inclusive and sustainable industrialization by demonstrating manufacturing value add of US$1 billion across all IMI locations, including developing countries where IMI operate;
- Reduce CO2 (raise 2 as an exponent) emissions by 5 percent based on 2018 levels by adopting energy efficient technologies and harnessing clean energy;
- Substantially reduce waste generation through reduction of material consumption and zero out waste disposal to municipal landfills through recycling and recovery; and
- Decrease its water drawn from source by 30 percent based on 2018 levels by adopting recycling and re-use of wastewater.

IMI joined the network of supporters of the TCFD in January 2021 to promote a more resilient financial system through climate-related disclosure. TCFD adoption supports IMI's vision of being future-ready as a global technology solutions company that takes into account its responsibility as one of Ayala Corporation and AC Industrial's sustainability champions, in the manufacturing industry, in the Philippines, and across the globe. IMI reinforces its commitment to help achieve UN SDGs, and also to help mitigate the risk of climate change.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

CLIMATE RISK MODELLING

As part of our commitment to develop a comprehensive framework for quantifying and disclosing the risks and opportunities that our business faces from climate change, we have engaged with The Climate Service (TCS) to aid us in performing climate risk analytics to businesses and investors.

TCS use a Climanomics® risk analytics system which is a web-based software that provides clients with knowledge of what their risks are, where they are, and what trends they can anticipate over decades and across multiple scenarios so that they can manage these risks strategically. Using its Climanomics® platform, TCS have provided climate change property vulnerability profiling for our properties.

With multiple climate scenarios from different periods up to the year 2100, the analysis provided from the platform will help us better manage our risks, build resilience, and shape our strategies around these changes in years to come. These will particularly equip our board of directors with the necessary knowledge to make more informed decisions in light of the calculated impacts of climate change on the long-term strategies of the company.

IMPACTS OF CLIMATE-RELATED RISKS

Climate-related Risk	TCFD Cat.	Impact Factors
Environmental Laws	Transition Risk	• Climate change and environmental laws applicable to IMI's projects could have a material adverse effect on its business, financial condition or results of operations.
Natural events or other catastrophes	Physical Risk	• Natural or other catastrophes, including severe weather conditions and epidemics, pandemics, that may materially disrupt IMI's and its supplier's operations, affect its ability to complete projects.

CLIMATE-RELATED RISKS, OPPORTUNITIES, AND FINANCIAL IMPACT

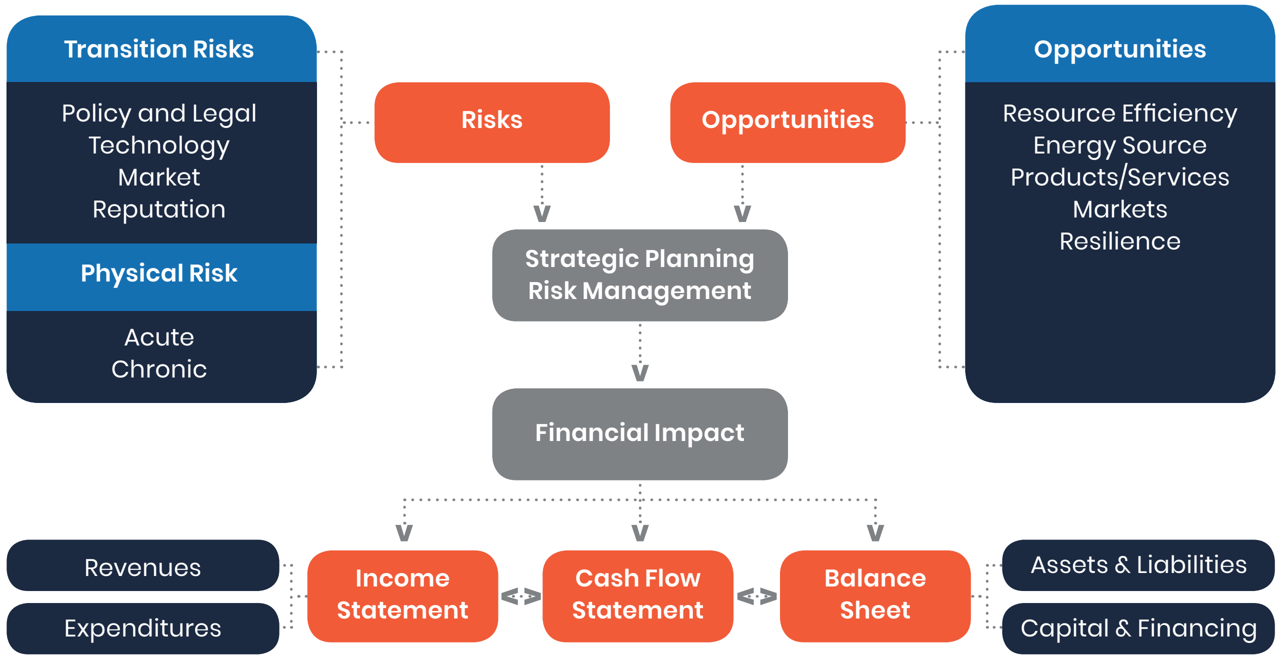


Fig xxx: TCFD Climate Risks and Opportunities

TCFD - Physical Risk Analysis

Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality, food security, and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.

TCFD – Transition Risk Analysis

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risks to organizations.

Opportunities

Efforts to mitigate and adapt to climate change also produce opportunities for organizations, for example, through resource efficiency and cost savings, the adoption of low emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates. The Task Force identified several areas of opportunity as described in the next section.

TCS CLIMATE RISK STUDY

TCS INITIAL ASSESSMENT

Based on the TCS assessment which looked into climate-related physical and transition risks, there is nothing to suggest that climate change will significantly affect IMI and its assets in an RCP 8.5 scenario by 2050. In terms of physical risk, extreme temperature change and fluvial flooding were identified as top risk, however, the probability of affecting IMI operations is low.

The assessment indicates that the opportunities for IMI in terms of products and services are significantly higher in terms of potential compared to risks. IMI will be looking to take advantage of its advanced capabilities and experience in the coming low carbon economy, and green energy technologies.

TCFD – CLIMATE RELATED RISKS

Climate Risk Summary for the 2030s

	Risk Trends at RCP 8.5		Risk Trends at RCP 4.5
	This "High Emissions" scenario assumes that no major global effort to limit greenhouse gas emissions will go into effect, leading to 4.2-5.4°C of warming by the end of the century.		This "Low Emissions" scenario implies coordinated action to limit greenhouse gas emissions to achieve a global temperature warming limit of ~2°C.
	• IMI faces the highest physical risk from **Temperature Extremes** and the highest transition risk from **Technology** in the 2030s.		• IMI faces the highest physical risk from **Temperature Extremes** and the highest transition risk from **Technology** in the 2030s.
	• **Fluvial Flooding** poses the second-highest physical risk, while **Reputation** poses the second-highest transition risk in the 2030s.		• **Fluvial Flooding** poses the second-highest physical risk, while **Carbon Pricing** poses the second-highest transition risk in the 2030s.
	• IMI faces minimal or no risk from **Tropical Cyclone**.		• IMI faces minimal or no risk from **Tropical Cyclone**.

High Medium Low

Opportunity Summary for 2030s

	Opportunity Trends at RCP 8.5		Opportunity Trends at RCP 4.5
	This "High Emissions" scenario assumes that no major global effort to limit greenhouse gas emissions will go into effect, leading to 4.2-5.4°C of warming by the end of the century.		This "Low Emissions" scenario implies coordinated action to limit greenhouse gas emissions to achieve a global temperature warming limit of ~2°C.
	• IMI opportunities for the 2030s are primarily driven by **Products and Services**.		• IMI opportunities for the 2030s are primarily driven by **Products and Services**.
	• **Energy Source** is also a significant driver of opportunity in the 2030s.		• **Energy Source** is also a significant driver of opportunity in the 2030s.
	• IMI has the lowest opportunity from **Markets**.		• IMI has the lowest opportunity from **Markets**.

High Medium Low

TAKING ACTION

As we continue our TCFD and sustainability journey, we are currently reviewing our sustainability blueprint commitments, and other metrics and targets based on the TCFD recommendations. In addition, we are also looking into feasible interventions and reduction opportunities that would help us attain our ambitions in terms of neutrality and ultimately NetZero.

IMI SUSTAINABILITY BLUEPRINT

IMI Focused SDGs

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

- Saving Lives
- Improving lives
- Saving energy

Ensure sustainable consumption and production patterns

- Reduce
- Reuse
- Recycle

PRODUCT SYSTEMS BY IMI

SAVE LIVES

Camera, ADAS Systems, Steering Systems, Safety, Security, Aerospace and Defense, Medical

IMPROVE QUALITY OF LIFE

IoT Trackers, Industrial Sensors, Telecom, Other Medical, Storage, Automated Systems

SAVE ENERGY

Power Module, Battery Management, EV Charger, Metering Systems, Power Supply, LED Lighting

IMI, YOUR GLOBAL TECHNOLOGY SOLUTIONS PARTNER

- With an extensive global footprint: 21 manufacturing plants in 10 countries
- Innovative technology and engineering orientation
- Ability to cater to diverse industries and markets with strong exposure to high growth markets i.e., automotive and industrial segments
- Sustainable – yesterday, today and tomorrow
- Committed to the continuous improvement of our Quality Management System (QMS)
- A culture of operational excellence

BUILDING CLIMATE RESILIENT STRATEGY

IMI aims to solidify its position as a catalyst and enabler for sustainability by addressing climate change internally in our processes, as well as through the products and services we deliver to our customers and the world at large.

IMI BUSINESS CONTINUITY MANAGEMENT STRATEGY REVIEW

In order to be better prepared and to improve mitigation plans for incidents such as supply chain disruption, cybersecurity and malware attacks, extreme weather, and climate change, IMI contracted Aon Global Risk Consulting (AGRC) to undertake a Business Continuity Management review of current arrangements in place within IMI and to assess its appropriateness when compared with internationally recognized best practice standards.

Overall IMI maturity across Business Continuity Management can be defined as formalized and established. The evidence shows that there is a clear know-how across senior stakeholders about Business Continuity Management and the increasing drive behind it. IMI has a strong set-up of policies and plans that are related to incident management, emergency response management and risk management.

SUPPLY CHAIN RISK MANAGEMENT (SCRM) MATURITY ASSESSMENT

In February 2021 IMI parent company, Ayala Corp & ACI requested Aon Global Risk Consulting to help define the current state of Supply Chain Risk Management (SCRM) within IMI by benchmarking current capabilities against best practice, leading to the generation of recommendations and improvements to IMI SCRM. The assessment includes ensuring effective risk management protocols are established from sourcing, through contractual agreement, to delivery and performance review.

The assessment focused on the following key supply chain management areas:

GOVERNANCE
Leadership, mandate and commitment, strategic alignment, positioning (policies), design of framework, embedding the framework

RISK MANAGEMENT
Risk identification, risk assessment and prioritization, recording and data capture (e.g. risk register), mitigation and control

ASSURANCE
Supplier selection and assessment, ongoing approved supplier assessment/supplier audit, supplier continuity management, customer relationship management, managing critical partners, risk culture, training/continuous improvement

RESILIENCE
Monitoring and review, continuous improvement, communication and consultation

SCRM maturity assessment of IMI has been undertaken using Aon's proprietary SCRM assessment model. It is based upon the core components of ISO31,000:2018, the COSO Enterprise Risk Management Integrated Framework and Aon's extensive experience in working with a global client base.

SCRM Scoring Model

The four key supply chain risk management areas (Governance, Risk Management, Assurance, and Resilience) have been broken down into subcategories, and each was assessed using Aon's maturity assessment. The maturity within the model levels are based on a one to five scale, where one represents the lowest level of maturity, and five the highest.

Maturity Levels	Level Definitions
Level 1 - Underdeveloped	No structured approach for identifying and managing supply chain risk exists
Level 2 - Formalized	Policies and procedure for supply chain risk management being established
Level 3 - Established	Supply chain risk management is implemented into routine business processes
Level 4 - Embedded	A proactive approach to the management of supply chain risk exists at all levels of the business
Level 5 - Optimised	Continuos improvement and full range and cycle of program activities accomplished

It should be noted that achievement of a Level 5 might not be appropriate for all businesses, business units or functional areas. The appropriate level is dependent on the specific activity or operating environment of each, for example highly regulated sectors would require a higher level of maturity than those that are unregulated.

SCRM Assessment Results

In relation to the sourcing and procurement risk, independent review of Aon considered an overall aggregated SCRM maturity score of 3 (Established) as providing a good level of maturity for IMI implemented at a business level. The result demonstrates IMI is implementing a high standard of SCRM that is delivering an appropriate level of protection within a challenging global context.

Resilience scored highest among all areas of SCRM, in the assessment. This is due to the robust manner in which IMI has responded to the significant impacts and challenges of the pandemic, and professionalism demonstrated by IMI.

Based on the results, IMI should be well prepared for, and able to withstand, the ongoing challenges it is experiencing in relation to supply chain risk exposure, examples of which are:

- Unstable, inconsistent, and unpredictable customer forecasting
- Inaccurate production and sales pipelines or significant change to customer requirements
- The failure of a number of single source suppliers
- Inability of some suppliers to be flexible and to provide the required volumes to IMI.

The results demonstrate that mature Risk Management capabilities exist in IMI to identify, assess, and prioritize complex supply chain risks across the organization. There is an understanding of both Enterprise Risk Management (ERM) and Business Continuity Management (BCM) and their application in protecting the business from more complex supply chain risk and risk management.

INFORMATION AND CYBER SECURITY

IMI engaged an outsourced Security Operations Centre or SOC to assist IMI on managing cyber threat detection 24x7 by 365 days. IMI received a 91 percent cyber rating from SecurityScorecard, a company that rates cybersecurity posture for corporates like IMI.

In addition, IMI received the ISO27001 certification from LRQA for IMI Philippines.

ISO 27001 is the international standard that provides the specification for information security management system or ISMS.

This standard provides an effective framework that specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining, and improving documented ISMS, covering overall business risks based on the needs of individual organizations and recommends proportionate security controls to protect information assets of an organization.

RISK MANAGEMENT

Risk management is defined in the TCFD recommendations as "a set of processes that are carried out by an organization's Board and management to support the achievement of the organization's objectives by addressing its risks and managing the combined potential impact of those risks."

Each year, IMI renews our commitment to evolving our understanding of both our impact on the environment, and how changes to the climate will affect our strategy and operation.

In 2021, as we began our journey to adopting the TCFD recommendations, we have incorporated climate-related risks and opportunities assessment into our enterprise risk management framework.

With a heightened focus on ESG, climate change, neutrality, and NetZero objectives as well as specific global events such as the COVID-19 pandemic and global warming, risk and opportunity management has rightly taken on greater focus for a broad set of stakeholders. Indeed, our ability to rapidly understand and adjust strategies, and seek new opportunities has never been more critical and consequential than it is today.

Our framework for sustainability management is the IMI Code of Conduct, adapted from the Responsible Business Alliance (RBA) Code of Conduct. It outlines the standards that we have set for ourselves to ensure that; working conditions are safe, workers are treated with respect and dignity, and manufacturing processes are all environmentally responsible. In addition, we consider factors that contribute to climate-related impacts, such as Air Emissions, Energy Consumption, and Greenhouse Gas Emission Energy.

LABOR
Treat employees with dignity and respect

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

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

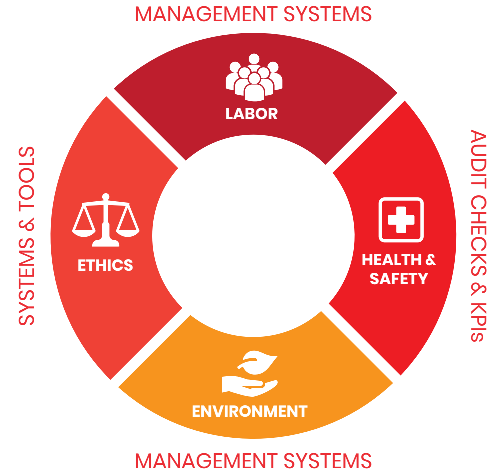
- Company Commitment
- Management Accountability and Responsibility
- Legal Customer Requirements
- Risk Assessment and Risk Management
- Improvement Objectives
- Training
- Communication
- Worker Feedback and Participation
- Audits and Assessments
- Corrective Action Process
- Documentation and Records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

HEALTH & SAFETY
Maintain a safe and healthy work environment

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

ETHICS
Uphold the highest standards

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



ENVIRONMENT
Protect the environment

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

Figure XXX: IMI Code of Conduct & Sustainability Framework

RISK MANAGEMENT POLICY AND FRAMEWORK

Our Enterprise Risk Management (ERM) Policy establishes the overall direction for the company's risk management process and practices, which includes climate risk. Guided by ISO 31000:2018 risk management principles, IMI defines a common, structured approach that governs risk management process toward value creation, and protection, improve performance, encourage innovation, and help mitigate climate change. This central framework is shown below.

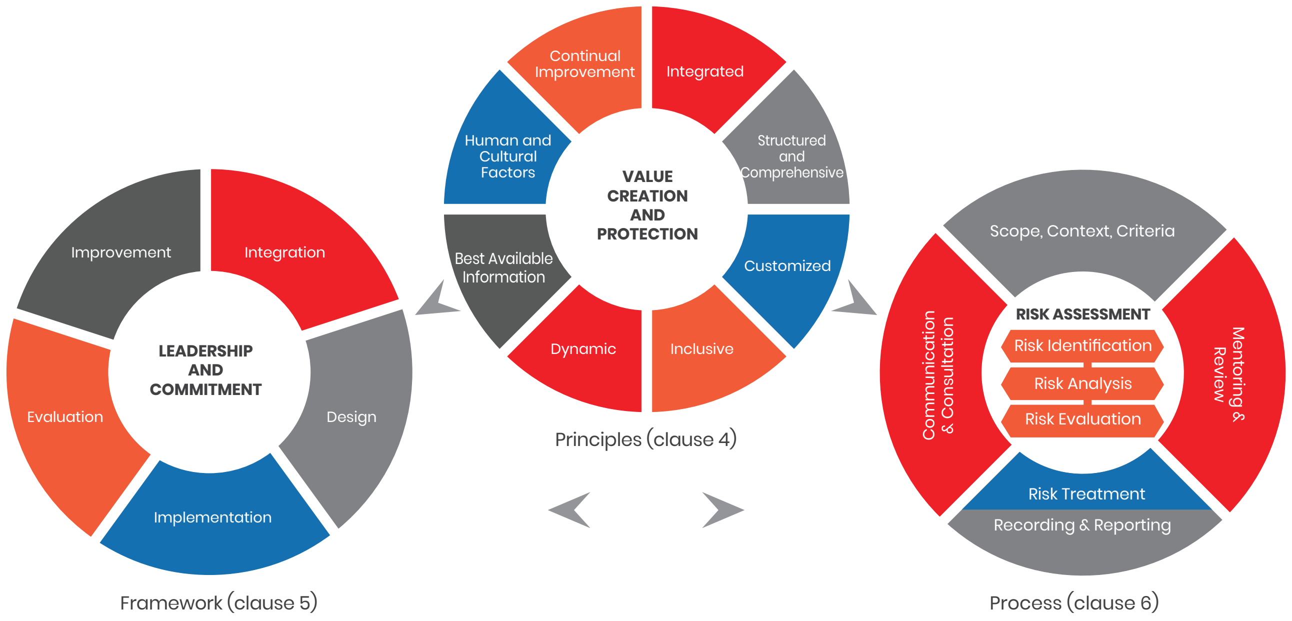


Figure XXX: ISO 31000

As part of our risk management process, we perform an annual assessment of the key risks the company faces and strategize action plans to mitigate such risks. The assessment considers, among other matters, the nature, frequency, and severity of risk factors, and the company's experience with each of the identified estimates and assumptions.

The central purpose of this approach is to provide increased awareness and understanding of current risks, as well as climate-related risks and opportunities within the company resulting in improved risk management based and informed strategic planning. Additionally, it proactively addresses investors' demand for climate-related information.

In addition to our extensive internal ISO 31000 based processes, IMI uses several external sources for considering potential climate-related risk and opportunity, these include:

- Globally recognized reporting frameworks that support how we track our climate action initiatives
- Leading scientific thought leadership
- Publicly available climate change publications and data that are both specific to our sector and those that relate to appropriately aligned sectors
- TCFD published guidance
- Our internally identified climate-related risk and opportunity profile, and our Integrated Report, and our CDP 2021 submission
- CDP reports from other manufacturing companies.

We now put added focus on improving our risk management strategy in order to increase awareness and understanding of climate-related risks and opportunities both within, and external to the company, resulting in more effective risk and opportunity management and more informed strategic planning.

TOP RISK 2021 (TOP 5)

As part of our risk management process, we perform annual assessment of the key risks that the company faces and strategize action plans to mitigate such risks. The assessment considers, among other matters, the nature, frequency, and severity of risk factors, and the company's experience with each of the identified estimates and assumptions.

OPERATIONAL – SOURCING & PROCUREMENT

As companies including IMI ramp up and raise production to pre-pandemic levels, supply chain becomes the top risk across the manufacturing industry. Component shortage, increased cost of raw materials, logistics, higher cost of freight, inventory management are some of the major areas challenged. IMI continuously coordinated sourcing efforts with customers and suppliers in order to formulate mitigating strategies for supply chain disruption. As assessed by Aon PLC, IMI is well capable and has performed well to address this risk.

We intend to work with our customers to qualify alternative suppliers from various geographic locations. We will continue to further enhance and strengthen our capabilities in data analytics which should result in improved overall efficiency in the procurement process, as well as lower component acquisition cost.

OPERATIONAL – STRATEGIC PLANNING & EXECUTION

Challenges in sourcing and procurement, capacity planning, the lingering effects of the COVID-19 pandemic, recruitment and retention, macroeconomic and geopolitical issues, as well as complications brought about by new technological demands put IMI at higher operational and strategic risk.

IMI will redefine its global value proposition by considering disruptive technology trends and utilizing analytics in tracking and analyzing data in real-time in order to predict untoward events and mitigate the impact. IMI will also establish its long-term purpose through the lens of sustainability and re-align the structure in corporate and operations to attend to specific targets and metrics.

BUSINESS RESILIENCE

COVID-19 Pandemic continues to disrupt the global economy, as well as health and safety with its new variants such as Delta and Omicron. Through 2021, IMI's Business Continuity Management System (BCMS) across all its geographies once again demonstrated maturity and decisive action through all the changes in mandates and protocols, ensuring employee safety and continuous operations.

For continuous improvement, IMI aims to expand Business Impact Analysis (BIA) for the most critical and high-risk processes and functions. This will then allow us to update and align BCMS strategies specially for identified vulnerable processes and assets.

INNOVATION AND TECHNOLOGY

Developments in technologies such as EVs, 5G, IoT, green energy, among others, present a big market opportunity and capability expansion for IMI. There is, however, a risk if IMI is unable to adapt to the challenges and required changes of these new technologies, both in terms of manpower skillset and equipment and timing of investment and acquisition. IMI has invested in D&D and continues co-designing activities with customers in order to facilitate demand for new technologies.

TALENT - RECRUITING AND RETENTION

Acquiring expertise in key technology areas of expansion in a shrinking talent pool for specialized skills and niche markets continues to be a challenge for IMI. The global pandemic has only accelerated the talent shortage and consequently creates more reason to further enhance the overall employee value proposition for better talent attraction.

What has been dubbed "The Big Quit" or "The Great Resignation" has also affected IMI in 2021. While the company's global voluntary attrition remained flat from 2020 to 2021, there has been a noticeable increase in attrition among engineers and other roles with specialized skills. IMI then conducted a compensation review and alignment with the market to address this. A broader review of compensation structures and benefit programs is also underway to align with market and industry standards.

As we face further challenges on talent shortages and talent attrition, it has prompted IMI to strengthen its inward focus — internal mobility, upskilling and reskilling existing employees. IMI has also adopted flexible work arrangements for specific roles. The company aims to establish its position as employer of choice in EMS through an enhanced employee value proposition.

Hazardous waste management at IMI Philippines

MOVING OUR CLIMATE-RELATED RISK MANAGEMENT FORWARD

In addition to assessing priority risks, IMI identifies emerging risks. In the last two years, climate change has been identified as an emerging risk. This means the trending of the climate-related risks and opportunities identified in this report will be regularly monitored by IMI to ensure the adequacy of mitigating actions. As such, additional focus will be placed on how this risk impacts the company.

The core focus of IMI's Climate Strategy is in both value creation and protection. We aim to improve our performance, encourage innovation, and support the achievement of our key objectives whilst remaining cognizant of our climate-related goals and ambitions. We see this as part of our core journey, and not as an additional or external factor. Our business resilience strategy, as materialized through our Business Continuity Systems, seeks to reflect and respond to IMI's climate risk and opportunity profile to ensure the long-term protection of our key assets and processes.

Across IMI, our climate-related risk management processes and control framework reflect our deep commitment to integrity, transparency, and governance for sustainable and resilient operations. These factors are the fundamental foundation upon which we confidently set our climate-related goals and ambitions.

Our climate-related operating standard considers the company's size, risk and opportunity profile, and complexity/diversity of our operations to ensure the adequacy and effectiveness of our approach. Moreover, it is also embodied in IMI's management oversight, and control culture and activities that help identify, evaluate, mitigate, and monitor key climate-related risk exposures.

Fire drill at IMI Chengdu, China

METRICS AND TARGETS

Metrics and targets are used to assess and manage material climate-related risks and opportunities. The TCFD recommends that organizations disclose the metrics and targets they use to assess and monitor climate-related risks and opportunities, including their Scope 1, 2 and, if appropriate, 3 emissions.

In line with the metrics & targets pillar, we provide the key metrics used by our company to measure and manage climate-related risks and opportunities. As such, we have included metrics on climate-related risks associated with waste management (hazardous, non-hazardous recycled and non-hazardous residual), energy consumption (electricity and water) and global greenhouse gas emissions (scope 1, 2 and 3) which we deem relevant and applicable. In order to allow for historic trend and regional (Asia, Europe and the US) level analysis, the metrics disclosed provide data over a three-year time horizon.

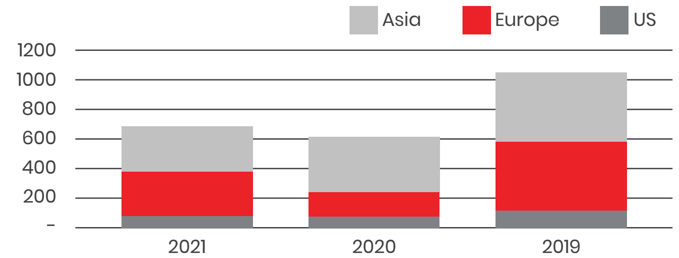
WASTE MANAGEMENT

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

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

WASTE MANAGEMENT - Hazardous

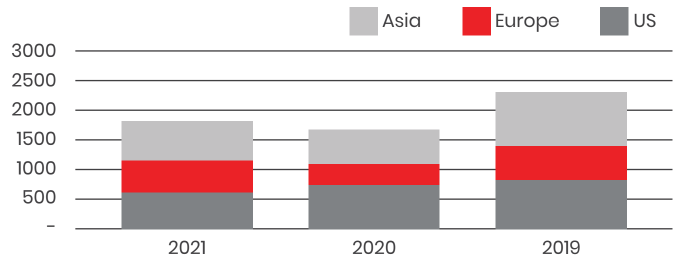
(in '000 kg)	2021	2020	2019
Asia	298	348	452
Europe	299	183	451
US	83	80	135
TOTAL	**680**	**611**	**1,038**



Whilst an increase in hazardous waste management was experienced in 2019, this was followed by a marked decrease in 2020. All three regions follow a similar pattern. The businesses in Asia contribute most followed by our European and US businesses.

WASTE MANAGEMENT - Non-Hazardous RECYCLED

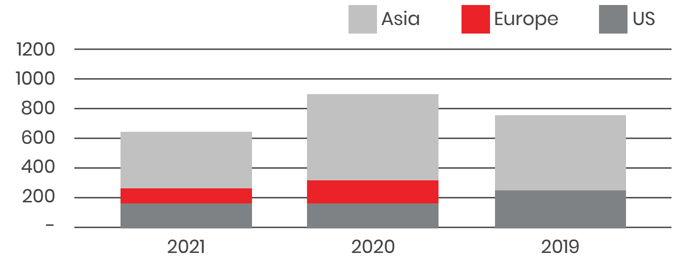
(in '000 kg)	2021	2020	2019
Asia	595	532	851
Europe	535	351	533
US	696	784	831
TOTAL	**1,826**	**1,667**	**2,215**



A gradual decline has been experienced annually since 2018. A similar pattern is seen in Asia and Europe. In the US, although there is a decrease in 2020 relative to 2019, the 2020 level is higher than that of 2018.

WASTE MANAGEMENT - Non-Hazardous RESIDUAL

(in "000 kg)	2021	2020	2019
Asia	390	615	488
Europe	71	124	14
US	182	178	269
TOTAL	**643**	**917**	**770**

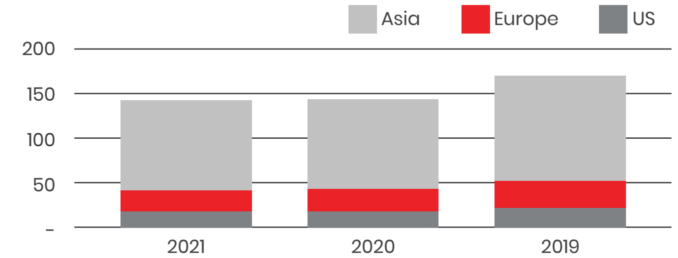


Note: Hazardous, non-hazardous recycled, and non-hazardous residual [Asia and Europe (2018 and 2019)] - 2019 Germany and VTS Japan no data of waste management 2020 data excluding VIA Germany, VIA China and VTS Japan.

A steady increase has been experienced in Asia and Europe. This is in contrast to the US which did initially see an increase in 2019 before retreating in 2020 to a level lower than that in 2018.

ENERGY CONSUMPTION - Electricity

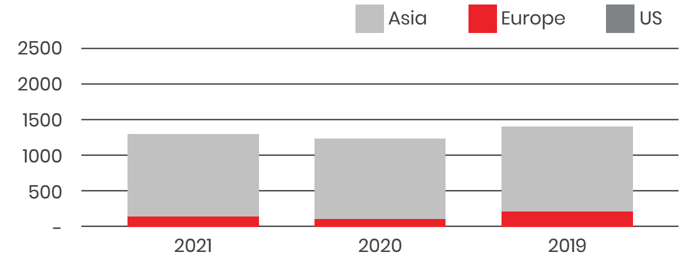
(in million kw/h)	2021	2020	2019
Asia	103	100	116
Europe	23	26	28
US	18	17	19
TOTAL	**144**	**144**	**163**



Electricity consumption has decreased in Asia and only slightly increased in Europe. Electricity consumption has stayed flat in the US over the last three years.

ENERGY CONSUMPTION - Water

(in "000 m3)	2021	2020	2019
Asia	1,214	1,244	1, 223
Europe	126	96	200
US	12	20	24
TOTAL	**1,352**	**1,360**	**1, 447**



Note: Water 2019 - 2019 Germany no data of water consumption 2020 electricity and water consumption excluding VIA Germany, VIA China and VTS Japan.

A steady increase has been experienced in Asia and Europe. This is in contrast to the US which did initially see an increase in 2019 before retreating in 2020 to a level lower than that in 2018.

GHG METRICS

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

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

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

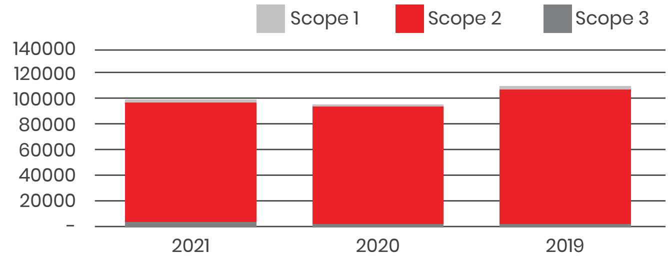
Scope 3 Emissions
Represent all other indirect emissions that occur within the value chain of a company.

The previous section focused on disclosing various metrics that assessed the company's current and historic performance. Here we hone into GHG emissions (providing scope 1, 2 and 3 emissions data) and detail the methods used to derive these calculations.

The following charts present IMI's own production of GHG emissions between 2018 and 2020:

SUMMARY OF GHG EMISSIONS

(in tCO2e)	2021	2020	2019
Scope 1	712	503	406
Scope 2	95,835	93,294	105,025
Scope 3	3,068	1,943	1,722

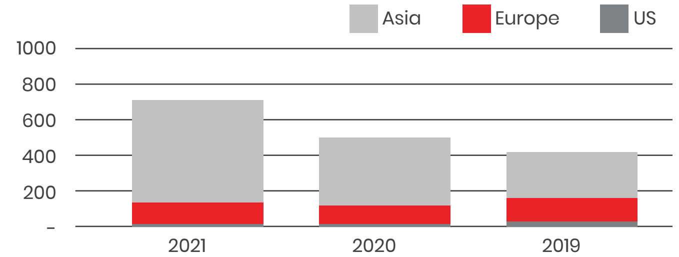


Scope 1, 2 & 3 increase in 2021 is due to increase in production and manufacturing activity compared to 2020. Scope 2 emissions account for the largest share in emissions produced by some margin. Although, we note there has been a gradual decrease in this annually since 2018. Scope 1 and 2 emissions have been increasing annually since 2018.

We provide further granular data on scope 1, 2 and 3 emissions at a regional level below.

Greenhouse Gas Emissions - Scope 1

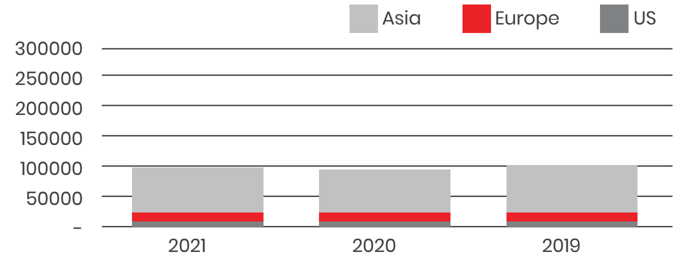
(in tCO2e)	2021	2020	2019
Asia	547	363	213
Europe	139	111	158
US	26	29	35
TOTAL	**712**	**503**	**406**



Asia is the largest contributor of scope 1 emissions and whilst there was a decrease in levels in 2019 (relative to 2018), there was a notable increase in 2020 (exceeding 2018 levels). An increase in emission levels were experienced in Europe and the US between 2018 and 2019 before a drop was seen in 2020.

Greenhouse Gas Emissions - Scope 2

(in tCO2e)	2021	2020	2019
Asia	73,689	70,954	81,105
Europe	14,004	14,443	15,228
US	8,141	7,898	8,692
TOTAL	**95,835**	**93,294**	**105,025**

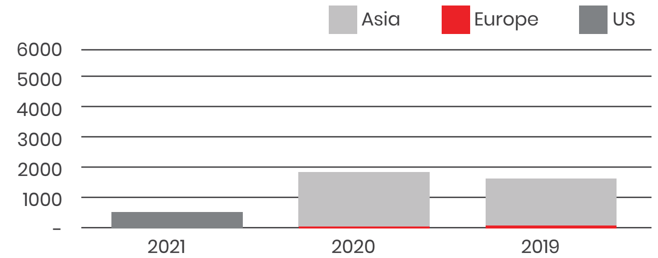


Asia is the biggest contributor of scope 2 emissions followed by Europe and then the US. In all three regions, whilst there was an initial increase in scope 2 levels in 2019, this was followed by a decrease in levels in 2020.

Greenhouse Gas Emissions - Scope 3

(in tCO2e)	2021	2020	2019
Asia	2,484	1,854	1,586
Europe	81	90	136
US	502	0	0
TOTAL	**3,068**	**1,943**	**1,722**

Note: 2019 data includes VIA Germany, VIA China, and VTS Japan



Asia is the largest contributor of scope 3 emissions and has seen an annual increase since 2018. In Europe, we note an increase between 2018 and 2019 before a drop in 2020.

As a company, we have been reporting on GHG emissions and other GRI metrics since 2010. The next stage in our development is to focus on establishing annual and milestone targets.

TARGETS

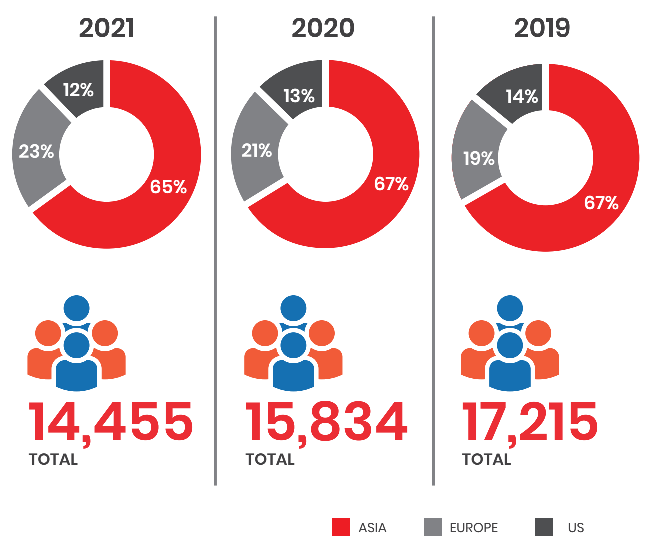
Committing to Net Zero by 2050 is a principal target of IMI and demonstrates the Board's commitment and resolve to addressing the risks and opportunities associated with climate change.

We have committed to a number of targets which are based on the Sustainability Blueprint 2030 Journey which started in 2018. Our targets are based on GHG emissions, Waste Management, Water Management, and Manufacturing Value Add. The current performance on these metrics need to be reviewed, which can then be adjusted, added to or removed to align to our Net Zero target by 2050.

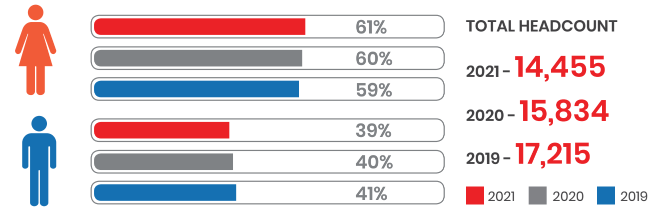
We acknowledge we are at the start of our journey on addressing the risks and opportunities associated with climate change with work still needing to be done around our targets. We are, however, moving in the right direction with the support provided by our CEO and President.

OTHER ESG METRICS

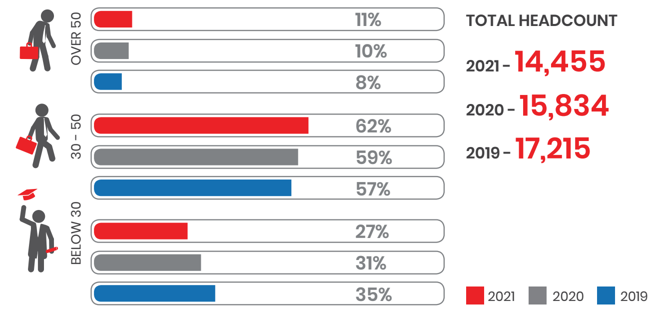
IMI GROUP HUMAN CAPITAL



GENDER DIVERSITY (BY GENDER)*



WORKFORCE DIVERSITY (BY AGE)*



Note: Total Headcount excluding VIA Germany, VIA Suzhou, and VTS Japan at 13,634

IMI EMPLOYEE ENGAGEMENT SCORE

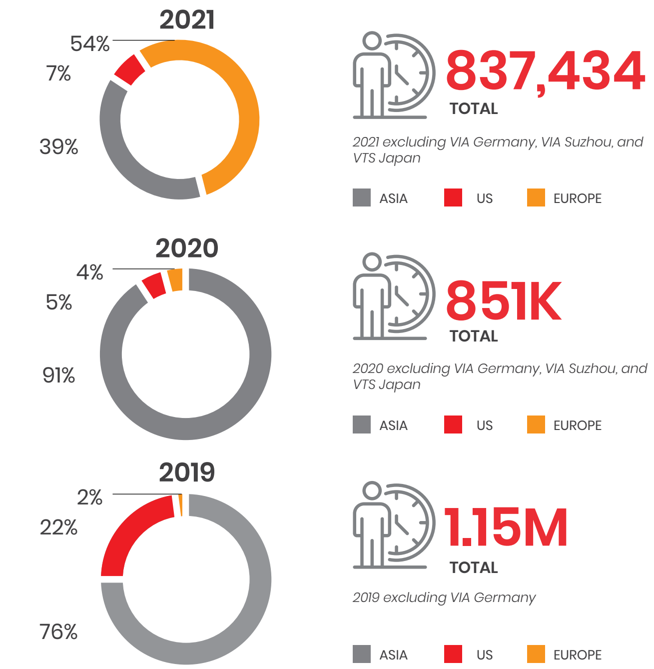
94%

91% Ayala Norm

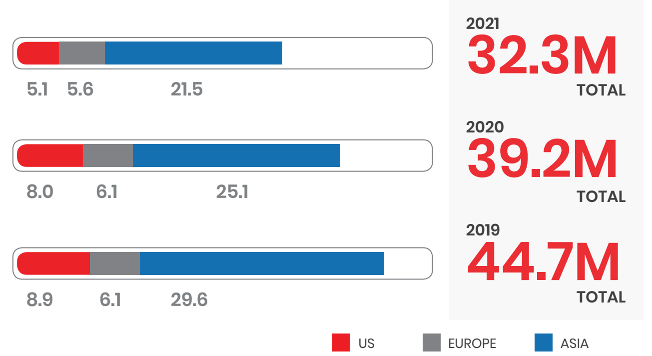
88% Global & PH Norm

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

GLOBAL TRAINING HOURS



SAFE MAN HOURS
(IN MILLIONS)



2020 and 2021 data excluding VIA Germany, VIA Suzhou, and VTS Japan

SASB INDEX - SUSTAINABILITY ISSUES & TOPICS FOR EMS MANUFACTURING

MATERIAL TOPICS	ACCOUNTING METRICS	SDGS	PAGE NUMBER (S)
Environment	• GHG Emissions • Air Quality • Energy Management • Water Management • Waste & Hazardous Materials • Ecological Impact	6, 11, 12, 13, 14, 15	67 - 69
Human Capital	• Labor Practices • Employee Health & Safety • Employee Engagement, Diversity & Inclusion	1, 2, 5, 8, 10, 11	70 72 – 75
Business Model & Innovation	• Product Design & Life Cycle Management • Business Model Resilience • Supply Chain Management • Materials & Resource Efficiency • Physical Impact of Climate Change	9, 11, 12, 13, 17	38 – 70
Leadership & Governance	• Business Ethics • Competitive Behavior • Management of Legal & Regulatory Requirements • Critical Incident Risk Management • Systemic Risk Management	9, 10, 11, 12, 13, 16, 17	38 – 66

STAKEHOLDER ENGAGEMENT

Our commitment to our stakeholders and the global community remains -- evident in our dedication to further achieve good governance, constantly striving to be responsible corporate citizens and continuously provide positive contribution to society.

ManCom Attending a Virtual Event - Service Awards 2021

IMI Bulgaria - Loyalty Awardees

With AC Industrials Management team

IMI Philippines - Community Outreach Relief Distribution

As a global multinational company crossing boundaries and borders we remain dedicated to our people with various operational needs that call for customized programs while skillfully implementing our global IMI HR strategies.

BULGARIA
- Annual Service Awards
- Employee Engagement Survey (3.73/5 Engagement Score)
- Dual Education Partnership Agreement w/ Vocational High School of Engineering & Management, Botevgrad; 18 students
- Recommended in-house leave submission application
- Engagement Program (e.g. 2nd online Christmas competition)

CHINA
- Epidemic control, 0 case in IMI-CN
- "Less People Better Pay" implemented in IMI-JX

CZECH REPUBLIC
- 30th year founding anniversary celebrations (10 years with IMI)
- Recruitment of SPs/Key Talents

MEXICO
- DL's Induction - 2nd Place in IPS Global Convention's Administrative Optimization Category (104K USD savings)
- Internal Talent Mobility - 54.2% open positions covered with internal candidates
- Leadership Training for Middle Managers

PHILIPPINES
- IMI Heroes & Service Awards
- People Engagement Programs
- IMI-PH Employees' FB Page
- Virtual Livelihood & CSR
- Medical Programs
- SEED Program

SERBIA
- Among the Top 5 Most Recognizable Employers in the country by a leading online recruitment site
- Employee Engagement Survey (4.35/5 Engagement Score)
- 1st Year, Project Leader Academy
- 1st year, Internship Program
- Official partner of Science and Technology Park Nis


IMI China - Outstanding Employee Awardees


IMI Serbia - Green Experts


IMI Kuichong – Annual Medical Checkup


IMI Serbia - Sports Program


IMI Mexico – Christmas School Outreach Program


IMI Malaysia – Christmas activity with families


IMI Bulgaria – Fun Run activity with COO Eric Decandido (center)


IMI Singapore - Virtual Christmas Party

FINANCIAL STATEMENTS

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF 2021 PERFORMANCE

Revenues

We anticipated 2021 to be a recovery year. However, component shortages and supply chain disruptions started to surface in late 2020 which resulted to backlogs across our key business segments.

As a result, IMI posted consolidated full year 2021 revenues of US$1.3 billion, 15% growth compared to the previous year. Despite supply chain constraints spanning the entire year, IMI delivered better performance from a year ago due to strong customer demand for electronic products. Focus market segments automotive (+24%), industrial (+16%), and aerospace (+15%) all grew year-on-year.

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

Business opportunities and customer demand also remained very strong. Through rigorous collaboration with customers and suppliers, our order bookings edged higher and we continued to build our pipeline by winning projects that should allow the Group to improve performance as soon as the supply chain finds its balance. Specifically, our sales teams booked a total of US$356 million of annual revenue potential in 2021, an increase of 52% from 2020.

Gross Margins and Net Profits

Our full year gross profit of US$90.8 million declined 6% versus 2020 (GP% of 7.0% vs 8.5% in the previous year) as the challenging business environment faced highly elevated shipping logistic expenses caused by widespread port congestions and shipping container shortages. These challenges hindered international operations, as well as increased material and labor costs. The component shortage also resulted to labor inefficiencies and low utilization.

Accordingly, we posted a net loss of US$10.6 million in 2021 from a net loss of US$3.5 million in 2020. While we still benefitted from prior year's cost reduction during the first half, the continuous impact of shortage on material prices and freight, and rising COVID Delta cases towards the second half of the year has pushed back the recovery timeline. This was coupled by mandated salary wage increases in some regions and people costs adjustments to address manpower attrition. Within our non wholly-owned subsidiaries, increased technology-related investments and operating expenses were also incurred during the second half of the year. Losses were, however, tempered by beneficial foreign exchange position, financial subsidies, mark-to-market gains and reversal of impairment losses.

Financial Condition

Despite the current market situation, we continued investing on capital expenditure for further space utilization and line upgrades to ensure readiness for capacity expansion when the supply issues begin to resolve. In 2021, IMI spent US$31.0 million on capital expenditures, higher than prior year's US$18.7 million, to purchase machineries for new projects and maintenance of existing facilities.

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

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

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

- All the Audit and Risk Committee members are non-executive directors, with majority being independent directors, including the Chairman;
- We had four (4) regular meetings held virtually during the year with all the members present. We met separately with the internal and external auditors in an executive session during the year;
- We recommended for approval of the Board and endorsement to the shareholders the reappointment of E&Y / SGV & Co. as the Company's 2021 external auditor and the related audit fee;
- We reviewed and approved the quarterly unaudited and the annual audited parent and consolidated financial statements of Integrated Micro-Electronics, Inc. and subsidiaries ("IMI"), including the Management's Discussion and Analysis of Financial Condition and Results of Operations and the significant impact of new accounting standards, with management, internal auditors and E&Y / SGV & Co. These activities were performed in the following context:
    - Management has the primary responsibility for the financial statements and the financial reporting process; and
    - E&Y / SGV & Co. is responsible for expressing an opinion on the conformity of IMI's audited consolidated financial statements with Philippine Financial Reporting Standards;
- We discussed and approved the overall scope and the respective audit plans of the Company's internal auditors and E&Y / SGV & Co. We reviewed the adequacy of resources, the competencies of the leadership and staff and the effectiveness of the auditors to execute the audit plans ensuring that resources are reasonably allocated to the areas of highest risks. We also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments;
- We reviewed the reports and updates of the internal auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. Based on the assurance provided by internal audit and E&Y / SGV & Co., as a result of their audit activities, the Committee assessed that the Company's systems of internal controls, risk management, and governance processes are adequate;
- We reviewed and discussed the adequacy of IMI's enterprise risk management process, including the nature of significant risk exposures, and the related risk mitigation efforts and initiatives. This activity was reviewed in the context that management is primarily responsible for the risk management process;
- We reviewed and recommended for the approval by the Board of Directors all audit, audit-related and non-audit services provided by E&Y / SGV & Co. to IMI and the related fees for such services. We

also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;

- We reviewed the Audit and Risk Committee Charter and the Internal Audit Charter to ensure that it is updated and aligned with regulatory requirements;
- We evaluated the performance of the Chief Audit Executive and the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing; and
- We conducted an annual assessment of our performance in accordance with the Security and Exchange Commission guidelines and confirmed that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Risk Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report for the year ended December 31, 2021 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange.

We are also recommending the re-appointment of E&Y / SGV & Co. as IMI's external auditors and related audit fee for 2022 based on the review of their performance and qualifications.

23 March 2022

EDGAR O. CHUA
Chairman

RAFAEL C. ROMUALDEZ
Member

HIROSHI NISHIMURA
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Integrated Micro-Electronics, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JAIME AUGUSTO ZOBEL DE AYALA
Chairman, Board of Directors

ARTHUR R. TAN
Chief Executive Officer

LAURICE S. DELA CRUZ
Chief Financial Officer (OIC)

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Integrated Micro-Electronics, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2021, the Group's goodwill attributable to the following cash-generating units (CGUs): Integrated Micro-Electronics, Inc., Speedy-Tech Electronics, Ltd., IMI Czech Republic s.r.o., VIA Optronics GmbH (VIA), and Surface Technology International Enterprises Limited (STI), amounted to $145.43 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, gross margin and discount rate.

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

Audit response

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

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

Under PFRS, the Group is required to test the recoverability of nonfinancial assets when indicators of impairment exist. In 2021, the continuing gross loss since the start of mass production for the production line for certain customers in Philippines and Mexico has been assessed as an impairment indicator requiring an impairment assessment. The management's impairment assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate and inclusion of future price increases in the revenue growth, cost ratios and discount rates. As of December 31, 2021, certain capitalized product development costs and property, plant, and equipment with carrying value of $50.62 million was tested for impairment, which s significant to the consolidated financial statements. No impairment loss was recognized during the year based on the impairment test.

The Group's disclosures about the capitalized product development costs and property, plant and equipment are included in Notes 4, 10 and 12 to the consolidated financial statements.

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
Tax Identification No. 162-410-623
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 90787-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-074-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854378, January 3, 2022, Makati City

March 23, 2022

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	$159,787,623	$244,355,425
Receivables (Notes 6 and 31)	279,042,371	275,621,791
Contract assets (Note 7)	52,481,010	54,525,401
Inventories (Note 8)	238,588,862	142,316,055
Other current assets (Notes 9 and 33)	22,425,433	17,355,310
Total Current Assets	752,325,299	734,173,982
Noncurrent Assets		
Property, plant and equipment (Note 10)	161,967,366	177,950,968
Goodwill (Note 11)	145,433,881	147,245,094
Intangible assets (Note 12)	10,926,579	17,145,629
Right-of-use assets (Note 30)	28,457,787	32,660,720
Financial assets at FVOCI (Notes 13 and 32)	1,364,733	1,124,461
Deferred tax assets - net (Note 25)	2,933,748	3,491,878
Other noncurrent assets (Note 14)	19,765,291	19,882,038
Total Noncurrent Assets	370,849,385	399,500,788
	$1,123,174,684	$1,133,674,770
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 15 and 33)	$289,417,711	$253,824,928
Contract liabilities (Notes 7 and 33)	4,741,058	1,515,095
Loans payable (Notes 16 and 33)	165,772,031	206,490,427
Other financial liabilities (Notes 18, 32 and 33)	–	1,680,879
Current portion of long-term debt (Notes 17 and 33)	1,805,008	2,109,394
Current portion of lease liabilities (Note 30)	8,418,492	7,785,039
Income tax payable	2,409,845	3,350,479
Total Current Liabilities	472,564,145	476,756,241
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 17, 32 and 33)	149,678,652	32,210,531
Lease liabilities (Note 30)	22,802,307	27,628,221
Net retirement liabilities (Note 27)	10,310,860	9,355,655
Deferred tax liabilities - net (Note 25)	1,058,216	1,598,134
Other noncurrent liabilities (Note 24)	5,047,260	5,263,259
Total Noncurrent Liabilities	188,897,295	76,055,800
Total Liabilities	661,461,440	552,812,041

(Forward)

	December 31	
	2021	2020
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common (Note 19)	$42,705,563	$42,674,930
Subscribed capital stock (Note 19)	708,788	744,823
Additional paid-in capital (Notes 18 and 19)	193,830,800	193,869,684
Subscriptions receivable (Notes 19 and 28)	(2,701,935)	(2,888,800)
Retained earnings (Note 19)	201,560,230	215,793,690
Treasury stock (Note 19)	(1,012,588)	(1,012,588)
Other components of equity (Note 13)	(554,610)	(874,804)
Cumulative translation adjustment (Note 19)	(19,865,348)	9,137,769
Remeasurement losses on defined benefit plans (Note 27)	(10,072,232)	(9,750,213)
	404,598,668	447,694,491
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries (Note 19)	57,114,576	133,168,238
Total Equity	461,713,244	580,862,729
	$1,123,174,684	$1,133,674,770

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 29)	$1,300,590,198	$1,135,840,593	$1,250,365,914
COST OF SALES (Notes 20 and 22)	1,209,771,812	1,039,503,708	1,148,137,698
GROSS PROFIT	90,818,386	96,336,885	102,228,216
OPERATING EXPENSES (Notes 21 and 22)	(108,481,712)	(92,460,393)	(106,222,063)
OTHERS – Net			
Interest expense and bank charges (Note 23)	(10,553,667)	(10,422,633)	(13,141,935)
Foreign exchange gains (losses) – net	5,398,202	(755,744)	(4,215,058)
Interest income (Note 5)	300,539	330,682	860,775
Miscellaneous income – net (Note 24)	8,196,782	5,522,929	9,285,288
	3,341,856	(5,324,766)	(7,210,930)
LOSS BEFORE INCOME TAX	(14,321,470)	(1,448,274)	(11,204,777)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	6,399,874	6,496,089	5,279,215
Deferred	(1,015,825)	(1,570,668)	(3,288,780)
	5,384,049	4,925,421	1,990,435
NET LOSS	($19,705,519)	($6,373,695)	($13,195,212)
Net Loss Attributable to:			
Equity holders of the Parent Company	($10,564,571)	($3,455,073)	($7,780,648)
Non-controlling interests	(9,140,948)	(2,918,622)	(5,414,564)
	($19,705,519)	($6,373,695)	($13,195,212)
Loss Per Share (Note 26)			
Basic and diluted	($0.005)	($0.002)	($0.004)

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
NET LOSS	($19,705,519)	($6,373,695)	($13,195,212)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified into profit or loss in subsequent periods:			
Exchange differences arising from translation of foreign operations (Note 19)	(25,915,831)	29,152,586	(5,475,454)
Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Note 27)	(322,019)	700,550	(4,214,969)
Fair value changes on financial assets at FVOCI - net of tax	320,194	(138,993)	360,553
	(1,825)	561,557	(3,854,416)
	(25,917,656)	29,714,143	(9,329,870)
TOTAL COMPREHENSIVE INCOME (LOSS)	($45,623,175)	$23,340,448	($22,525,082)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	($39,569,513)	$23,927,179	($16,161,173)
Non-controlling interests	(6,053,662)	(586,731)	(6,363,909)
	($45,623,175)	$23,340,448	($22,525,082)

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

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

See accompanying Notes to Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	($14,321,470)	($1,448,274)	($11,204,777)
Adjustments for:			
Depreciation of property, plant and equipment (Notes 10, 20, and 21)	40,047,883	38,158,147	35,308,020
Amortization of right-of-use asset (Notes 20, 21 and 30)	10,875,975	9,395,254	6,955,732
Interest expense on loans (Note 23)	8,433,898	8,411,717	10,262,423
Amortization of intangible assets (Notes 12, 20, and 21)	7,399,018	7,879,168	6,464,921
Provision (reversal) of Impairment loss on product development cost (Note 24)	(636,456)	4,693,985	–
Unrealized foreign exchange losses (gain) - net	(5,107,955)	3,723,227	1,106,924
Provision (reversal) of Impairment loss on property, plant and equipment (Note 24)	(1,612,065)	2,620,779	–
Interest expense on lease liabilities (Note 23)	1,349,772	1,644,189	1,368,494
Loss (gain) on derivative transactions (Note 33)	(139,984)	92,122	(15,373)
Gain on sale of property, plant and equipment (Notes 10 and 24)	(438,498)	(657,101)	(99,404)
Interest income (Note 5)	(300,539)	(330,682)	(860,775)
Mark-to-market gain on put options (Notes 18 and 24)	(1,627,806)	(6,068,906)	(3,445,288)
Reversal of contingent consideration (Notes 18 and 24)	–	–	(3,728,985)
Gain on insurance claims (Note 24)	(458,016)	–	–
Loss on lease modifications (Note 24)	159,630	–	–
Operating income before working capital changes	43,623,387	68,113,625	42,111,912
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(8,642,453)	21,328,413	13,411,173
Inventories	(99,550,741)	13,873,495	38,984,113
Contract assets	1,297,542	4,382,722	4,576,071
Other current assets	(5,569,760)	(5,446,059)	1,719,633
Increase (decrease) in:			
Accounts payable and accrued expenses	33,353,941	(7,405,255)	(16,870,412)
Contract liabilities	3,225,963	(3,227,075)	2,911,110
Retirement liabilities	(18,741)	487,307	717,179
Net cash generated from (used for) operations	(32,280,862)	92,107,173	87,560,779
Interest paid	(7,724,832)	(9,954,398)	(9,915,877)
Income tax paid	(7,507,162)	(4,587,114)	(7,368,934)
Interest received	300,539	330,682	860,775
Net cash provided by (used in) operating activities	(47,212,317)	77,896,343	71,136,743

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 10)	($30,374,533)	($18,121,100)	($37,398,057)
Intangible assets (Note 12)	(618,132)	(595,188)	(1,388,481)
Proceeds from sale and retirement of property, plant and equipment	2,729,968	1,529,412	862,996
Decrease (increase) in other noncurrent assets	(1,269,552)	4,130,406	(6,227,538)
Capitalized product development costs, excluding depreciation	–	–	(2,520,866)
Acquisition through business combination, net of cash acquired (Note 2)	(3,018,336)	–	–
Decrease in deposits from a third party	–	–	(11,540,911)
Net cash used in investing activities	(32,550,585)	(13,056,470)	(58,212,857)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of loans payable and long-term debt	140,575,118	82,665,635	12,002,758
Net proceeds from subsidiary's public offering (Note 19)	–	106,787,500	–
Payments of: (Note 35)			
Loans payable	(59,700,000)	(4,974,751)	(20,540,547)
Lease liabilities (Note 30)	(11,900,875)	(10,799,326)	(7,603,732)
Dividends paid to preference shareholders of a subsidiary (Note 19)	(3,668,889)	(6,504,083)	–
Long-term debt	(2,042,863)	(108,497,471)	(46,510,457)
Dividends paid to common equity holders of the Parent Company (Note 19)	–	–	(4,436,707)
Issuance (redemption) of preferred shares of a subsidiary to non-controlling interest (Note 19)	(70,000,000)	(30,000,000)	100,000,000
Increase (decrease) in noncurrent liabilities	(215,999)	1,640,002	(1,626,646)
Collections (refund) of subscriptions receivable (Note 19)	142,579	(5,023)	105,541
Settlement of derivatives (Note 33)	(88,361)	(5,321)	13,555
Net cash provided by (used in) financing activities	(6,899,290)	30,307,162	31,403,765
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	2,094,390	(3,451,726)	(201,876)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(84,567,802)	91,695,309	44,125,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	244,355,425	152,660,116	108,534,341
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	$159,787,623	$244,355,425	$152,660,116

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Integrated Micro-Electronics, Inc. (IMI or the Parent Company), a stock corporation organized and registered under the laws of the Republic of the Philippines on August 8, 1980, has four wholly-owned subsidiaries, namely: IMI International (Singapore) Pte. Ltd. (IMI Singapore), IMI USA, Inc. (IMI USA), IMI Japan, Inc. (IMI Japan) and PSi Technologies, Inc. (PSi) (collectively referred to as the Group). The Parent Company is 52.03% owned by AC Industrial Technology Holdings, Inc. (AC Industrials), a wholly-owned subsidiary of Ayala Corporation (AC), a corporation incorporated in the Republic of the Philippines and listed in the Philippine Stock Exchange (PSE). AC is 47.87% owned by Mermac, Inc. (Ultimate Parent Company) and the rest by the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The consolidated financial statements as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were endorsed for approval by the Audit Committee and authorized for issue by the Parent Company's Board of Directors (BOD) on March 23, 2022.

2. Group Information

Information about Subsidiaries

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

Subsidiary	Percentage of Ownership		Country of Incorporation	Functional Currency
	2021	2020		
IMI International (Singapore) Pte. Ltd.	100.00%	100.00%	Singapore	United States Dollar (USD)
IMI International ROHQ [c]	100.00%	100.00%	Philippines	USD
Speedy-Tech Electronics Ltd. (STEL) Group	100.00%	100.00%	Singapore	USD
IMI (Chengdu) Ltd. (IMICD)	100.00%	100.00%	China	Renminbi (RMB)
IMI Technology (Shenzhen) Co. Ltd. (IMI SZ)	100.00%	100.00%	China	USD
IMI Smart Technology (Shenzhen) Co. Ltd.	100.00%	100.00%	China	RMB
Speedy-Tech Electronics (HK) Limited (STHK) [c]	100.00%	100.00%	Hong Kong	USD
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX)	100.00%	100.00%	China	RMB
Speedy-Tech (Philippines), Inc. (STPH) [c]	100.00%	100.00%	Philippines	USD
Cooperatief IMI Europe U.A.	100.00%	100.00%	Netherlands	Euro (EUR)
Integrated Micro-Electronics Bulgaria EOOD	100.00%	100.00%	Bulgaria	EUR
Microenergia EOOD (Microenergia)	100.00%	100.00%	Bulgaria	Bulgarian Lev (BGN)
Integrated Micro-Electronics d.o.o. Niš (IMI Serbia)	100.00%	100.00%	Serbia	Serbian Dinar (RSD)
Integrated Micro-Electronics Czech Republic s.r.o.	100.00%	100.00%	Czech Republic	EUR
Integrated Micro-Electronics Mexico, S.A.P.I. de C.V.	100.00%	100.00%	Mexico	USD
IMI France SAS (IMI France)	100.00%	100.00%	France	EUR

(Forward)

Subsidiary	Percentage of Ownership		Country of Incorporation	Functional Currency
	2021	2020		
VIA Optronics AG (VIA) [a]	50.32%	50.32%	Germany	EUR
Germaneers GmbH [b]	100.00%	–	Germany	EUR
VIA Optronics (Philippines), Inc. [b]	100.00%	–	Philippines	PHP
VIA Optronics GmbH (VIA GmbH)	100.00%	100.00%	Germany	USD
VIA Optronics Suzhou Co. Ltd. (VIA Suzhou)	100.00%	100.00%	China	USD
VIA Optronics LLC (VIA LLC)	100.00%	100.00%	USA	USD
VIA Optronics (Taiwan) Ltd	100.00%	100.00%	Taiwan	Taiwan Dollar
VTS-Touchsensor Co., Ltd. (VTS)	65.00%	65.00%	Japan	Japanese Yen (JPY)
Integrated Micro-Electronics UK Limited (IMI UK)	100.00%	100.00%	United Kingdom	British Pounds (GBP)
Surface Technology International Enterprises Ltd (STI)	80.00%	80.00%	United Kingdom	GBP
STI Limited	100.00%	100.00%	United Kingdom	GBP
STI Philippines Inc. (STIPH)	100.00%	100.00%	Philippines	USD
STI Asia Ltd [c]	100.00%	100.00%	Hong Kong	Hong Kong Dollar (HKD)
STI Supplychain Ltd [d]	–	100.00%	United Kingdom	GBP
ST Intercept Limited [c]	100.00%	100.00%	United Kingdom	GBP
IMI USA	100.00%	100.00%	USA	USD
IMI Japan	100.00%	100.00%	Japan	USD
PSi	100.00%	100.00%	Philippines	USD
PSiTech Realty, Inc. (PSiTech Realty) [c]	40.00%	40.00%	Philippines	USD
Pacsem Realty, Inc. (Pacsem Realty) [c]	64.00%	64.00%	Philippines	USD

[a] In 2020, 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)
[b] New entities of VIA in 2021
[c] In the process of liquidation / Dormant
[d] Dissolved in May 2021

Business Combinations

Acquisition of Germaneers GmbH ("Germaneers")

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

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

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

The purchase price allocation for the acquisition of Germaneers has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair valuation computation, and reasonable changes are expected as additional information becomes available. The provisional goodwill recognized on the acquisition can be attributed to its years of knowledge and experience of market requirements, system-level design, and innovative technologies in the automotive sector.

Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date; and from the acquisition date (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Group adopted the amendment beginning April 1, 2021 and recognized rent concessions as variable lease payment amounting to $0.35 million and $0.42 million in 2021 and 2020, respectively, as part of cost of sales (Note 30).

- 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 Group adopted the amendments beginning January 1, 2021.

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.

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

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024

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

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

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

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

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

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

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

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

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

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

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

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

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

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

The financial assets of the Group as of December 31, 2021 and 2020 consist of financial assets at amortized cost (debt instruments) and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the

original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at FVPL

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

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

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

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

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

Other financial liabilities

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

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

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

Derecognition

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

c) Offsetting of financial instruments

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

<u>Fair Value Measurement</u>

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

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

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

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

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

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

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

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

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

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

Inventories

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

Deferred Charges

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

Property, Plant and Equipment

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

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

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

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

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

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

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

Borrowing Costs

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statements of income under "Operating expenses" account.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized in profit or loss. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost, less accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit (CGU), or group of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- Represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

When goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill allocated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Intangible Assets

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

Research and development costs

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

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

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

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Preferred shares may be issued with various rights. In determining whether a preference share is financial liability or equity instrument, the issuer is required to assess the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability.

A preference share redeemable only at the holder's option is an equity instrument because the issuer does not have a present or future obligation to transfer financial assets to the shareholder.

Additional paid-in capital

Additional paid-in capital pertains to the difference of the par value and selling price of issued and outstanding shares of stock. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against "Retained earnings" account.

The financial liabilities for the put options over the non-controlling interests are recognized at the acquisition date with a debit to additional paid-in capital.

An increase or decrease in a parent's ownership interest that does not result in a loss of control of a subsidiary is accounted for as an equity transaction, i.e. a transaction with owners in their capacity as owners. A parent's ownership interest may change without a loss of control, e.g. when a parent buys shares from or sells shares to a non-controlling interest, a subsidiary redeems shares held by a non-controlling interest, or when a subsidiary issues new shares to a non-controlling interest.

The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. PFRS 10 states that 'the entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent. The Group recognizes this difference under "Additional paid-in capital" account.

Subscriptions receivable

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings and dividends on capital stock of the Parent Company

Retained earnings represent net accumulated earnings of the Group, less dividends declared. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by Parent Company's BOD.

Treasury stock

Treasury stock is recorded at cost and is presented as a deduction from equity. When the shares are retired, the "Capital stock" account is reduced by its par value and the excess of cost over par value upon retirement is debited to "Additional paid-in capital" account to the extent of the specific or average additional paid-in capital when the shares were issued and to "Retained earnings" account for the remaining balance.

Revenue Recognition

a) Revenue from contracts with customers

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

Manufacturing of goods

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group does not have significant separate performance obligations wherein the transaction price needs to be allocated as of December 31, 2021 and 2020.

b) Contract balances

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

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

c) Cost to obtain a contract

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

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

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

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

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

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

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

the consolidated balance sheet and recognized as income in equal amounts over the period of depreciation of the related asset.

Foreign Currency Transactions

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

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

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

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

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

Income Taxes

Current tax

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

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

Deferred tax

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

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

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company

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

Retirement and Other Employee Benefits

Defined benefit plans

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

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

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

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

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

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

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

Defined contribution plans

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

Singapore

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

China

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

Hong Kong

The subsidiary in Hong Kong participates in the defined provident fund. The subsidiary and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Contributions to this defined contribution scheme are recognized as expense in the period in which the related service is performed.

IMI CZ

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

IMI MX

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

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

VIA

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

STI

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

Further details are disclosed in Note 34.

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

Lease commitments - Group as lessee

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

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

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

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

Further details on the valuation of the put options are disclosed in Notes 18 and 32.

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

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

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

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

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

Estimating NRV of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' estimated selling price in the ordinary course of business, costs of completion and costs necessary to make a sale to determine the NRV. In line with the impact of COVID-19, the Group experienced lower demand and production that resulted to lower sales in 2020. In the event that NRV is lower than cost, the decline is recognized as an expense. Further details on inventories are disclosed in Note 8.

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

Further details on property, plant and equipment, right-of-use assets and intangible assets are disclosed in Notes 10, 30 and 12, respectively.

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

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

Details of the impairment loss recognized are disclosed in Note 24.

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

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

Further details on taxes are disclosed in Note 25.

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

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

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

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

5. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand.	$55,620	$70,169
Cash in banks	154,232,003	244,285,256
Cash equivalents	5,500,000	-
	$159,787,623	$244,355,425

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

Interest income earned from cash in banks and cash equivalents amounted to $0.30 million in 2021, $0.33 million in 2020 and $0.86 million in 2019.

6. Receivables

This account consists of:

	2021	2020
Trade	$273,946,003	$273,278,729
Nontrade	6,882,895	2,825,231
Receivable from insurance	1,078,869	1,095,700
Receivable from employees	471,930	329,548
Due from related parties (Note 31)	448,697	299,253
Others	957,732	540,695
	283,786,126	278,369,156
Less allowance for ECLs	4,743,755	2,747,365
	$279,042,371	$275,621,791

Trade

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

Nontrade

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

Receivable from Insurance

Receivable from insurance pertains to claims for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu in 2009 amounting to $1.08 million and which was fully impaired as of December 31, 2021 and 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 and receivable from insurance with aggregate nominal value of $4.74 million and $2.75 million as of December 31, 2021 and 2020, respectively, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Movements in the allowance for ECLs are as follows:

	December 31, 2021			
	Trade	Nontrade	Receivable from Insurance	Total
At beginning of year	$1,503,569	$148,096	$1,095,700	$2,747,365
Provisions (Note 22)	1,970,799	40,053	-	2,010,852
Foreign currency exchange difference	(14,462)	16,831	(16,831)	(14,462)
At end of year	$3,459,906	$204,980	$1,078,869	$4,743,755
	December 31, 2020			
	Trade	Nontrade	Receivable from Insurance	Total
At beginning of year	$1,051,715	$157,123	$1,086,673	$2,295,511
Provisions (Note 22)	574,495	-	-	574,495
Foreign currency exchange difference	(122,641)	(9,027)	9,027	(122,641)
At end of year	$1,503,569	$148,096	$1,095,700	$2,747,365

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

7. Contract Balances

This account consists of:

	2021	2020
Contract assets	$52,481,010	$54,525,401
Contract liabilities	4,741,058	1,515,095

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

For the years ended December 31, 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 significant decrease in contract liabilities was mainly due to lower advance payments received from new and existing customers towards the end of the year.

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

8. Inventories

This account consists of:

	2021	2020
Raw materials and supplies	$225,928,319	$140,573,218
Work-in-process	6,946,498	6,344,858
Finished goods	18,171,690	8,644,901
	251,046,507	155,562,977
Less allowance for:		
Inventory obsolescence	12,304,771	13,151,796
Decline in value of inventories	152,874	95,126
	12,457,645	13,246,922
	$238,588,862	$142,316,055

The cost of the inventories carried at NRV amounted to $46.69 million and $46.67 million as of December 31, 2021 and 2020, respectively. The amount of inventories recognized as an expense under "Cost of sales" account amounted to $932.39 million in 2021, $796.04 million in 2020, and $888.42 million in 2019 (see Note 20).

Balance of work-in-process and finished goods inventories pertain to VIA's sale of product under the full service model since VIA typically controls the goods before transferring them to customers and therefore revenue is recognized at a point in time upon the delivery of products.

Movements in the allowance for inventory obsolescence follows:

	2021	2020
At beginning of year	$13,151,796	$13,072,876
Provisions (reversals) (Note 22)	211,766	(291,526)
Write-offs	(528,248)	-
Foreign currency exchange difference	(530,543)	370,446
At end of year	$12,304,771	$13,151,796

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

	2021	2020
At beginning of year	$95,126	$92,867
Provisions (reversals) (Note 22)	57,748	2,259
At end of year	$152,874	$95,126

The Group recognized gains from sale of materials and scrap amounting to $0.10 million in 2021, $0.04 million in 2020, and $0.03 million in 2019. Gains from sale of materials and scrap are included under "Miscellaneous income (loss) - net" account in the consolidated statements of income (see Note 24).

9. Other Current Assets

This account consists of:

	2021	2020
Prepayments and deferred charges	$9,446,848	$5,807,226
Advances to suppliers	6,329,176	5,437,643
Input taxes	4,765,407	3,709,501
Tax credits	1,668,793	2,007,747
Derivative assets (Note 33)	45,794	-
Others	169,415	393,193
	$22,425,433	$17,355,310

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

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

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

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

10. Property, Plant and Equipment

Movements in this account follows:

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

	2020						
	Buildings and Improvements	Machineries and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Tools and Instruments	Construction in Progress	Total
Cost							
At beginning of year	$98,810,242	$214,876,716	$24,812,986	$2,490,664	$10,292,763	$4,433,974	$355,717,345
Additions	2,173,444	4,550,405	549,379	405,134	825,140	9,617,598	18,121,100
Disposals/retirement	(718,140)	(8,396,245)	(1,698,207)	(432,735)	(94,342)	–	(11,339,669)
Transfers (Notes 12 and 14)	2,698,514	4,459,496	(1,498,556)	53,450	(1,176,201)	(8,245,470)	(3,708,767)
Foreign currency exchange difference	3,758,216	9,281,484	981,754	144,139	94,018	402,257	14,661,868
At end of year	106,722,276	224,771,856	23,147,356	2,660,652	9,941,378	6,208,359	373,451,877
Accumulated depreciation							
At beginning of year	38,011,962	98,328,542	18,642,159	1,226,971	3,481,051	–	159,690,685
Depreciation	6,597,929	28,789,323	1,882,472	512,201	376,222	–	38,158,147
Disposals/retirement	(668,833)	(7,613,276)	(1,693,083)	(397,825)	(94,342)	–	(10,467,359)
Transfers (Note 12)	-	-	(1,152,456)	-	-	–	(1,152,456)
Foreign currency exchange difference	557,358	4,017,755	162,325	95,897	85,566	–	4,918,901
At end of year	44,498,416	123,522,344	17,841,417	1,437,244	3,848,497	–	191,147,918
Accumulated impairment losses							
At beginning and end of year	-	1,732,212	-	-	-	-	1,732,212
Impairment loss (Note 24)	-	2,620,779	-	-	-	-	2,620,779
At end of year	-	4,352,991	-	-	-	-	4,352,991
Net book value	$62,223,860	$96,896,521	$5,305,939	$1,223,408	$6,092,881	$6,208,359	$177,950,968

Certain assets with carrying amount of $2.62 million were impaired in 2020 due to declining demand brought by the global automotive downturn. In 2021, the Group recorded impairment reversal for certain assets amounting to $1.61 million net of $0.06 million impairment provision, as the business recovered.

In 2020, the Company transferred property, plant and equipment with a net book value of $2.56 million to "Other noncurrent assets" representing deferred tooling charges, and licenses to "Intangible assets" account amounting to $2.11 million and $0.44 million, respectively (see Notes 12 and 14).

Construction in progress pertains to the construction and development of manufacturing production lines of the Group. Construction in progress transferred to property, plant and equipment amounted to $10.86 million and $8.25 million as of December 31, 2021 and 2020, respectively.

The Group recognized gains from disposal and retirement of certain property, plant and equipment amounting to $0.44 million in 2021, $0.66 million in 2020, and $0.10 million in 2019 (see Note 24).

As of December 31, 2021 and 2020, the cost of fully depreciated property, plant and equipment still being used by the Group amounted to $231.45 million and $71.43 million, respectively.

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

	2021	2020	2019
Cost of sales (Note 20)	$35,982,278	$34,148,037	$30,961,361
Operating expenses (Note 21)	4,065,605	4,010,110	4,346,659
	$40,047,883	$38,158,147	$35,308,020

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

11. Goodwill

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

	2021	2020
STI	$58,642,020	$58,637,679
VIA	46,955,284	48,728,404
STEL	38,225,186	38,225,186
Parent Company	1,097,776	1,097,776
IMI CZ	513,615	556,049
	$145,433,881	$147,245,094

Movement in goodwill follows:

	2021	2020
Cost		
At beginning of year	$154,147,932	$147,684,089
Additions	2,098,674	-
Foreign currency exchange difference	(3,909,887)	6,463,843
At end of year	152,336,719	154,147,932
Accumulated impairment loss		
At beginning and end of year	6,902,838	6,902,838
	$145,433,881	$147,245,094

The additional goodwill arose from the acquisition of Germaneers.

STI, VIA, STEL and IMI CZ

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

	2021	2020
STI	8.30%	10.11%
VIA	14.72%	11.45%
STEL	12.01%	12.85%
IMI CZ	11.37%	10.60%

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

Key assumptions used in the value-in-use calculations

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

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

No impairment loss was assessed for STI, VIA, STEL and IMI CZ in 2021, 2020 and 2019.

Sensitivity to changes in assumptions

Value in use calculation is sensitive to pre-tax discount rates and inflation rate. With regard to the assessment of value-in-use of STI, VIA, STEL and IMI CZ, an increase in the pre-tax discount rate by more than 1.77%, 1.18%, 1.95% and 12.76%, respectively, would result to impairment of goodwill. In addition, an increase in inflation rate affecting overhead and administrative costs by more than 2.88%, 5.32% and 3.80% for STI, VIA and STEL, respectively, would also result to impairment.

Parent Company

The goodwill of the Parent Company pertains to its acquisition of M. Hansson Consulting, Inc. (MHCI) in 2006 and IMI USA in 2005. MHCI was subsequently merged to the Parent Company as testing and development department. IMI USA acts as direct support to the Group's customers by providing program management, customer service, engineering development and prototyping manufacturing services. IMI USA's expertise in product design and development particularly on the flip chip technology is being used across the Group in providing competitive solutions to customers. In 2021 2020 and 2019, the Group assessed the impairment based on value-in-use calculations using cash flow projections of the Parent Company from financial budgets approved by BOD covering a 5-year period.

The comparison of the recoverable amounts and the carrying amounts resulted to no impairment loss in 2021, 2020 and 2019.

12. Intangible Assets

Movements in this account are as follows:

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

	December 31, 2020					
	Customer Relationships	Unpatented Technology	Licenses	Intellectual Properties	Product Development Costs	Total
Cost						
At beginning of year	$22,046,083	$100,000	$13,858,721	$14,521,541	$20,599,131	$71,125,476
Additions	–	–	595,188	–	–	595,188
Transfers (Note10)	–	–	442,001	–	–	442,001
Foreign currency exchange difference	196,017	–	584,334	(44,291)	–	736,060
At end of year	22,242,100	100,000	15,480,244	14,477,250	20,599,131	72,898,725
Accumulated amortization						
At beginning of year	20,599,134	100,000	9,936,846	6,161,827	5,226,127	42,023,934
Amortization	828,554	–	1,084,613	2,372,035	3,593,966	7,879,168
Foreign currency exchange difference	52,271	–	494,552	84,481	–	631,304
At end of year	21,479,959	100,000	11,516,011	8,618,343	8,820,093	50,534,406
Accumulated impairment loss						
At beginning of year	–	–	–	–	524,705	524,705
Impairment loss (Note 24)	–	–	–	–	4,693,985	4,693,985
At end of year	–	–	–	–	5,218,690	5,218,690
Net book value	$762,141	$–	$3,964,233	$5,858,907	$6,560,348	$17,145,629

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

Customer relationships of STEL Group and IMI BG aggregating to $19.67 million were fully amortized as of December 31, 2021, 2020 and 2019. The remaining net book value of the customer relationship pertains to VTS with net book value of $0.13 million and $0.76 million as of December 31, 2021 and 2020, respectively.

Licenses
This includes acquisitions of computer software, applications and modules.

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

As of December 31, 2021 and 2020, the carrying value of VIA and VTS's intellectual properties amounted to $2.58 million and $4.23 million, respectively.

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

Intangible assets not yet available for use are tested for impairment following the value-in-use approach. The recoverable amounts of these product development costs and related property, plant and equipment have been determined using cash flow projections from financial budgets approved by management covering a 5-year period, which is within the expected life cycle of the projects. The pre-tax discount rates applied to cash flow projections range from 10.19% to 10.82%. Key assumptions used in the value-in-use calculations are consistent with those disclosed in Note 11.

Capitalized development costs amounting to $4.69 million were impaired in 2020 due to significant delay in the ramp up of certain projects and declining demand brought by the global automotive downturn. The Group recorded impairment reversal for certain assets amounting to $0.64 million as some businesses recovered.

Research expenditure recognized as expense amounted to $7.70 million, $7.43 million, and $6.55 million in 2021, 2020 and 2019, respectively.

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

	2021	2020	2019
Cost of sales (Note 20)	$3,233,174	$3,810,122	$2,614,302
Operating expenses (Note 21)	4,165,844	4,069,046	3,850,619
	$7,399,018	$7,879,168	$6,464,921

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

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	2021	2020
Club shares - quoted	$1,364,733	$1,124,461

The table below shows reconciliation of fair value measurements:

	2021	2020
Balance at beginning of year	$1,124,461	$1,199,763
Change in fair value of quoted securities	240,272	(75,302)
Balance at end of year	$1,364,733	$1,124,461

14. Other Noncurrent Assets

This account consists of:

	2021	2020
Deferred charges	$15,721,545	$18,203,997
Miscellaneous deposits	3,565,133	1,547,045
Pension asset - net (Note 27)	255,318	–
Others	223,295	130,996
	$19,765,291	$19,882,038

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

Miscellaneous deposits comprise of utilities and rent deposits.

15. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Trade payables	$205,358,544	$176,556,142
Accrued expenses	33,376,879	33,117,472
Employee-related accruals	26,818,339	22,993,540
Nontrade payables	17,978,918	15,625,138
Taxes and government-related payables	3,620,758	3,100,732
Accrued interest payable	1,530,999	821,933
Advances from customers	410,675	1,288,622
Customer deposits	273,162	230,701
Due to related parties (Note 31)	49,437	27,333
Others	–	63,315
	$289,417,711	$253,824,928

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

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

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

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

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

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

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

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

16. Loans Payable

This account consists of borrowings of the following entities:

	2021	2020
Parent Company	$96,700,000	$143,000,000
STEL	22,100,000	35,500,000
VIA and STI	43,550,163	27,110,927
CZ	3,421,868	879,500
	$165,772,031	$206,490,427

Parent Company
As of December 31, 2021 and 2020, the Parent Company has unsecured short-term loans aggregating to $96.70 million and $143.00 million, respectively, with maturities ranging from 30 to 91 days, and fixed annual interest rates ranging from 1.44% to 2.00% in 2021, 1.42% to 2.94% in 2020, and 2.45% to 2.95% in 2019.

The Parent Company incurred interest expense on its short-term loans amounting to $3.00 million in 2021, $3.23 million in 2020, and $1.67 million in 2019 (see Note 23).

STEL
As of December 31, 2021 and 2020, STEL has short-term loans aggregating to $22.10 million and $35.50 million, respectively, are from existing revolving credit facilities with Singapore-based banks and bear annual interest rate from 3.02% to 3.10% in 2021, 2.93% to 4.46% in 2020, and 3.46% to 4.64% in 2019, and have maturities of 91 to 92 days from the date of issue.

STEL incurred interest expense on short-term loans amounting to $1.08 million in 2021, $1.28 million in 2020, and $1.51 million in 2019 (see Note 23).

VIA & STI
The loans of VIA and STI were obtained from China, Germany and UK-based banks with terms ranging from 125 to 365 days and interest rates ranging from 0.59% to 4.00% in 2021, 1.16% to 4.0% in 2020 and 2.91% to 5.0% in 2019. VIA has pledged a portion of its trade accounts receivable, up to amounts drawn under the respective loans, in support of the obligations.

VIA and STI incurred interest expense on the short-term loan amounting to $1.34 million, $1.47 million and $1.29 million in 2021, 2020 and 2019, respectively (see Note 23).

IMI CZ
The loans of IMI CZ are clean loans from existing revolving credit facilities with Czech-based bank which bear annual interest based on 1-month EURIBOR plus 0.9% to 1.20%.

IMI CZ incurred interest expense on short-term loans amounting to $0.02 million in 2021, $0.01 million in 2020 and $0.01 million in 2019 (see Note 23).

17. Long-Term Debt

This account consists of borrowings of the following entities:

	2021	2020
Parent Company	$148,715,628	$29,795,564
VTS and IMI CZ	2,768,032	4,524,361
	151,483,660	34,319,925
Less current portion:		
Parent Company	300,000	–
VTS and IMI CZ	1,505,008	2,109,394
	1,805,008	2,109,394
Noncurrent portion	$149,678,652	$32,210,531

Parent Company
The long-term debts of the Parent Company aggregating to $149.70 million and $30 million as of December 31, 2021 and 2020, respectively, were obtained from Singapore-based and Philippine banks. The long-term debts have terms of three to five years, with principal defined principal payments payable annually, and remaining balance payable in full at maturity. These are subject to annual interest rate of 3.45% to 3.798% in 2021 and annual interest rate of 3.798% in 2020.

Loan covenants related to the Parent Company's loans are as follows:

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

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

The Parent Company incurred interest expense on its long-term loans amounting to $2.96 million in 2021, $2.36 million in 2020, and $5.70 million in 2019 (see Note 23).

VTS and IMI CZ
VTS and IMI CZ have unsecured long-term loans with Japanese and Czech-based banks that are payable in regular monthly installments both with terms of five years. The VTS loan has interest rate ranging 1.67% while the CZ loan bears interest based on 1-month EURIBOR plus 1.20% but is not to exceed 15% per annum.

VTS and IMI CZ incurred interest expense on its long-term debt amounting to $0.04 million, $0.06 million and $0.08 million in 2021, 2020 and 2019, respectively (see Note 23).

18. Other Financial Liabilities

The account consists of:

	2021	2020
Put options over non-controlling interests (Note 32)		
STI	$–	$1,592,518
VIA	–	–
Derivative liabilities (Note 33)	–	88,361
	$–	$1,680,879

Put options over non-controlling interests
The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5% put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%.

In 2020, the put options of VIA was terminated in accordance with the amendment in the shareholders' agreement. Triggered by VIA's IPO, the balance of $15.33 million liability before the termination was closed to equity under "Additional paid-in capital" account (see Note 19).

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all non-controlling interests held upon the happening of certain trigger events as specified in the shareholders agreement. The put option of STI is exercisable during the period commencing upon the earlier of: (1) No Fault Leaver Event (i.e., First Founder of STI ceases to be an employee of a member of the STI Group) occurring in respect of a Founder, (2) the aggregate relevant proportion of the Founders falling to less than 5%, or (3) the fifth anniversary of the service agreement.

The value of put options of STI amounted to nil and $1.59 million as of December 31, 2021 and 2020, respectively.

Mark-to-market gains (loss) on put options included under "Miscellaneous income (expense) - net" account amounted to $1.63 million in 2021, $6.07 million in 2020 and $3.45 million in 2019 (see Note 24).

19. Equity

Capital Stock

This account consists of:

	2021 Shares	2021 Amount	2020 Shares	2020 Amount	2019 Shares	2019 Amount
Authorized - ₱1 par value						
Common	2,250,000,000		2,250,000,000		2,250,000,000	
Preferred	200,000,000		200,000,000		200,000,000	
Issued - Common						
At beginning of year	2,191,315,287	$42,674,930	2,191,273,522	$42,674,027	2,190,076,503	$42,648,042
Issuances from ESOWN	1,463,036	30,633	41,765	903	1,197,019	25,985
At end of year*	2,192,778,323	$42,705,563	2,191,315,287	$42,674,930	2,191,273,522	$42,674,027

** Out of the total issued shares, 15,892,224 shares or $1.01 million as of December 31, 2021, 2020 and 2019 pertain to treasury shares.*

As of December 31, 2021, 2020 and 2019, there were 283, 288 and 287 registered common stockholders, respectively.

Subscribed Capital Stock

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

Details of this account follow:

	2021 Shares	2021 Amount	2020 Shares	2020 Amount	2019 Shares	2019 Amount
At beginning of year	$32,951,281	$744,823	$33,308,281	$752,560	$36,177,963	$815,198
Issuances during the year - ESOWN	(1,463,036)	(30,633)	(41,765)	(903)	(1,197,019)	(25,985)
Forfeitures during the year - ESOWN	(249,680)	(5,402)	(315,235)	(6,834)	(1,672,663)	(36,653)
At end of year	$31,238,565	$708,788	$32,951,281	$744,823	$33,308,281	$752,560

Additional Paid-in Capital

VIA Initial Public Offering

On September 25, 2020, VIA Optronics, a 76%-owned German subsidiary of IMI, raised some proceeds through an initial public offering (IPO) and was listed on the New York Stock Exchange under the ticker symbol "VIAO". The IPO involves issuance of 6,250,000 American Depositary Shares (ADSs), representing 1,250,000 ordinary shares at a public offering price of $15.00 per ADS, for gross proceeds of $93.75 million (net proceeds of $87.19 million after deducting underwriting discounts and commissions). Corning Research & Development Corporation ("Corning"), one of VIA's commercial partners, has also agreed to purchase additional 1,403,505 ADSs, representing 280,701 ordinary shares, at an aggregate purchase price of approximately $20 million (net $19.6 million after commissions) in a separate concurrent private placement.

As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was increased by $62.52 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attributed it to the owners of the Parent Company. The amount recognized in equity amounted to $32.40 million and was recognized as a credit to the "Additional paid-in capital" account.

The additional credit to additional paid up capital of $15.33 million is coming from the reversal of put option liability as discussed in Note 18.

Subscriptions Receivable

Details of this account follow:

	2021	2020	2019
At beginning of year	$2,888,800	$2,955,581	$3,402,940
Forfeitures during the year	(44,286)	(71,804)	(341,818)
Refund/(collections) during the year	(142,579)	5,023	(105,541)
At end of year (Note 28)	$2,701,935	$2,888,800	$2,955,581

Dividends

2021

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

2020

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

2019

On April 8, 2019, the BOD of the Parent Company approved the declaration of cash dividend of $0.00201 or ₱0.10542 per share to all outstanding common shares aggregating to $4.44 million as of record date of April 25, 2019 paid on May 7, 2019.

Retained Earnings

Retained earnings as of January 1, 2019 was adjusted for the effect of the finalization of purchase price allocation of VTS with a net increase of $1.68 million. The net increase is due to the gain on a bargain purchase of $2.41 million, net of the increase in depreciation and amortization, deferred taxes and corresponding share of non-controlling interest totaling to $0.73 million.

Accumulated net earnings of the subsidiaries amounting to $211.67 million and $202.52 million as of December 31, 2021 and 2020, respectively, are not available for dividend declaration. This accumulated net earnings of subsidiaries becomes available for dividend upon receipt of cash dividends from the investees.

The retained earnings are restricted to dividend declaration to the extent of the cost of treasury shares amounting to $1.01 million.

In accordance with the Revised Securities Regulation Code Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2021 amounted to $2.06 million.

Treasury Shares
In July 1999, the Company repurchased a total of 8,867,318 Class B common shares issued to a minority stockholder for a price of ₱75 million.

Cumulative Translation Adjustments
This account pertains to cumulative translation adjustments of subsidiaries with functional currency other than the Group's presentation currency (see Note 2). Exchange differences arising from translation of foreign operations for the period ended December 31, 2021, 2020 and 2019 follows:

	2021	2020	2019
EU and MX	($12,785,609)	$14,970,268	($3,977,210)
VIA and STI	(11,847,140)	8,330,030	1,927,491
STEL	1,335,547	3,185,241	(33,983)
Consolidation and Eliminations	(2,618,629)	2,667,047	(3,391,752)
	($25,915,831)	$29,152,586	($5,475,454)
Attributable to:			
Equity holders of the Parent	($29,003,117)	$26,820,695	($4,526,109)
Non-controlling interest	3,087,286	2,331,891	(949,345)
	($25,915,831)	$29,152,586	($5,475,454)

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

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

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

Outstanding balance of the RCPS as of December 31, 2021 and 2020 amounted to nil and $70.0 million, respectively.

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

No changes were made in the objectives, policies and processes for the years ended December 31, 2021 and 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 loans payable and long-term bank debt. Net debt is equivalent to the total bank borrowings, less cash and cash equivalents.

	2021	2020
Loans payable	$165,772,031	$206,490,427
Long-term bank borrowings	151,483,660	34,319,925
Total bank debt	317,255,691	240,810,352
Less cash and cash equivalents	159,787,623	244,355,425
Net bank debt (cash)	$157,468,068	($3,545,073)
Total Equity	$461,713,244	$580,862,729
Debt-to-equity ratio	0.69:1	0.41:1
Net debt (cash)-to-equity ratio	0.35:1	(0.01):1

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

20. Cost of Sales

This account consists of:

	2021	2020	2019
Direct, indirect and other material-related costs (Note 8)	$932,394,674	$796,036,703	$888,417,084
Direct labor, salaries, wages and employee benefits (Note 27)	188,179,409	165,020,873	172,657,671
Depreciation and amortization (Notes 10, 12 and 30)	46,431,467	43,435,464	38,475,325
Facilities costs and others (Note 22)	42,766,262	35,010,668	48,587,618
	$1,209,771,812	$1,039,503,708	$1,148,137,698

21. Operating Expenses

This account consists of:

	2021	2020	2019
Salaries, wages and employee benefits (Note 27)	$61,950,473	$50,543,361	$54,178,946
Depreciation and amortization (Notes 10, 12 and 30)	11,891,409	11,997,105	10,253,348
Facilities costs and others (Note 22)	34,639,830	29,919,927	41,789,769
	$108,481,712	$92,460,393	$106,222,063

22. Facilities Costs and Others - Net

This account consists of:

	Cost of Sales			Operating Expenses		
	2021	2020	2019	2021	2020	2019
Utilities	$19,098,985	$16,944,219	$18,561,156	$1,692,556	$1,479,229	$948,015
Outsourced activities	9,737,817	7,968,725	10,332,444	14,206,768	11,184,209	14,143,794
Repairs and maintenance	6,220,292	6,203,813	13,052,752	1,495,487	781,950	1,076,059
Government-related	1,577,684	1,795,352	1,316,475	3,342,392	3,028,921	3,497,749
Travel and transportation	524,157	934,445	1,741,426	1,234,769	2,247,563	5,314,278
Technology-related	2,524,353	710,862	1,098,239	2,073,278	4,224,730	3,912,362
Insurance	2,347,400	673,733	1,359,974	5,292,394	2,823,246	2,000,776
Postal and communication	511,576	301,012	371,828	476,510	431,548	1,459,905
Promotional materials, representation and entertainment	71,283	117,674	476,418	907,893	637,995	1,012,922
Staff house	29,943	15,083	155,727	244,971	272,056	296,117
Membership fees	55,591	4,839	57,467	201,195	143,575	143,923
Provision (reversal of provision) for inventory obsolescence (Note 8)	-	-	-	211,766	(291,526)	4,599,150
Provision for ECLs (Note 6)	-	-	-	2,010,852	574,495	296,207
Others – net	67,181	(659,089)	63,712	1,248,999	2,381,936	3,088,512
	$42,766,262	$35,010,668	$48,587,618	$34,639,830	$29,919,927	$41,789,769

Others include sales commission, provision (reversal of provision) for decline in value of inventories (see Note 8), donations, small tools and instruments, spare parts, materials, office supplies, and copying expenses. In 2020, this also includes Covid-related incentives in the form of social insurance refunds, electricity cost subsidies and other job support schemes in China, Europe and Singapore recognized as reduction in cost of sales and operating expenses.

23. Interest Expense and Bank Charges

This account consists of:

	2021	2020	2019
Interest expense on loans (Notes 16 and 17)	$8,433,898	$8,411,717	$10,262,423
Interest on leases (Note 30)	1,349,772	1,644,189	1,368,494
Bank charges	731,254	320,526	1,505,259
Others	38,743	46,201	5,759
	$10,553,667	$10,422,633	$13,141,935

Others include interest on employee housing and car loans in 2021, 2020, and 2019.

24. Miscellaneous Income - Net

Miscellaneous income (loss) - net consists of:

	2021	2020	2019
Financial subsidies	$2,817,097	$6,288,982	$1,735,855
Mark-to-market gain (loss) on put options (Note 18)	1,627,806	6,068,906	3,445,288
Gain on sale of property, plant and equipment (Note 10)	438,498	657,101	99,404
Other income from customers	445,611	404,813	456,291
Gain on insurance claims	458,016	61,260	12,672
Sale of materials and scrap (Note 8)	96,459	36,332	32,927
Reversal (provision) of impairment on property, plant and equipment (Notes 4 and 10)	1,612,065	(2,620,779)	-
Reversal (provision) of impairment loss on product development cost (Notes 4 and 12)	636,456	(4,693,985)	-
Set up of intellectual property related liability	-	-	(1,638,206)
Reversal of contingent consideration (Note 18)	-	-	3,728,985
Loss on lease modifications	(159,630)	-	-
Other income (expense) - net	224,404	(679,701)	1,412,072
	$8,196,782	$5,522,929	$9,285,288

Financial subsidies are comprised of special subsidy funds such as industrial, economic and technological development fund subsidies provided by the China government, amortization of the grant incentives received from the government of Serbia related to the new manufacturing facility and other Covid-related grants in China, Europe and Singapore. The balance of the Serbia grant incentive included under "Other noncurrent liabilities" account amounted to $1.30 million and $2.49 million in 2021 and 2020, respectively.

Gain on sale of property, plant and equipment includes gain on the sale of the manufacturing building located in the Cavite Economic Zone amounting to $0.41 million in 2020.

The liability on contingent consideration was reversed in full to arrive at the fair value of the expected earn-out based on target normalized EBITDA performance in relation to the acquisition of STI. The period for the prepayment of contingent consideration has lapsed in 2019.

Intellectual property (IP) related liability pertains to provision for potential compensation related to IP rights acquired on the acquisition of VTS.

25. Income Tax

Current Tax

Parent Company

The Parent Company is registered with PEZA and is entitled to certain incentives, which include ITH. As of December 31, 2021, there are two remaining project activities with ITH which will expire in 2023. Under its PEZA registrations, the Parent Company's projects and activities are subject to certain requirements and are entitled to certain incentives, which include, but are not limited to, ITH and tax and duty free importation of inventories and capital equipment.

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

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

IMICD, IMISZ and STJX
In accordance with the "Income Tax Law of the China for Enterprises with Foreign Investment and Foreign Enterprises," the subsidiaries in China are entitled to full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

During the financial year ended December 31, 2021, STJX and IMISZ have been granted tax preference by the State Taxation Administration of the People's Republic of China (PRC) for a period of 3 years as the entities are operating in the high-technology industry. STJX and IMISZ are subjected to taxation at the statutory tax rate of 15% in 2021 and 2020 on its taxable income as reported in its financial statements, prepared in accordance with the accounting regulations in the PRC.

IMICD is subject to taxation at the statutory rate of 15% on its taxable income as reported in the financial statements.

STHK
Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

Cooperatief
Taxation is calculated on the reported pre-tax result, at the prevailing tax rate of 20% on the first €200,000 and 25% on the taxable amount exceeding €200,000, taking into account any losses carried forward from previous financial years (if applicable), tax-exempt items and nondeductible expenses, and using tax facilities.

IMI BG
Income taxes are calculated in accordance with Bulgarian legislation, and the effect of the current and deferred taxes is reported. The current tax is calculated based on the taxable income for tax purposes. The nominal tax rate is 10%.

IMI NIS
Taxable income is established on the basis of accounting profit. The applicable tax rate is 15%.

IMI CZ
Income tax due is calculated by multiplying the tax base by the rate as defined by the income tax law of Czech Republic. The tax base comprises the book income from operations, which is increased or decreased by permanently or temporarily tax-decreasing costs and tax-deductible revenues (for example, creation and recording of other provisions and allowances, entertainment expenses, difference between book and tax depreciations). The applicable tax rate is 19%.

IMI MX
The Mexican Income Tax Law (MITL) established a corporate income tax rate of 30% for fiscal years 2021, 2020 and 2019. The MITL established requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the company but should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

IMI France
Income tax is computed based on the income earned by the entity during the calendar year. Losses may be carried forward with no time limit. On certain conditions, losses may be carried back one year. The tax rate applicable is 33% based on net income.

VIA and VTS
VIA AG and GmbH are subject to corporate income tax and trade taxes in Germany. For the years ended December 31, 2021, 2020 and 2019, the statutory German corporate income tax rate applicable to VIA GmbH is 15,0% plus solidarity surcharge of 5,5% thereon. The municipal trade tax is approximately 16.35% in 2021 and 2020 and 16.1% in 2019. The change in the municipal trade tax is due to the relocation of a permanent establishment from Altdorf to Nuremberg, with Nuremberg having higher tax rates. Overall tax rate for Germany is 32.17% in 2021, 32.17% for 2020 and 31.9% for 2019.

For VIA's subsidiaries, VIA LLC (USA) a tax rate of 23.75% in 2021, 2020 and 2019, for VIA Suzhou (China) a tax rate of 25% for 2021, 2020 and 2019 and for VTS (Japan) a tax rate of 34.1% is applicable.

STI
The standard rate of corporation tax in the UK is 19%. STI Philippines is governed by the rules of R.A. No. 7916, which prescribes a final tax rate of 5% on gross income net of certain deductions specifically provided for by the law.

PSi
As a PEZA-registered entity, PSi is subject to a 5% tax on gross income less allowable deductions, as defined in R.A. No. 7916, as amended by R.A. No. 8748, in lieu of all national and local taxes, except real property tax on land being leased by PSi. The 5% tax on gross income shall be paid and remitted as follows: (a) 3% to the National Government; and (b) 2% to the treasurer's office of the municipality or city where the enterprise is located. Income from other income-producing activities that are not registered with PEZA is subject to RCIT rate of 30%.

As at December 31, 2021 and 2020, PSi has no PEZA-registered activities with ITH entitlement.

Deferred Tax

Recognized deferred taxes of the Group relate to the tax effects of the following:

	2021	2020
Deferred tax assets:		
Lease liabilities	$5,256,986	$7,355,223
Net operating loss carry-over	1,373,015	2,070,468
Allowance for inventory obsolescence	449,365	580,259
Allowance for doubtful accounts	127,951	149,828
Unrealized foreign exchange loss on monetary assets - net	–	6,748
Fair value adjustment on property, plant and equipment arising from business combination	192,011	-
Others	1,481,796	947,960
	$8,881,124	$11,110,486

	2021	2020
Deferred tax liabilities:		
Right-of-use asset	$5,040,049	$6,715,279
Fair value adjustment on property, plant and equipment arising from business combination	1,557,898	1,804,127
Contract assets	390,699	340,363
Fair value adjustments on Intangible assets from business combination	-	263,810
Unrealized foreign exchange gain on monetary assets - net	16,460	93,163
Others	486	-
	$7,005,592	$9,216,742

Deferred tax assets and deferred tax liabilities are offset on per entity level and the net amount is reported in consolidated balance sheets as follows:

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

	December 31, 2020			
	Deferred Tax Assets	Deferred Tax Liabilities	Total Deferred Tax Assets - net	Total Deferred Tax Liabilities - net
Parent Company	$–	($106,169)	$–	($106,169)
PSI	396,315	(389,247)	7,068	–
IMI BG	683,776	(1,054,562)	–	(370,786)
IMI CZ	286,934	(55,404)	231,530	–
IMI MX	1,005,534	(853,560)	151,974	–
.VIA and STI	5,527,574	(3,490,362)	2,037,212	–
STEL	3,111,258	(2,073,750)	1,037,508	–
Serbia	26,231	–	26,231	–
Consolidation	72,864	(1,193,688)	355	(1,121,179)
	$11,110,486	($9,216,742)	$3,491,878	($1,598,134)

Others pertain to the deferred tax liabilities resulting from the acquisition of IMI EU/MX Subsidiaries.

The movement in deferred taxes are impacted by the translation of the deferred taxes of the subsidiaries with functional currency other than the presentation currency of the Parent Company. The deferred taxes are translated using the closing rate as at balance sheet date and the exchange differences are recognized as part of the other comprehensive income and reported as separate component of equity.

As of December 31, 2021 and 2020, the temporary differences for which no deferred tax assets have been recognized are as follows:

	2021	2020
Net operating loss carry-over	$56,940,984	$36,274,754
Accumulated impairment losses on property, plant and equipment	4,352,991	4,352,991
Excess of cost over NRV of inventories	608,995	625,966
Provisions	252,172	462,938
Allowance for doubtful accounts	60,130	61,805
	$62,215,272	$41,778,454

Deferred tax assets are recognized only to the extent that sufficient future taxable profits will be available against which the deferred tax assets can be used.

As of December 31, 2021 and 2020, deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries (see Note 19) and the related cumulative translation adjustments since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

On September 30, 2020, the Philippine Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the entities operating in the Philippines has incurred NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2018	2019 to 2021	$12,295,900	$12,295,900	$–
2019	2020 to 2022	15,757,987	–	15,757,987
		$28,053,887	$12,295,900	$15,757,987

As of December 31, 2021, the entities operating in the Philippines has incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	Applied/Expired	Unapplied
2021	2022 to 2026	$14,809,729	$–	$14,809,729
2020	2021 to 2025	8,581,594	–	8,581,594
		$23,391,323	$–	$23,391,323

For the carry-over losses of certain entities within the Group, this expires between three to ten years from the date incurred depending on the jurisdiction the entity is operating.

Year Incurred	Amount	Applied/Expired	Unapplied
2021	$29,118,201	$1,490,295	$27,627,906
2020	28,351,264	5,301,396	23,049,868
2019	15,149,680	1,348,007	13,801,673
2018 and prior	32,300,546	1,177,868	31,122,678
	$104,919,691	$9,317,566	$95,602,125

The tax on income from foreign subsidiaries was derived by aggregating the effective income tax for each national jurisdiction.

The reconciliation of the statutory income tax rate to the effective income tax rate of the Group follows:

	2021	2020	2019
Statutory income tax	(25.00%)	(30.00%)	(30.00%)
Tax effects of:			
Nondeductible expenses and movement in unrecognized deferred taxes	34.29%	(277.93%)	(13.30%)
Income subject to minimum corporate income tax	0.129%	7.48%	0.66%
Income subject to gross income tax	12.50%	100.57%	17.45%
Difference in tax jurisdiction	(59.51%)	(140.61%)	7.24%
Interest income subjected to final tax	0.002%	0.40%	0.19%
Provision for income tax	(37.59%)	(340.09%)	(17.76%)

26. **Loss per Share**

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

	2021	2020	2019
Net loss attributable to equity holders of Parent Company	**($10,564,571)**	($3,455,073)	($7,780,648)
Weighted average number of common shares outstanding	**2,208,146,264**	2,208,592,993	2,208,966,029
Basic and diluted EPS	**($0.005)**	($0.002)	($0.004)

As of December 31, 2021, 2020 and 2019, the Group has no dilutive potential common shares.

27. **Personnel Costs**

Details of salaries, wages, and employee benefits follow:

	2021	2020	2019
Salaries, wages and benefits	**$217,544,067**	$189,771,833	$203,260,943
Government related contributions	**10,271,628**	9,509,438	8,699,424
Retirement expense under defined contribution plans	**8,714,491**	7,239,590	8,877,809
Net retirement expense under defined benefit plans	**2,286,783**	2,093,381	1,552,705
Others	**11,312,913**	6,949,992	4,445,736
	$250,129,882	$215,564,234	$226,836,617

Others include expenses such as subcontracting costs, employee social and recreation, employee awards and recognition, trainings and seminars, labor union expenses, and uniforms.

Salaries, wages, and employee benefits are allocated as follows:

	2021	2020	2019
Cost of sales (Note 20)	**$188,179,409**	$165,020,873	$172,657,671
Operating expenses (Note 21)	**61,950,473**	50,543,361	54,178,946
	$250,129,882	$215,564,234	$226,836,617

Defined Benefit Plans

The Parent Company, IMI BG, IMI Serbia, STIPH and PSi have defined benefit plans covering substantially all of their employees. The latest actuarial valuations were made on December 31, 2021.

The plan is administered by local banks as trustees. The Board of Trustees is responsible for the investment direction of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, and the Treasurer. The Treasurer oversees the entire investment process.

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

The Group has net retirement liabilities attributable to the following:

	2021	2020
Parent Company	$7,522,461	$7,253,561
IMI BG	2,116,806	1,751,670
PSi	(255,318)	343,258
STI	657,257	–
IMI Serbia	14,336	7,166
	$10,055,542	$9,355,655

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

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

2021

		Net Retirement Expense					Remeasurements							
	January 1	Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$24,482,798	$2,022,461	$805,933	$–	$2,828,394	($2,106,873)	$–	$683,260	$–	($526,208)	$157,052	$–	($698,702)	$24,662,669
Fair value of plan assets	(15,127,143)	–	(541,611)	–	(541,611)	–	164,967	–	–	–	164,967	–	896,660	(14,607,127)
Net retirement liabilities	$9,355,655	$2,022,461	$264,322	$–	$2,286,783	($2,106,873)	$164,967	$683,260	$–	($526,208)	$322,019	$–	$197,958	$10,055,542

2020

		Net Retirement Expense					Remeasurements							
	January 1	Current Service Cost	Net Interest	Loss on Curtailments and Settlements	Subtotal	Separation and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Due to Experience Adjustments	Actuarial Changes Due to Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Actual Contribution	Foreign Currency Exchange Difference	December 31
Present value of defined benefit obligation	$22,193,986	$1,786,540	$986,717	$–	$2,773,257	($1,182,460)	$–	($856,746)	$–	$247,298	($609,448)	$–	$1,307,463	$24,482,798
Fair value of plan assets	(13,028,904)	–	(679,876)	–	(679,876)	(585,093)	(77,031)	(14,071)	–	–	(91,102)	–	(742,168)	(15,127,143)
Net retirement liabilities	$9,165,082	$1,786,540	$306,841	$–	$2,093,381	($1,767,553)	($77,031)	($870,817)	$–	$247,298	($700,550)	$–	$565,295	$9,355,655

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

The net retirement asset and net retirement liabilities as of December 31, 2021 and 2020 follows:

	2021	2020
Net pension liabilities	$10,310,860	$9,355,655
Net pension asset	255,318	–
	$10,055,542	$9,355,655

The net retirement asset is included in "Other Noncurrent Assets" (see note 14).The distribution of the plan assets as of December 31, 2021 and 2020 follows:

	2021	2020
Government securities	$8,192,686	$10,799,098
Equities	3,022,254	1,596,656
Corporate bonds	336,525	1,164,006
Trust funds	1,464,318	1,057,038
Mutual funds	1,128,367	–
Investment properties	458,085	486,472
Cash and cash equivalents	34	50
Others	5,359	23,823
	$14,607,628	$15,127,143

The plan assets include corporate bonds and deposit instruments of related parties, primarily AC, Ayala Land, Inc. (ALI) and Bank of the Philippine Islands (BPI). As of December 31, 2021 and 2020, the fair value of these plan assets amounted to $1.75 million and $1.51 million, respectively.

The plan assets pertain to diverse investments and do not have any concentration risk.

The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute $2.98 million to the defined benefit plans for 2022.

The actual return (loss) of plan assets amounted to $0.16 million, ($0.08) million and ($0.17) million in 2021, 2020 and 2019, respectively.

The average duration of net retirement liabilities at the end of the balance sheet date is 13.33 to 21.58 years as of December 31, 2021 and 13.2 to 20.03 years as of December 31, 2020.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
Less than one year	$2,642,288	$1,877,723
More than one year to five years	9,537,002	8,798,373
More than five years to ten years	12,755,104	12,181,108
More than ten years to fifteen years	14,839,813	13,120,139
More than fifteen years	52,527,932	46,901,027
	$92,302,139	$82,878,370

Principal actuarial assumptions

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

	2021	2020	2019
Discount rate	0.34% - 5.19%	0.34% - 3.89%	0.40% - 4.99%
Salary increase rate	3.00% - 6.50%	3.00% - 5.00%	4.00% - 5.00%

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

	Increase/ Decrease in Actuarial	Effect on Net Retirement Liability	
Actuarial Assumption	Assumption	2021	2020
Discount rate	+1%	($5,856,746)	($1,833,819)
	-1%	1,946,531	2,102,930
Salary increase rate	+1%	2,085,812	2,230,776
	-1%	(5,959,318)	(1,981,362)

The mortality rate in 2021 and 2020 is based on the 2017 Philippine Intercompany Mortality Table for the Parent Company and PSi. Meanwhile, IMI BG used the table for mortality and average life continuance population in the period 2017-2019 from National Statistical Institute (of Bulgaria) for 2021 and 2020. IMI Serbia used the 2012 table of mortality published by the Statistical Office of the Republic of Serbia for 2021.

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

	2021	2020	2019
Cost of sales	$1,541,183	$1,481,625	$1,058,798
Operating expenses	745,600	611,756	493,907
	$2,286,783	$2,093,381	$1,552,705

Defined Contribution Plans

The Parent Company's subsidiaries, excluding PSi, STIPH, IMI BG, and IMI Serbia, participate in their respective national retirement schemes which are considered as defined contribution plans. The retirement expense of these subsidiaries is allocated as follows:

	2021	2020	2019
Cost of sales	$6,942,099	$6,024,351	$7,696,667
Operating expenses	1,772,392	1,215,239	1,181,142
	$8,714,491	$7,239,590	$8,877,809

28. Employee Stock Ownership Plan (ESOWN)

The Group has an ESOWN, which is a privilege extended to the Group's eligible managers and staff whereby the Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Parent Company's Compensation Committee.

- Term of payment is eight years reckoned from the date of subscription:

Initial payment	2.5%
1st Anniversary	5.0%
2nd Anniversary	7.5%
3rd Anniversary	10.0%
Over the remaining years	75.0% balance

- Holding period:
  40%after one (1) year from subscription date
  30%after two (2) years from subscription date
  30%after three (3) years from subscription date

Movements in the number of shares outstanding under ESOWN in 2020, 2019 and 2018 follow:

	2021		2020		2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
At beginning of year	137,376,951	₱6.61	137,692,186	₱6.62	139,364,849	₱6.65
Forfeitures	(249,680)	8.19	(315,235)	10.49	(1,672,663)	9.39
At end of year	137,127,271	₱6.61	137,376,951	₱6.61	137,692,186	₱6.62

The balance of the subscriptions receivable amounted to $2.70 million, $2.89 million and $2.96 million as of December 31, 2021, 2020 and 2019, respectively (see Note 19).

The share option expense amounted to nil in 2021 and 2020, and nil in 2019.

29. Segment Information

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

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

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

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

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

The following tables present revenue and profit information regarding the Group's geographical segments per legal entity's location for the years ended December 31, 2021, 2020 and 2019:

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

December 31, 2020	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue from contracts with customers:									
Third party	$199,431,778	$13,841,873	$225,121,982	$264,650,680	$125,021,387	$268,973,935	$38,798,958	$-	$1,135,840,593
Intersegment	39,560,353	-	27,381,619	4,176,480	730,411	-	5,839,775	(77,688,638)	-
Total revenue from contracts with customers	$238,992,131	$13,841,873	$252,503,601	$268,827,160	$125,751,798	$268,973,935	$44,638,733	($77,688,638)	$1,135,840,593
Segment interest income	$1,172,755	$1,723	$1,385,590	$455,145	$-	$5,001	$5,791,518	($8,481,050)	$330,682
Segment interest expense	$6,031,447	$773,566	$2,995,988	$904,448	$2,907,522	$3,629,390	$345,271	($7,164,999)	$10,422,633
Segment profit (loss) before income tax	($8,821,652)	($2,275,826)	$9,913,597	$19,712,613	($12,695,167)	($8,197,912)	$20,301,542	($19,385,469)	($1,448,274)
Segment provision for income tax	(1,625,830)	(55,074)	(1,083,409)	(1,741,563)	98,577	(925,219)	(175,593)	582,690	($4,925,421)
Segment profit (loss) after income tax	($10,447,482)	($2,330,900)	$8,830,188	$17,971,050	($12,596,590)	($9,123,131)	$20,125,949	($18,802,779)	($6,373,695)
Net income (loss) attributable to the equity holders of the Parent Company	($10,447,482)	($2,330,900)	$8,830,188	$17,971,050	($12,596,590)	($6,574,888)	$20,125,949	($18,432,400)	($3,455,073)

December 31, 2019	Philippines		China	Europe	Mexico	Germany/UK	USA/ Japan /Singapore / IMI UK	Consolidation and Eliminations	Total
	Parent Company	PSi							
Revenue from contracts with customers:									
Third party	$227,466,226	$18,381,775	$258,300,064	$325,097,663	$159,560,558	$247,597,090	$13,962,538	$-	$1,250,365,914
Intersegment	24,023,512	-	19,542,444	3,925,576	612,541	-	6,738,431	(54,842,504)	–
Total revenue from contracts with customers	$251,489,738	$18,381,775	$277,842,508	$329,023,239	$160,173,099	$247,597,090	$20,700,969	($54,842,504)	$1,250,365,914
Segment interest income	$2,846,963	$2,835	$796,795	$345,781	$-	$-	$4,408,597	($7,540,196)	$860,775
Segment interest expense	$7,543,137	$1,051,845	$2,397,163	$1,185,177	$3,302,459	$3,557,069	$217,924	($6,112,839)	$13,141,935
Segment profit (loss) before income tax	$2,906,087	($3,325,773)	($5,308,769)	$19,232,806	($10,218,427)	($15,776,081)	($1,814,996)	$3,100,376	($11,204,777)
Segment provision for income tax	(2,362,461)	25,119	2,119,691	(2,035,036)	(259,504)	18,518	311,927	191,311	($1,990,435)
Segment profit (loss) after income tax	$543,626	($3,300,654)	($3,189,078)	$17,197,770	($10,477,931)	($15,757,563)	($1,503,069)	$3,291,687	($13,195,212)
Net income (loss) attributable to the equity holders of the Parent Company	$543,626	($3,300,654)	($3,189,078)	$17,197,770	($10,477,931)	($10,635,161)	($1,503,069)	$3,583,849	($7,780,648)

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

	Philippines		China	Europe	Mexico	Germany /UK	USA/ Japan/ Singapore	Consoli-dation and Eliminations	Total
	Parent Company	PSi							
2021	$557,686,549	$7,453,751	$235,414,802	$279,320,752	$88,313,045	$302,454,497	$396,993,354	($744,462,066)	$1,123,174,684
2020	$467,734,712	$10,370,946	$238,505,190	$304,254,610	$91,015,689	$315,906,870	$415,927,432	($710,040,679)	$1,133,674,770

Investments in subsidiaries and intersegment receivables amounting to $462.90 million and $314.81 million as of December 31, 2021, respectively, and $392.90 million and $350.52 million as of December 31, 2020, respectively are eliminated in consolidation.

Goodwill arising from the acquisitions as disclosed in Note 11, are recognized at consolidated level for both years ended December 31, 2021 and 2020.

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:

	2021	2020
Manufacturing of goods	$1,296,622,159	$1,129,576,030
Non-recurring engineering services	3,968,039	6,264,563
Revenue from contracts with customers	$1,300,590,198	$1,135,840,593

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

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

	2020		
	Revenue recognized over time	Revenue recognized at point in time	Total
Philippines			
Parent Company	$199,431,778	$–	$199,431,778
PSi	13,841,873	–	13,841,873
China	225,121,982	–	225,121,982
Europe	263,304,840	1,345,840	264,650,680
Mexico	121,994,587	3,026,800	125,021,387
Germany/UK	93,140,200	175,833,735	268,973,935
USA/Japan/Singapore	37,429,668	1,369,290	38,798,958
Revenue from contracts with customers	$954,264,928	$181,575,665	$1,135,840,593

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

	2021	2020	2019
Europe	$775,010,938	$675,265,274	$777,467,488
America	184,955,706	164,835,520	197,209,628
Japan	77,943,575	73,620,703	71,563,832
Rest of Asia/Others	262,679,979	222,119,096	204,124,966
	$1,300,590,198	$1,135,840,593	$1,250,365,914

Revenues are attributed to countries on the basis of the customer's location. The current top customer accounts for 8.97%, 8.34% and 8.51% of the Group's total revenue in 2021, 2020 and 2019, respectively.

The following table presents revenues per market segment:

	2021	2020	2019
Automotive	$648,027,420	$521,070,692	$601,996,871
Industrial	413,898,749	355,463,462	380,061,711
Consumer	82,371,007	85,591,512	95,446,491
Telecommunication	52,342,497	64,928,610	80,762,597
Aerospace/defense	54,329,773	47,317,163	53,181,362
Medical	28,798,655	38,013,836	17,592,584
Multiple market/others	20,822,097	23,455,318	21,324,298
	$1,300,590,198	$1,135,840,593	$1,250,365,914

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

	2021	2020
Europe*	$209,819,840	$217,770,002
America**	34,222,815	36,579,308
Rest of Asia/Others	102,742,958	120,653,101
	$346,785,613	$375,002,411

**Pertains to Europe, Germany and UK*
***Pertains to Mexico and USA*

Noncurrent assets include property, plant and equipment, goodwill, intangible assets and right of use assets.

The following table presents the depreciation and amortization expense based on their physical location:

	2021	2020	2019
Europe*	$23,211,315	$21,591,738	$21,958,792
America**	7,215,748	6,417,245	4,575,137
Rest of Asia/Others	27,895,813	27,423,586	22,194,744
	$58,322,876	$55,432,569	$48,728,673

**Pertains to Europe, Germany and UK*
***Pertains to Mexico and USA*

30. Lease Commitments

Set out below are the carrying amounts of the Group's right-of-use assets presented under non-current assets, and the movements during the period:

	2021	2020
As at January 1, 2021	$32,660,720	$32,027,604
Additions	8,681,878	8,450,830
Amortization expense	(10,875,975)	(9,818,095)
Loss on lease modifications	(358,337)	–
Cumulative translation adjustment	(1,650,499)	2,000,381
As at December 31, 2021	$28,457,787	$32,660,720

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

	2021	2020
As at January 1, 2021	$35,413,260	$33,797,712
Additions	8,150,592	10,050,921
Interest expense on lease liabilities	1,349,772	1,644,189
Rental payments	(11,900,875)	(10,799,326)
Waived rentals	(350,411)	(422,841)
Gain on lease modifications	(198,707)	–
Cumulative translation adjustment	(1,242,832)	1,142,605
As at December 31, 2021	$31,220,799	$35,413,260
Current	$8,418,492	$7,785,039
Noncurrent	$22,802,307	$27,628,221

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

	2021	2020	2019
Amortization expense of right-of-use assets (Notes 20 and 21)	$10,875,975	$9,395,254	$6,955,732
Interest expense on lease liabilities (Note 23)	1,349,772	1,644,189	1,368,494
Expense related to short-term leases and low-value assets	1,265,975	1,695,689	2,961,823
	$13,491,722	$12,735,132	$11,286,049

Amortization expense of right-of-use assets recorded in the consolidated statements of income is net of the recognized effect of waived rentals for COVID-19-related rent concessions amounting to $0.35 million and $0.42 million in 2021 and 2020 respectively (see Note 3).

The Group's lease agreements have terms of fixed payments and there are no variable payment provisions.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2021 and 2020 follow:

	2021	2020
Within one year	$10,271,056	$11,615,891
After one year but not more than five years	16,819,948	26,108,092
More than five years	8,765,154	10,098,182
	$35,858,179.00	$47,822,165

Lease Commitments

Parent Company

In 2018, the Parent Company entered into a lease agreement related to warehouse building located in Laguna. The non-cancellable lease is for a period of five years from September 1, 2018 to August 31, 2023 without renewal and termination option.

The Parent Company entered into an amended lease contract with Technopark Land, Inc. (TLI), an affiliate, for the lease of parcels of land situated at the Special Export Processing Zone, Laguna Technopark, Biñan, Laguna. The previous lease contract which will expire on December 31, 2022 was extended by another five years up to 2027 subject to new lease rates beginning 2023 based on market with annual escalation thereafter until the end of the term.

On March 7, 2014, the Parent Company executed a Lease Agreement with PEZA for the use of land located at the Blk 16 Phase 4 PEZA, Rosario, Cavite to be used exclusively for IMI Cavite's registered activities. The lease is for a period of 50 years renewable once at the option of the lessee for a period of not more than 25 years. In 2020, the lease agreement was cancelled in line with the sale of the building to a third party.

The Parent Company also entered into an agreement involving the lease of residential houses and lots located in Sta. Rosa, Laguna covering a period of five years from January 1, 2021 to December 31, 2025.

IMI Singapore and STEL Group

STEL Group have various operating lease agreements on office premises, plant and equipment, leasehold building and improvement, and motor vehicles. These non-cancellable lease contracts have lease terms of between two to eight years. There are no lease commitments for IMI Singapore.

In 2017, the new entity, IMI SZ, entered into a lease agreement on its manufacturing facility covering a period of six years from May 2017 to May 2023. The lease premise is a five-floor building with 29,340 square meters located in an industrial park in Pingshan district of Shenzhen. In 2020, IMI SZ executed a renewal of lease agreement for its 30,430 square meters plant in Kuichong. The coverage of the lease is from November 2019 to November 2022.

In January 2020, IMI CD entered a five-year lease agreement, from January 2021 to January 2026, for its electronic production, office and staff accommodation. The lease premises is a three-floor building and a dormitory located at Xindu district, Chengdu City.

IMI BG

IMI BG have lease agreements related to office and warehouse building rent lease terms of five years. These leases have renewal options.

IMI CZ

IMI CZ have various operating lease agreements in respect of its company cars with lease terms of four to five years.

IMI MX

IMI MX have various lease agreements related to building and automobiles used in operation with lease terms of three to five years.

PSi

PSi leases its plant facilities, office spaces and other facilities in Calamba, Laguna from Centereach Resources, Inc. (CRI), an unrelated entity with a term of four years. The operating lease agreements will expire in 2022.

In December 2021, PSI transferred its operations and office in Laguna Technopark Inc., Binan, Laguna. PSi would continue to pay the leases due until the end of its contract term in 2022. These remaining lease liabilities, including the estimated reinstatement costs provided for in the contract, were accounted for in accordance with PFRS 16, *Leases*; and PAS 17, *Provisions, Contingent Liabilities and Contingent Assets.*

VIA Group

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

STI

STI have various lease agreements in respect of manufacturing facilities, office premises and vehicles both in the UK and Philippines. These non-cancellable lease contracts have remaining non-cancellable lease terms of between three to fifty years. There are no restrictions placed upon the lessee by entering into these leases.

IMI Japan

IMI Japan entered into a six-year lease for the lease of office premises which matured in 2018. The lease contract provides for the automatic renewal of the lease contract, unless prior notice of termination is given to the lessor.

IMI USA

On June 5, 2020, IMI USA entered into a fourth amendment to a standard industrial commercial single tenant lease contract for an extended term of five years commencing from November 1, 2020 to October 31, 2025 for the lease of office premises. The lease contract contains provisions including, but not limited to, an escalation rate of 3% per year and early termination penalties.

31. **Related Party Transactions**

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

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

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

Outstanding balances at year-end are unsecured and settlement occurs in cash unless otherwise stated. For the years ended December 31, 2021, 2020 and 2019, the Group has not recorded any impairment on receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

- Transactions with BPI, an affiliate

  As of December 31, 2021 and 2020, the Group maintains current and savings accounts and short-term investments with BPI amounting to $1.42 million and $5.50 million, respectively.

  Total interest income earned from investments with BPI amounted to $0.001 million, $0.01 million and $0.01 million for the years ended December 31, 2021, 2020 and 2019, respectively.

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

	Receivables		Payables	
	2021	2020	2021	2020
KTM Asia Motor Manufacturing Inc. (KAMMI)	$413,754	$184,412	$–	$–
Merlin Solar Technologies (Phils.) Inc. (MSTPI)	23,130	99,862	–	–
AC Industrials Technology Inc. (AC Industrials)	11,813	14,979	–	–
BPI	–	–	21,138	20,873
Innove Communication, Inc. (ICI)	–	–	6,460	6,460
AG Legal	–	–	19,959	–
Globe Telecom, Inc. (GTI)	–	–	1,880	–
	$448,697	$299,253	$49,437	$27,333

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

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

iii. Payable to BPI pertains to employee related transactions.

iv. Payables to ICI pertain to building rental, leased lines, internet connections and ATM connections.

v. Payable to AGLegal relates to legal and regulatory assistance services.

vi. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

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

	Revenue/Income			Expenses		
	2021	2020	2019	2021	2020	2019
KAMMI	$1,511,811	$1,040,797	$1,361,041	$–	$–	$–
MSTPI	882,121	857,807	668,115	–	–	–
AC Industrials	49,868	42,801	49,370	–	–	–
BPI	1,396	3,851	9,740	-	-	-
AREIT	–	–	–	1,512,012	1,407,557	1,094,592
Laguna Water (LAWC)	–	–	–	1,035,751	961,519	608,094
AC	–	–	–	641,891	676,738	1,913,224
AG Legal	–	–	–	113,269	172,011	113,111
ICI	–	–	–	185,239	135,011	210,871
GTI	–	–	–	160,840	103,492	147,337
ACEIC	–	–	–	–	–	463,874
	$2,445,196	$1,945,256	$2,088,266	$3,649,002	$3,456,328	$4,551,103

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

i. Revenues from KAMMI and MSTPI pertain to subcontracting services related to registered activities.

ii. Revenues from AC Industrials represent recoveries for the provision of corporate and support services.

iii. Interest income earned from investments with BPI.

Expenses incurred from related party transactions include:

i. Light and power allocation charged by ACEIC to the Parent Company. The contract with ACEIC ended in January 2019.

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

iii. Rental expense from the lease contract between the Parent Company and AREIT (Formerly TLI).

iv. Water allocation charged by LAWC.

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

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

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

- Revenue and expenses eliminated at the Group level follow:

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

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

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

Compensation of Key Management Personnel of the Group
Compensation of key management personnel by benefit type follows:

	2021	2020
Short-term employee benefits	$7,776,881	$6,482,928
Post-employment benefits	885,630	73,519
	$8,662,511	$6,556,447

32. Fair Values of Financial Instruments

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values
Financial assets and financial liabilities that are liquid or are short-term in nature which consist of cash and cash equivalents, receivables, accounts payables and accrued expenses, loans payable and current portion of long-term debt, are assumed to have carrying amounts approximating their fair values.

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of December 31, 2021 and 2020:

	Carrying Amounts		Fair Values	
	2021	2020	2021	2020
Financial assets:				
Financial assets at FVOCI	$1,364,733	$1,124,461	$1,364,733	$1,124,461
Financial liabilities:				
Noncurrent portion of long-term debt	$149,678,652	$32,210,531	$149,793,869	$33,678,393
Financial liabilities on put options	–	1,592,518	–	1,592,518
	$149,678,652	$33,803,049	$149,793,869	$35,270,911

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial assets at FVOCI pertain to investments in club shares. Fair value is based on the most recent selling price of the club shares.

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

Financial liabilities on put options - These pertain to the liabilities of Cooperatief and IMI UK arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is nil and (0.72%) for VIA and nil and (1.27%) for STI for 2021 and 2020, respectively. Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put options will occur.

The current equity value of VIA prior to derecognition is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization. Another significant assumption is the probability of trigger event occurring within the put option period.

Contingent consideration - This pertains to the contingent consideration related to the acquisition of STI determined by discounting the probability weighted payout as estimated by management. The payout is estimated using the projected revenue growth rate of STI. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. The contingent liability was fully reversed in 2019.

Noncurrent portion of long-term debt - The fair value of long-term debt is estimated by using the discounted cash flow method using the current incremental borrowing rates for similar borrowings, with maturities consistent with those remaining for the liability being valued. The discount rates used for 2021 and 2020 ranged from 1.67% to 1.91% and from 1.67% to 2.33%, respectively.

Fair Value Hierarchy

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

	December 31, 2021			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at FVOCI	$–	$1,364,733	$–	$1,364,733
Liabilities measured at fair value:				
Financial liabilities on put options	$–	$–	$–	$–
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$149,678,652	$149,678,652

	December 31, 2020			
	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	$–	$1,124,461	$–	$1,124,461
Liabilities measured at fair value:				
Financial liabilities on put options	$–	$–	$1,592,518	$1,592,518
Liabilities for which fair values are disclosed:				
Long-term debt	$–	$–	$32,210,531	$32,210,531

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 gain-net	Adjustment to APIC	Currency Translation Adjustment	Dec 31, 2021
Financial liabilities on put options	$1,592,518	($1,627,806)	$–	$35,288	$–

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

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

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

December 31, 2021

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

December 31, 2020

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

33. Financial Risk Management Objectives and Policies

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

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

The Group's risk management policies are summarized below:

Interest Rate Risk

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

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

	Effect on Net Loss before Tax	
Increase/Decrease in Basis Points	2021	2020
+100	($2,034,055)	($734,980)
-100	2,034,055	734,980

The following table shows the information about the Group's debt as of December 31, 2021 and 2020 that are exposed to interest rate risk presented by maturity profile:

	2021	2020
Within one year	$51,921,868	$40,879,500
One to five years	151,483,661	32,618,457
	$203,405,529	$73,497,957

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's exposure to liquidity risk relates primarily to its short-term and long-term obligations. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Trade payables	$-	$205,358,544	$-	$-	$205,358,544
Employee-related accruals and contributions	-	26,818,339	-	-	26,818,339
Accrued expenses*	-	30,082,743	-	-	30,082,743
Nontrade payables	-	17,978,918	-	-	17,978,918
Accrued interest payable	-	1,530,999	-	-	1,530,999
Due to related parties	-	49,437	-	-	49,437
Others	-	-	-	-	-
Contract liabilities	-	4,741,058	-	-	4,741,058
Other financial liabilities	-	-	-	-	-
Loans payable	-	120,857,628	44,914,403	-	165,772,031
Current portion of long-term debt	-	-	1,805,008	-	1,805,008
Noncurrent portion of long-term debt**	-	-	-	149,793,869	149,793,869
	$-	$407,417,666	$46,719,411	$149,793,869	$603,930,946

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

	2020				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Accounts payable and accrued expenses:					
Trade payables	$-	$176,556,142	$-	$-	$176,556,142
Accrued compensation and benefits	-	22,993,540	-	-	22,993,540
Accrued expenses*	-	26,815,538	-	-	26,815,538
Nontrade payables	-	15,625,138	-	-	15,625,138
Accrued interest payable	-	821,933	-	-	821,933
Due to related parties	-	27,333	-	-	27,333
Others	-	63,315	-	-	63,315
Contract liabilities	-	1,515,095	-	-	1,515,095
Financial liabilities on put options	1,680,879	-	-	-	1,680,879
Loans payable	-	193,247,087	13,243,340	-	206,490,427
Current portion of long-term debt	-	-	2,109,394	-	2,109,394
Noncurrent portion of long-term debt**	-	-	-	33,678,393	33,678,393
	$1,680,879	$437,665,121	$15,352,734	$33,678,393	$488,377,127

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

The financial liabilities in the above tables are gross undiscounted cash flows and these amounts are to be settled through cash and cash equivalents. Furthermore, liquid assets such as cash and cash equivalents and trade receivables, and available credit lines are used by the Group to manage liquidity.

Credit lines

The Group has credit lines with different financing institutions as of December 31, 2021 and 2020, as follows:

	2021		2020	
Financial Institution / Currency	Credit Limit	Available Credit Line	Credit Limit	Available Credit Line
Local:				
USD	132,000,000	68,800,000	112,000,000	9,000,000
PHP	300,000,000	300,000,000	300,000,000	300,000,000
Foreign:				
USD	95,000,000	54,700,000	106,500,000	25,403,436
JPY	600,000,000	392,580,000	600,000,000	258,900,000
Singapore Dollar (SGD)	32,000,000	11,048,180	32,000,000	11,075,000
EUR	10,751,130	8,073,420	18,769,597	14,650,130
GBP	5,000,000	928,808	5,000,000	2,721,751
CZK	50,000,000	20,000,000	-	-

Credit Risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents and receivables from customers and other third parties. Credit risk management involves dealing with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures. The Group extends credit to its customers consistent with sound credit practices and industry standards. The Group deals only with reputable, competent and reliable customers who pass the Group's credit standards. The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group defines a financial asset as in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. Such internal or external information includes discontinuance of orders, financial difficulty or insolvency, probable bankruptcy or other financial reorganization. Actual historical experience shows low defaulted accounts which were also substantially recovered subsequently resulting to insignificant write-offs.

The Group's maximum exposure to credit risk as of December 31, 2021 and 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 15% and 20% of trade receivables relating to three major customers as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the aging analysis of receivables, contract assets and miscellaneous deposits follows:

	December 31, 2021							
			Days Past Due					Specifically
	Total	Current	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Impaired
Receivables:								
Trade	$273,946,003	$226,547,603	$20,981,539	$9,810,700	$3,967,686	$3,094,040	$6,084,529	$3,459,906
Nontrade	6,882,895	3,392,916	930,147	1,534,301	196,653	62,591	589,524	176,763
Receivable from insurance	1,078,869	-	-	-	-	-	-	1,078,869
Receivable from employees	471,930	426,306	17,407	-	-	-	-	28,217
Due from related parties	448,697	179,229	142,720	113,010	-	-	13,738	-
Others	957,732	957,732	-	-	-	-	-	-
Contract assets	52,481,010	52,481,010	-	-	-	-	-	-
Miscellaneous deposits	3,565,133	3,565,133	-	-	-	-	-	-
	$339,832,269	$287,549,929	$22,071,813	$11,458,011	$4,164,339	$3,156,631	$6,687,791	$4,743,755

	December 31, 2020							
			Days Past Due					Specifically
	Total	Current	<30 Days	30-60 Days	60-90 Days	90-120 Days	>120 Days	Impaired
Receivables:								
Trade	$273,278,729	$225,019,629	$26,442,860	$10,695,524	$3,153,478	$1,009,684	$5,453,985	$1,503,569
Nontrade	2,825,231	2,469,447	65,695	66,214	18,250	2,219	55,310	148,096
Receivable from insurance	1,095,700	-	-	-	-	-	-	1,095,700
Receivable from employees	329,548	329,548	-	-	-	-	-	-
Due from related parties	299,253	299,253	-	-	-	-	-	-
Others	540,695	540,695	-	-	-	-	-	-
Contract assets	54,525,401	54,525,401	-	-	-	-	-	-
Miscellaneous deposits	1,547,045	1,547,045	-	-	-	-	-	-
	$334,441,602	$284,731,018	$26,508,555	$10,761,738	$3,171,728	$1,011,903	$5,509,295	$2,747,365

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. Given the loss patterns of customers and the Group's credit policy, the expected credit loss recognized for the period ended December 31, 2021 and 2020 represents specifically identified impaired financial assets.

The following table summarizes the credit quality of the Group's financial assets as of December 31, 2021 and 2020:

	December 31, 2021					
	Neither Past Due nor Impaired				Past Due or	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk	Individually Impaired	Total
Cash and cash equivalents	$159,787,623	$-	$-	$-	$-	$159,787,623
Receivables:						
Trade	3,073,572	213,631,385	5,209,255	4,633,391	47,398,400	273,946,003
Nontrade	243,901	2,506,122	423,809	219,084	3,489,979	6,882,895
Receivable from insurance	-	-	-	-	1,078,869	1,078,869
Receivable from employees	-	426,306	-	-	45,624	471,930
Due from related parties	-	179,229	-	-	269,468	448,697
Others	-	957,732	-	-		957,732
Financial assets at FVOCI	1,364,733	-	-	-	1,753,589	3,118,322
Miscellaneous deposits	3,565,133	-	-	-	-	3,565,133
	$168,034,962	$217,700,774	$5,633,064	$4,852,475	$54,035,929	$450,257,204

	December 31, 2020					
	Neither Past Due nor Impaired				Past Due or Individually Impaired	
	Minimal Risk	Average Risk	Fairly High Risk	High Risk		Total
Cash and cash equivalents	$244,355,425	$-	$-	$-	$-	$244,355,425
Receivables:						
Trade	6,730,485	218,297,025	-	-	48,251,219	273,278,729
Nontrade	2,469,473	-	-	-	355,758	2,825,231
Receivable from insurance	-	-	-	-	1,095,700	1,095,700
Receivable from employees	329,548	-	-	-	-	329,548
Due from related parties	299,253	-	-	-	-	299,253
Others	540,695	-	-	-	-	540,695
Financial assets at FVOCI	1,124,461	-	-	-	1,753,589	2,878,050
Miscellaneous deposits	1,547,045	-	-	-	-	1,547,045
	$257,396,385	$218,297,025	$–	$–	$51,456,266	$527,149,676

The Group classifies credit quality as follows:

Minimal Risk - Credit can proceed with favorable credit terms; can offer term of 15 to maximum of 45 days.

Average Risk - Credit can proceed normally; can extend term of 15 to maximum of 30 days.

Fairly High Risk - Credit could be extended under a confirmed and irrevocable LC and subject to semi-annual review for possible upgrade.

High Risk - Transaction should be under advance payment or confirmed and irrevocable Stand-By LC; subject to quarterly review for possible upgrade after one year.

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the functional currency of each legal entity against other currencies. As a result of significant transactions denominated in RMB, PHP and EUR the consolidated statements of income can be affected significantly by movements in the USD versus these currencies. In 2021 and 2020, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than the Group's functional currency. Approximately 60% and 62% of the Group's sales for the years ended December 31, 2021 and 2020, respectively, and 59% and 58% of costs for the years ended December 31, 2021 and 2020, respectively, are denominated in currencies other than USD.

The Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their USD equivalent follows:

Renminbi (RMB)

	2021		2020	
	In USD	In RMB	In USD	In RMB
Cash and cash equivalents	$1,430,875	RMB9,122,569	$2,351,896	RMB15,345,793
Receivables	26,590,585	169,528,751	20,873,053	136,193,743
Accounts payable and accrued expenses	(22,221,964)	(141,676,532)	(26,081,420)	(170,177,605)
Net foreign currency-denominated assets (liabilities)	$5,799,496	RMB36,974,788	($2,856,471)	(RMB18,638,069)

Philippine Peso (₱)

	2021		2020	
	In USD	In PHP	In USD	In PHP
Cash and cash equivalents	$2,180,945	₱111,226,035	$1,096,126	₱52,639,248
Receivables	1,089,585	55,567,745	2,015,909	96,809,988
Miscellaneous deposits	742,866	37,885,442	718,605	34,509,570
Accounts payable and accrued expenses	(14,357,793)	(732,233,101)	(18,288,415)	(878,264,558)
Net retirement liabilities	(7,848,905)	(400,286,302)	(8,989,957)	(431,724,693)
Net foreign currency-denominated liabilities	($18,193,302)	(₱927,840,181)	($23,447,732)	(₱1,126,030,445)

Euro (€)

	2021		2020	
	In USD	In EUR	In USD	In EUR
Cash and cash equivalents	$3,111,612	€2,752,421	$2,990,044	€2,443,046
Receivables	11,282,795	9,980,358	10,264,297	8,386,549
Accounts payable and accrued expenses	(16,688,592)	(14,762,134)	(16,388,400)	(13,390,309)
Net foreign currency-denominated assets (liabilities)	($2,294,185)	(€2,029,355)	($3,134,059)	(€2,560,714)

Information on the Group's USD-denominated monetary assets and liabilities of the Parent Company's subsidiaries with functional currencies other than USD and which is also affected by movements of USD compared with their respective functional currencies as at December 31, 2021 and 2020 follows:

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

**The USD-denominated monetary assets and liabilities are translated using EUR0.8846 for $1, RMB6.3755 for $1 and GBP0.74036 for $1.*

	2020			
	In USD	In EUR	In RMB	In GBP
Cash and cash equivalents	$100,824,850	€80,925,059	RMB1,936,150	£1,098,723
Receivables	16,739,927	5,511,729	24,914,721	4,572,554
Accounts payable and accrued expenses	(48,618,830)	(15,520,948)	(158,942,289)	(3,896,969)
Net foreign currency-denominated assets (liabilities)	$68,945,947	€70,915,840	(RMB132,091,418)	£1,774,308

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

Sensitivity Analysis

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

	Increase/Decrease	Effect on Net Income before Tax	
Currency	in USD Rate	2021	2020
RMB	+1%	$18,373	$31,134
	-1%	(18,373)	(31,134)
PHP	+1%	57,488	246,365
	-1%	(57,488)	(246,365)
EUR	+1%	9,602	49,052
	-1%	(9,602)	(49,052)
USD*	+1%	285,786	1,123,204
	-1%	(287,262)	(1,160,951)

**The USD-denominated monetary assets and liabilities are translated using EUR0.8846 for $1, RMB6.3755 for $1 and GBP0.74036 for $1.*

Fair Value Changes on Derivatives

The net movements in the fair value of the Group's derivative instruments as of December 31, 2021 and 2020 follow:

	2021	2020
Financial assets:		
At beginning of year	$-	$5,321
Fair value of currency forwards	44,859	-
Fair value of settled instruments	-	(5,321)
Foreign currency exchange difference	935	-
At end of year	$45,794	$-
Financial liabilities:		
At beginning of year	$88,361	$-
Fair value of currency forwards	-	92,122
Fair value of settled currency forwards	(88,361)	-
Foreign currency exchange difference	-	(3,761)
At end of year	$-	$88,361

34. Contingencies

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

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

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

35. Notes to Consolidated Statements of Cash Flows

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

		Cash Flows		Non-cash Changes							
	2020	Availment	Settlement/ Payment	Reclass	Addition	Declaration	Accretion of interest expense	Lease modification	Waived rentals	Foreign currency translation	2021
Dividends payable (Note 19)	$–	$–	($3,668,889)	$–	$–	$3,668,889	$–	$–	$–	$–	$–
Loans payable (Note 16)	206,490,427	21,012,227	(59,700,000)	–	–	–	–	–	–	(2,030,623)	165,772,031
Current portion of long-term debt (Note 17)	2,109,394	–	(2,042,863)	1,938,473	–	–	–	–	–	(199,996)	1,805,008
Long-term debt (Note 17)	32,210,531	119,562,891		(1,938,473)	–	–	–	–	–	(156,297)	149,678,652
Lease liabilities (Note 30)	35,413,260	–	(11,900,875)	–	8,150,592	–	1,349,772	(198,707)	(350,411)	(1,242,832)	31,220,799
Other noncurrent liabilities	5,263,259	–	(215,999)	–	–	–	–	–	–	–	5,047,260
	$281,486,871	$140,575,118	($77,528,626)	$–	$8,150,592	$3,668,889	$1,349,772	($198,707)	($350,411)	($3,629,748)	$353,523,750

		Cash Flows		Non-cash Changes						
	2019	Availment	Settlement/ Payment	Reclass	Addition	Declaration	Accretion of interest expense	Waived Rentals	Foreign currency translation	2020
Dividends payable (Note 19)	$–	$–	($6,504,083)	$–	$–	$6,504,083	$–	$–	$–	$–
Loans payable (Note 16)	126,051,547	82,665,635	(4,974,751)	-	-	–	–	–	2,747,996	206,490,427
Current portion of long-term debt (Note17)	28,037,902	-	(28,288,035)	2,062,455	–	–	–	–	297,072	2,109,394
Long-term debt (Note 17)	114,385,913	-	(80,209,436)	(2,062,455)	–	–	–	–	96,509	32,210,531
Lease liabilities (Note 30)	33,797,712	-	(10,799,326)	–	10,050,921	–	1,644,189	(422,841)	1,142,605	35,413,260
Other noncurrent liabilities	3,623,257	1,640,002	-	–	–	–	–	–	-	5,263,259
	$305,896,331	$84,305,637	($130,775,631)	$–	$10,050,921	$6,504,083	$1,644,189	($350,411)	$4,284,182	$281,468,871

Most of the loans are from existing revolving credit lines.

36. Other Matters

COVID-19 Pandemic and Global Component Shortage

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

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

The extent of the impact of the Covid-19 pandemic and the extended materials shortage issue to the Group's financial condition and results of operations will depend on future developments, which are highly uncertain, cannot be predicted and may pose risks and unfavorable impact to the Group but will not materially affect the Group's ability to continue as going concern.

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