COVER SHEET

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I N T E G R A T E D M I C R O - E L E C T R O N I C S , I N C .

(Company's Full Name)

N O R T H S C I E N C E A V E . , L A G U N A
T E C H N O P A R K , B I N A N , L A G U N A

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

ATTY. SOLOMON M. HERMOSURA

Contact Person

841-5346

Company Telephone Number

1	2		3	1
Month			*Day*	

Fiscal Year

SEC FORM 17-Q

FORM TYPE

0	4		1	9
Month			*Day*	

Annual Meeting

Secondary License Type, if Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SEC Number: 94419
File Number: ______

INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City

(Company Address)

(632) 756-6840

(Telephone Number)

September 30, 2010

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2010**

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

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

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

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office: **33/F Tower One, Ayala Triangle, Ayala Avenue, Makati City**
Postal Code: **1226**

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

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

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

Title of Each Class	Number of Shares Issued and Outstanding
Common *	1,434,078,088

* Net of 15,892,109 treasury shares

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

The Philippine Stock Exchange (the "PSE" or "Exchange") approved on December 9, 2009 the applications of Integrated Micro-Electronics, Inc. for the initial listing by way of introduction under the First Board of the Exchange 1,137,708,197 common shares and to list additional 146,681,420 common shares to cover the Company's Employee Stock Ownership Plan ("ESOWN"). The listing ceremony was held on January 21, 2010.

A total of 1,346,035,697 common shares are listed with the Philippine Stock Exchange as of September 30, 2010.

12. Indicate by check mark whether the registrant:

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

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2010

(With Comparative Audited Figures as of December 31, 2009)
(In thousand dollars)

	(Unaudited) Sept 30, 2010	(Audited) Dec 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$40,075**	$53,932
Derivative assets (Note 13)	**1,257**	–
Loans and receivables - net (Note 5)	**93,325**	95,968
Inventories (Note 6)	**39,148**	31,875
Other current assets	**4,742**	1,421
Total Current Assets	**178,547**	183,196
Noncurrent Assets		
Noncurrent receivables	–	381
Property, plant and equipment - net (Note 7)	**65,672**	63,128
Goodwill	**46,226**	46,226
Intangible assets (Note 8)	**1,108**	2,803
Net pension asset	**2,866**	2,866
Available-for-sale financial assets	**347**	309
Deferred income tax assets	**109**	109
Other noncurrent assets	**1,180**	3,064
Total Noncurrent Assets	**117,508**	118,886
	$296,055	$302,082
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	**$76,512**	$83,177
Income tax payable	**2,928**	3,262
Provisions	–	44
Loans Payable (Note 10)	**6,262**	2,302
Current portion of long-term debt (Note 11)	**8,000**	8,000
Total Current Liabilities	**93,702**	96,785
Noncurrent Liabilities		
Long-term debt (Note 11)	**34,000**	38,000
Obligation under finance lease	**168**	315
Total Noncurrent Liabilities	**34,168**	38,315
Total Liabilities	**127,870**	135,100

(Forward)

	(Unaudited) Sept 30, 2010	(Audited) Dec 31, 2009
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - common	**$24,385**	$20,268
Capital stock - preferred	**26,601**	26,601
Subscribed capital stock	**2,539**	2,168
Additional paid-in capital	**33,172**	30,482
Subscriptions receivable	**(11,766)**	(10,153)
Retained earnings:	**–**	–
Appropriated for expansion	**60,661**	60,661
Unappropriated	**33,086**	37,458
Treasury stock	**(1,013)**	(1,013)
Reserve for fluctuation on available-for-sale financial assets	**77**	57
Other reserves	**161**	161
	167,903	166,690
Minority interests in a consolidated subsidiary	**282**	292
Total Equity	**168,185**	166,982
	$296,055	$302,082

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(In thousand dollars, except Earnings per Share)

	Unaudited 2010		Unaudited 2009	
	Jul to Sept	Jan to Sept	Jul to Sept	Jan to Sept
REVENUES FROM SALES AND SERVICES	$104,271	$293,082	$112,374	$281,744
COST OF GOODS SOLD AND SERVICES	96,499	263,473	101,749	253,310
GROSS PROFIT	**7,772**	**29,609**	**10,625**	**28,434**
OPERATING EXPENSES	(8,408)	(25,898)	(8,110)	(25,489)
OTHERS - Net				
Interest and bank charges	(225)	(627)	(364)	(1,484)
Interest income	78	290	138	520
Foreign exchange gains (losses)	689	3,616	61	227
Miscellaneous	1,162	914	1,370	8,888
INCOME BEFORE INCOME TAX	**1,068**	**7,904**	**3,720**	**11,096**
PROVISION FOR INCOME TAX	(811)	(2,944)	(1,154)	(2,512)
NET INCOME	**$257**	**$4,960**	**$2,566**	**$8,584**
OTHER COMPREHENSIVE INCOME				
Fair value changes on available-for-sale financial assets	(4)	20	23	28
TOTAL COMPREHENSIVE INCOME	**$253**	**$4,980**	**$2,589**	**$8,612**
Net Income Attributable to:				
Equity holders of the Parent Company	$254	$4,930	$2,546	$8,532
Minority interests	3	30	20	52
	$257	**$4,960**	**$2,566**	**$8,584**
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company	$250	$4,950	$2,569	$8,560
Minority interests	3	30	20	52
	$253	**$4,980**	**$2,589**	**$8,612**
Earnings Per Share:				
Basic and Diluted		**$0.0025**		$0.0056

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(In thousand dollars)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock - Common	Capital Stock - Preferred	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings Appropriated for Expansion	Retained Earnings Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2010	**$20,268**	**$26,601**	**$2,168**	**$30,482**	**($10,153)**	**$60,661**	**$37,458**	**($1,013)**	**$57**	**$161**	**$292**	**$166,982**
Subscriptions during the period	-	-	371	1,135	(1,506)	-	-	-	-	-	-	-
Cost of share-based payments	-	-	-	513	-	-	-	-	-	-	-	513
Collection on subscriptions	-	-	-	-	935	-	-	-	-	-	-	935
Accretion of subscription receivable	-	-	-	1,042	(1,042)	-	-	-	-	-	-	-
Dividends	4,117	-	-	-	-	-	(9,302)	-	-	-	(40)	(5,225)
	24,385	26,601	2,539	33,172	(11,766)	60,661	28,156	(1,013)	57	161	252	163,205
Net income	-	-	-	-	-	-	4,930	-	-	-	30	4,960
Other comprehensive income	-	-	-	-	-	-	-	-	20	-	-	20
Total comprehensive income	-	-	-	-	-	-	4,930	-	-	-	30	4,980
Balances at September 30, 2010	**$24,385**	**$26,601**	**$2,539**	**$33,172**	**($11,766)**	**$60,661**	**$33,086**	**($1,013)**	**$77**	**$161**	**$282**	**$168,185**

	Attributable to Equity Holders of the Parent Company											
	Capital Stock-Common	Capital Stock - Preferred	Subscribed Capital Stock	Additional Paid-in Capital	Subscriptions Receivable	Retained Earnings Appropriated for Expansion	Retained Earnings Unappropriated	Treasury Stock	Reserve for Fluctuation on Available-for-Sale Financial Assets	Other Reserves	Attributable to Minority Interest	Total
Balances at January 1, 2009	$20,253	$26,601	$2,182	$30,214	($10,439)	$60,661	$31,092	($1,013)	$24	$56	$416	$160,047
Shares issued during the period	7	-	(7)	-	-	-	-	-	-	-	-	-
Cost of share-based payments	-	-	-	452	-	-	-	-	-	-	-	452
Collection on subscriptions	-	-	-	-	96	-	-	-	-	-	-	96
Net reversal of accretion of subscription receivable	-	-	-	(330)	330	-	-	-	-	-	-	-
Dilution of minority	-	-	-	-	-	-	-	-	-	9	(9)	-
Dividends	-	-	-	-	–	-	(3,124)	-	-	-	-	(3,124)
	20,260	26,601	2,175	30,336	(10,013)	60,661	27,968	(1,013)	24	65	407	157,471
Net income	-	-	-	-	-	-	8,532	-	-	-	52	8,584
Other comprehensive income	-	-	-	-	-	-	-	-	28	-	-	28
Total comprehensive income	-	-	-	-	-	-	8,532	-	28	-	52	8,612
Balances at September 30, 2009	$20,260	$26,601	$2,175	$30,336	($10,013)	$60,661	$36,500	($1,013)	$52	$65	$459	$166,083

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(In thousand dollars)

	Unaudited	
	Sept 30, 2010	**Sept 30, 2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$7,904**	$11,096
Adjustments for:		
Depreciation of property, plant and equipment (Note 7)	**13,764**	13,670
Amortization of intangible assets (Note 8)	**2,137**	2,030
Mark-to-market loss (gain) on derivative assets (Note 13)	**(1,896)**	79
Provision for restructuring	**450**	929
Provision for inventory obsolescence - net of reversal	**469**	1,120
Provision for doubtful accounts (Note 5)	**657**	36
Cost of share-based payments	**513**	452
Unrealized foreign exchange gain (loss)	**717**	96
Interest and bank charges	**627**	1,484
Interest income	**(290)**	(520)
Gain on sale of property, plant and equipment	**(167)**	(67)
Gain on fire insurance claim	–	(6,951)
Loss on retirement of property, plant and equipment	**17**	–
Net benefit expense (gain)	–	(52)
Reversal of provision for warranty	**(18)**	(7)
Reversal of provision for restructuring	–	(1,818)
Provision for warranty	–	12
Loss on fire	–	512
Operating income before working capital changes	**24,884**	22,101
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**1,786**	(19,302)
Inventories	**(7,743)**	5,385
Other current assets	**(3,159)**	2,006
Noncurrent receivables	**381**	1,928
Decrease in:		
Accounts payable and accrued expenses	**(9,078)**	16,809
Provisions	**(475)**	(5,046)
Net cash generated from operations	**6,596**	23,882
Interest received	**272**	483
Interest paid	**(615)**	(2,029)
Income tax paid	**(3,278)**	(1,549)
Net cash provided by operating activities	**2,975**	20,786

(Forward)

	Unaudited	
	Sept 30, 2010	**Sept 30, 2009**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**$938**	$2,019
Acquisition of:		
Property, plant and equipment (Note 7)	**(15,121)**	(3,300)
Intangible assets (Note 8)	**(442)**	(406)
Decrease in other noncurrent assets	**1,923**	(849)
Settlement of derivatives	**639**	(122)
Net cash used in investing activities	**(12,063)**	(2,658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to Parent Company	**(4,618)**	(3,109)
Collections of subscriptions receivable	**934**	96
Dividends paid to Minority	**(41)**	–
Availments of loans	**5,000**	–
Payments of:		
Obligation under finance lease	**(1,169)**	–
Loans payable	**(1,040)**	(3,699)
Long-term debt	**(4,000)**	(4,000)
Net cash used in financing activities	**(4,934)**	(10,712)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**165**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(13,857)**	7,416
CASH AND CASH EQUIVALENTS AT JANUARY 1	**53,932**	57,605
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30 (Note 4)	**$40,075**	**$65,021**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Basis of Financial Statement Preparation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2009 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2009.

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

The unaudited interim condensed consolidated financial statements include the accounts of Integrated Micro-Electronics, Inc. (herein referred to as the "Parent Company") and its subsidiaries collectively referred to as the "Group".

The unaudited interim condensed consolidated financial statements are presented in US dollar ($), and all values are rounded to the nearest thousands except when otherwise indicated.

The accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (BOD) on October 31, 2010.

2. **Basis of Consolidation**

The accompanying unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership		Country of
	2010	2009	Incorporation
IMI USA	**100.00%**	100.00%	USA
IMI Japan	**100.00%**	100.00%	Japan

(Forward)

	Percentage of Ownership		Country of

	2010	2009	Incorporation
IMI Singapore	**100.00%**	100.00%	Singapore
Speedy-Tech Electronics Ltd. and Subsidiaries (“STEL and Subsidiaries”)	**100.00%**	100.00%	Singapore
Speedy-Tech (Philippines), Inc. (“STPHIL”)	**100.00%**	100.00%	Philippines
Shenzhen Speedy-Tech Electronics Co., Ltd. (“SZSTE”)	**99.443%**	99.443%	China
Shenzhen Speedy-Tech Technologies Co., Ltd. (“SZSTT”)	**100.00%**	100.00%	China
Speedy-Tech Electronics, Inc.	**100.00%**	100.00%	USA
Speedy-Tech Electronics (Jiaxing) Co., Ltd. (“STJX”)	**100.00%**	100.00%	China
Speedy-Tech Electronics (Chong Qing) Co. Ltd. (“STCQ”)	**100.00%**	100.00%	China
IMI (Cheng Du) Ltd.	**100.00%**	–	China
IMI International ROHQ (“ROHQ”)	**100.00%**	100.00%	Philippines

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements as of and for the year ended December 31, 2009 except for the adoption of the following new and amended standards and interpretations as of January 1, 2010. Except as otherwise indicated, the adoption of the new and amended Standards and Interpretations did not have a significant impact on the Group’s unaudited interim condensed consolidated financial statements.

- Revised PFRS 3, *Business Combination*, and amended PAS 27, *Consolidated and Separate Financial Statements.* The revised PFRS 3 introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of noncontrolling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The amended PAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes in PFRS 3 and PAS 27 will affect future acquisitions or loss of control of subsidiaries and transactions with noncontrolling interests. The revised PFRS 3 will be applied prospectively while the amended PAS 27 will be applied retrospectively with a few exceptions.

- Philippine Interpretation IFRIC 17, *Distributions of Noncash Assets to Owners*
  This interpretation provides guidance on how to account for noncash distributions to

owners. It clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement-Eligible Hedged Items.* This amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- Amendments to PFRS 2, *Share-based Payment: Group Cash-settled Transactions*. These amendments clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. It supersedes *IFRIC 8, Scope of PFRS 2 and IFRIC 11, IFRIC 2 - Group and Treasury Share Transactions.*

Improvements to PFRSs
The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. Except as otherwise stated, the Group does not expect the adoption of these improvements to have significant impact on the unaudited interim condensed consolidated financial statements.

- PFRS 2*, Share-based Payment*

  This Amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

  This Amendment clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.

- PFRS 8, *Operating Segments*

  The Amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*

  The Amendment clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*

  This Amendment explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*

Removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The Amendment now requires that leases of land are classified as either ‘finance’ or ‘operating’ in accordance with the general principles of PAS 17. The amendments are applied retrospectively.

- PAS 36, *Impairment of Assets*

  This Amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 38, *Intangible Assets*

  This Amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. The Amendment also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

- PAS 39, *Financial Instruments: Recognition and Measurement*

  This Amendment clarifies the following: 1) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; 2) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and 3) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*

  This Interpretation clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

  This Interpretation states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

<u>Future Changes in Accounting Policies</u>

The Group will adopt the standards, interpretations and amendments enumerated below when these become effective. Except as otherwise stated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2012)*. This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements in the scope of this interpretation are agreements for the construction of real estate and such may include the delivery of other goods or services.

4. Cash and Cash Equivalents

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
	(In thousands)	
Cash on hand and in banks	**$21,807**	$28,774
Short-term deposits	**18,268**	25,158
	$40,075	$53,932

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

5. Loans and Receivables

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
		(In thous
Trade	**$86,499**	$84,014
Nontrade	**3,434**	4,823
Receivable from Meralco - current	**624**	794
Receivables from employees	**353**	427
Others	**3,347**	6,222
	94,257	96,280
Less allowance for doubtful accounts	**932**	312
	$93,325	$95,968

Trade
Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms ranging from 30 to 60 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 ranging from 30 to 60 days from invoice date.

Others
Other receivables include insurance claim amounting to $1.9 million and $5.6 million as of September 30, 2010 and December 31, 2009, respectively, for damages to equipment and

inventories caused by a fire incident in the Parent Company's plant in Cebu, Philippines in May 2009.

6. **Inventories**

During the nine months ended September 30, 2010 and year ended December 31, 2009, the Group written off inventories amounting to $2.4 million and $3.4 million, respectively.

7. **Property, Plant and Equipment**

During the nine months ended September 30, 2010, the Group acquired machinery and facilities equipment amounting to $13.1 million, furniture, fixtures and office equipment amounting to $2.8 million, transportation equipment amounting to $374.0 thousand and incurred capitalizable expenses on projects in progress amounting to $232.4 thousand. Additions to building and land improvements amounted to $552.3 thousands.

During the nine months ended September 30, 2010, the Group also disposed property, plant and equipment with total book value of $770.9 thousand. This pertains to machinery and facilities equipment amounting to $738.6 thousand, transportation equipment amounting to $28.9 thousand, and furniture, fixtures and office equipment with book value amounting to $3.3 thousand. Moreover, the Group also retired machinery and equipment and transportation equipment with a total book value of $17.0 thousand.

Depreciation and amortization expense included in cost of goods sold and services for the nine months ended September 30, 2010 and 2009 amounted to $11.4 million and $12.0 million, respectively. Loss on retirement for nine months ended September 30, 2010 and 2009 amounted to $17.0 thousand and nil, respectively. Depreciation and amortization expense included in operating expenses for the nine months ended September 30, 2010 and 2009 amounted to $2.4 million and $1.4 million, respectively.

8. **Intangible Assets**

During the nine months ended September 30, 2010 and 2009, the Parent Company acquired additional computer software amounting to $442.3 thousand and $406.3 thousand respectively.

Amortization of intangible assets for the nine months ended September 30, 2010 and 2009 amounted to $2.1 million and $2.0 million, respectively.

9. **Accounts Payable and Accrued Expenses**

	September 30,	December 31,

	2010 (Unaudited)	2009 (Audited)
		(In thous
Trade payables	**$52,267**	$60,666
Accrued expenses	**12,917**	13,516
Accrued payroll	**5,663**	4,319
Obligation under finance lease - current	**1180**	188
Customers' deposits	**673**	1,328
Dividends payable	**608**	–
Employee-related payables	**537**	484
Nontrade payables	**424**	424
Taxes payable	**329**	172
Accrued interest payable	**16**	41
Others	**1,898**	2,039
	$76,512	$83,177

Accounts payable and accrued expenses are non interest-bearing and are normally settled on 15 to 60-day terms.

Accrued expenses consist mainly of light and water, taxes, professional fees, transportation and travel, subcontractual costs, and security.

10. Loans Payable

The Parent Company loan of $5.0 million is a short term clean and unsecured loan from a Philippine bank obtained in August 2010. The loan payable bears an interest rate of 1.55% per annum and has maturity 60 days from the date of issue.

The loan of STEL amounting to $1.3 million and $2.3 million as of September 30, 2010 and December 31, 2009, respectively are clean and unsecured loans obtained from various Singapore banks from existing revolving credit facilities. The loans payable bear interest rates ranging from 3.76% to 3.95% in 2010 and 1.94% to 3.86% in 2009 and have maturities of 30 to 240 days from the date of issue with renewal options.

11. Long-Term Debt

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
		(In thous
Parent Company	**$30,000**	$30,000
STEL	**12,000**	16,000
	$42,000	$46,000

The Parent Company loan is a five-year term clean loan from a Philippine bank obtained in 2006 for the original amount of $40.0 million and payable in a single balloon payment at the end of the loan term. The Parent Company may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty. Interest on the loan is payable quarterly and re-priced quarterly at the rate of 3-month LIBOR plus margin of 0.80%. The Parent Company prepaid $10.0 million of the loan principal in 2007.

The IMI Singapore loan is a five-year term clean loan from a Singapore bank obtained in 2006 for the original amount of $40.0 million. The loan is payable in ten (10) equal installments starting in May 2007 until November 2011. Interest on the loan is payable semi-annually and is re-priced semi-annually at LIBOR rate plus 0.75% quoted by the bank.

Scheduled amortization of the long-term debt is as follows:

	2010	2009
2010	**$8,000**	$8,000
2011	**34,000**	38,000
	$42,000	$46,000

12. 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, gross profit, operating income, net income before and after tax.

No operating segments have been aggregated to form a reportable segment.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

The following tables present revenue and profit information regarding the Group's geographical segments for the nine months ended September 30, 2010 and 2009 (In thousands).

Sept. 30, 2010 (Unaudited)	**Philippines**	**Singapore**	**USA**	**Japan**	**Eliminations**	**Total**
Revenue						
Third party	**$108,046**	**$184,745**	**$194**	**$97**	**$–**	**$293,082**
Inter-segment	**–**	**2,991**	**1,810**	**834**	**(5,635)**	**–**
Total revenue	**$108,046**	**$187,736**	**$2,004**	**$931**	**($5,635)**	**$293,082**
Segment gross profit	**$10,230**	**$21,966**	**$1,967**	**$646**	**($5,200)**	**$29,609**
Segment operating income (loss)	**($4,524)**	**$8,045**	**$126**	**$64**	**$–**	**$3,711**
Segment interest income	**$231**	**$59**	**$–**	**$–**	**$–**	**$290**
Segment profit (loss) before income tax	**($880)**	**$8,595**	**$125**	**$64**	**$–**	**$7,904**
Segment provision for income tax	**(231)**	**(2,713)**	**–**	**–**	**–**	**(2,944)**
Segment profit (loss) after income tax	**($1,111)**	**$5,882**	**$125**	**$64**	**$–**	**$4,960**

Sept. 30, 2009 (Unaudited)	Philippines	Singapore	USA	Japan	Eliminations	Total
Revenue						
Third party	$130,180	$151,291	$31	$242	$–	$281,744

Inter-segment	–	–	1,529	395	(1,924)	–
Total revenue	$130,180	$151,291	$1,560	$637	($1,924)	$281,744
Segment gross profit	$11,556	$16,971	$1,425	$169	($1,687)	$28,434
Segment operating income (loss)	($2,081)	$5,464	($13)	($425)	$–	$2,945
Segment interest income	$486	$34	$–	–	–	$520
Segment profit (loss) before income tax	$4,902	$6,632	($13)	($425)	–	$11,096
Segment provision for income tax	(145)	(2,367)	–	–	–	(2,512)
Segment profit (loss) after income tax	$4,757	$4,265	($13)	($425)	$–	$8,584

The following table presents segment assets of the Group's geographical segments as of September 30, 2010 and December 31, 2009.

	Philippines	**Singapore**	**USA**	**Japan**	**Eliminations**	**Total**
Segment assets						
September 30, 2010 (Unaudited)	**$207,832**	**$202,534**	**$2,745**	**$1,502**	**($118,558)**	**$296,055**
December 31, 2009 (Audited)	$221,587	$180,794	$2,594	$778	($103,671)	$302,082

Segment assets as of September 30, 2010 do not include investments in subsidiaries amounting to $83.3 million and inter-segment loans and receivables amounting to $35.2 million which are eliminated on consolidation.

Segment assets as of December 31, 2009 do not include investments in subsidiaries amounting to $83.2 million and inter-segment loans and receivables amounting to $20.5 million which are eliminated on consolidation.

13. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, composed of loans payable and long-term were issued primarily to raise financing for the Group's operations. The Group has various other financial instruments such as cash and cash equivalents, accounts receivable, 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'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 obtains additional financing

through bank borrowings. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Credit risk
Credit risk is the risk that the Group's counterparty 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 in bank, short-term investments 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.

Cash terms, advance payments and letters of credit are required for customers of lower credit standing.

With respect to credit risk arising from other financial assets of the Group, which comprises cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments.

Liquidity risk
Liquidity or funding risk is the risk that an entity 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 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 operations. As part of its liquidity risk management, the Group regularly evaluates its projects 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.

Foreign currency risk
The Group's foreign exchange risk results primarily from movements of U.S. Dollar against other currencies. As a result of significant operating expenses in Philippine Peso, the Group's income can be affected significantly by movements in the Philippine Peso/U.S. Dollar exchange rate.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases other than the Group's functional currency.

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 to hedge any material exposure where appropriate.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their U.S. Dollar equivalent follows:

Philippine Peso (₱)

	September 30, 2010 (Unaudited)		**December 31, 2009 (Audited)**	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Cash and cash equivalents	**$465**	**₱20,390**	$9,184	₱424,281
Loans and receivables	**1,948**	**85,482**	2,307	106,576
Available-for-sale investment			–	–
Miscellaneous deposits	**822**	**36,071**	688	36,052
Accounts payable and accrued expenses	**(20,693)**	**(907,987)**	(11,542)	(533,229)
Net foreign currency-denominated assets (liabilities)	**($17,458)**	**(₱766,044)**	$637	₱33,680

Singapore Dollar (SGD)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Singapore Dollar**	In U.S. Dollar	In Singapore Dollar
Cash and cash equivalents	**($17)**	**(SGD23)**	$619	SGD869
Loans and receivables	**166**	**219**	100	140
Accounts payable and accrued expenses	**(3,539)**	**(4,655)**	(4,022)	(5,651)
Net foreign currency-denominated liabilities	**($3,390)**	**(SGD4,459)**	($3,303)	(SGD4,642)

Euro (€)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Euro**	In U.S. Dollar	In Euro
Cash and cash equivalents	**$861**	**€632**	$545	€379
Loans and receivables	**30**	**22**	109	76
Accounts payable and accrued expenses	**(524)**	**(384)**	(410)	(285)
Net foreign currency-denominated assets	**$367**	**€270**	$244	€170

Japanese Yen (¥)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Japanese Yen**	In U.S. Dollar	In Japanese Yen

Cash and cash equivalents	**$1,325**	**¥ 110,814**	$ 210	¥19,254
Loans and receivables	**2,799**	**234,195**	1,654	151,583
Miscellaneous deposits	**28**	**2,337**	–	–
Accounts payable and accrued expenses	**(6,778)**	**(567,050)**	(3,528)	(323,334)
Net foreign currency-denominated liabilities	**($2,626)**	**(¥219,704)**	($1,664)	(¥152,497)

Renminbi (RMB)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Renminbi**	In U.S. Dollar	In Renminbi
Cash and cash equivalents	**$3,723**	**RMB 24,893**	$6,330	RMB43,235
Loans and receivables	**35,073**	**234,527**	23,507	160,552
Accounts payable and accrued expenses	**(27,340)**	**(182,815)**	(34,315)	(234,369)
Net foreign currency-denominated assets (liabilities)	**$11,456**	**RMB 76,605**	($4,478)	(RMB30,582)

Hong Kong Dollar (HKD)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Hong Kong Dollar**	In U.S. Dollar	In Hong Kong Dollar
Cash and cash equivalents	**$39**	**HKD 301**	$46	HKD359
Loans and receivables	**298**	**2,310**	125	972
Accounts payable and accrued expenses	**683**	**5,296**	(595)	(4,620)
Net foreign currency-denominated assets (liabilities)	**$1,019**	**HKD7,906**	($424)	(HKD3,289)

Australia Dollar (AUD)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Australia Dollar**	In U.S. Dollar	In Australia Dollar
Accounts payable and accrued expenses	**($312)**	**(AUD323)**	($54)	(AUD61)

South Korean Won (KRW)

	September 30, 2010 (Unaudited)		**December 31, 2009 (Audited)**	
	In U.S. Dollar	**In South Korean Won**	In U.S. Dollar	In South Korean Won
Cash and cash equivalents	**$–**	**KRW554**	$–	KRW–
Accounts payable and accrued expenses	–	–	(58)	(67,500)
Net foreign currency-denominated	**$–**	**KRW554**	($58)	(KRW67,500)

liabilities				

Denmark Kroner (DKK)

	September 30, 2010 (Unaudited)		December 31, 2009 (Audited)	
	In U.S. Dollar	**In Denmark Kroner**	In U.S. Dollar	In Denmark Kroner
Accounts payable and accrued expenses	**($6)**	**(DKK34)**	$–	DKK–

Great Britain Pound (GBP)

	September 30, 2010 (Unaudited)		**December 31, 2009 (Audited)**	
	In U.S. Dollar	**In Great Britain Pound**	In U.S. Dollar	In Great Britain Pound
Accounts payable and accrued expenses	**($3)**	**(GBP2)**	$–	GBP–

Thailand Baht (THB)

	September 30, 2010 (Unaudited)		**December 31, 2009 (Audited)**	
	In U.S. Dollar	**In Thailand Bath**	In U.S. Dollar	In Thailand Bath
Accounts payable and accrued expenses	**($14)**	**(THB421)**	$–	THB–

Sensitivity analysis

The following table demonstrates sensitivity to a reasonably possible change in the U.S. Dollar 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 September 30, 2010 and December 30, 2009. The reasonably possible change was computed based on one year average historical movement of exchange rates between U.S Dollar and other currencies.

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

<u>September 30, 2010 (Unaudited)</u>

Currency	**Increase/decrease in U.S. Dollar rate**	**Effect on profit before tax (in thousands)**
PHP	2%	269
	-2%	(269)
SGD	1%	278
	-1%	(278)
EUR	3%	(10)
	-3%	10
JPY	3%	72
	-3%	(72)
RMB	1%	(140)
	-1%	140
HKD	1%	12
	-1%	(12)
AUD	4%	12
	-4%	(12)
GBP	3%	–
	-3%	–
KRW	3%	–
	-3%	–
DKK	3%	–
	-3%	–
THB	1%	–
	-1%	–

<u>December 31, 2009 (Audited)</u>

Currency	Increase/decrease in U.S. Dollar rate	Effect on profit before tax (in thousands)
PHP	+1%	15
	-1%	(15)
SGD	+2%	(56)
	-2%	56
EUR	+3%	7
	-3%	(7)
JPY	+3%	(47)
	-3%	47
RMB	+1%	(47)
	-1%	47
HKD	+1%	(4)
	-1%	4
GBP	+3%	–
	-3%	–
AUD	+3%	(2)
	-3%	2
KRW	+4%	(3)
	-4%	3

Derivatives
In 2010, the Parent Company entered into various short-term currency forwards with aggregate nominal amount of $46.5 million.

As of December 31, 2009, the Parent Company has no outstanding derivative transactions.

Mark-to-market gain (loss) recognized for the nine months ended September 30, 2010 and 2009 amounted to $1.9 million and ($79) thousand, 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.

The Group is not subject to externally imposed capital requirements.

14. **Other Matters**

Acquisition of PSi Technologies Inc. (PSi)
On June 25, 2010, the Company, and Narra Venture Capital II (NarraVC), signed an agreement with PSi for their acquisition of 67% of PSi.

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

On October 5, 2010, the parties amended the agreement and finalized the transaction on October 6, 2010.

On completion, the Parent Company,NarraVC and Merrill Lynch now own 56%, 11% and 33% of PSi, respectively. The investment made by the Parent Company amounted to $8.3 million.

Stock Dividends
On April 8, 2010, the Parent Company's Board of Directors (BOD) approved the increase in its authorized capital stock from ₱3.0 billion consisting of 1.5 billion common shares and 1.5 billion preferred shares, to ₱3.75 billion, which in shall consist of an additional 750 million common shares with a par value of ₱1 per share, and the amendment of the articles of incorporation to reflect such increase. The Parent Company's BOD also approved the declaration of stock dividends equivalent to 187.5 million common shares to all the subscribed and outstanding common shares of the Parent Company as of the record date to be set by the Securities and Exchange Commission (SEC) in connection with its approval of the Parent Company's application for increase in authorized capital stock.

On August 12, 2010 the SEC approved the (1) increase in the Parent Company's authorized capital stock from 3 billion to 3.75 billion and the amendments in its articles of incorporation to reflect the increase, (2) its payment of 15% stock dividend equivalent to 187.5 million common shares to its stockholders of record as of August 31, 2010. The issuance of the stock dividends was made on September 24, 2010.

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

Results of Operation

Financial Highlights

	For the nine months ended 30 September	
	2010	**2009**
Revenues from Sales and Services	293,082	281,744
Cost of Goods Sold and Services	263,473	253,310
Gross Profit	29,609	28,434
Net Income Attributable to Equity Holders	4,930	8,532
EBITDA	20,125	19,097
Basic Earnings per Share (EPS)	0.0025	0.0056

Revenues from Sales and Services.

Despite the loss of a major turnkey customer which relocated its operations abroad early this year, the Company was still able to grow its revenues by 4% in the first nine months of the year, posting consolidated sales of $293.1M. This was brought about by the steadfast performance of the Singapore/China operation whose sales expanded by 22% to reach $184.7 million and which now accounted for 63% of consolidated revenues from the 54% share in 2009. The growing contribution of the Singapore/China business compensated for the slide in the top line results of the Philippine operation that resulted from the loss of the major turnkey customer. Philippine sales this year slipped 17% to $108.3 million.

The Company continues to derive a significant portion of its revenues from the consumer and communication segments which contributed 63% of overall revenues, followed by the automotive, industrial, and medical markets. The Company is building on the automotive business as a major growth driver and is currently strengthening its capability in this area. The automotive segment has posted the highest increase this year at 59% among the Company's business segments.

Since the start of the year, Europe has already edged out Japan as the Company's biggest market, while USA and Asia are showing steady growth.

Cost of Goods Sold and Services

The Company has maintained year-to-date Cost of Goods Sold and Services of $263.5 million at 89.9% of sales. Though appreciation of the Philippine Peso brought an unfavorable upward pull to the cost of Philippine operation, this was balanced out by the effect to variable costs of the changes in sales and product profitability mix as well as measures to control fixed manufacturing costs.

Gross Profit

The 4% increase in revenues and containment of Cost of Goods Sold and Services ratio at 2009 level brought additional Gross Profit of $1.2 million.

Operating Expenses

The Company was also able to hold its operating expenses at $26 million, just 2% higher than last year's amount of $25.5 million. Cost-containment measures were put in place to counter the unfavorable impact of the Peso appreciation to Philippine expenses.

Net Income

The first nine months ended with net income of $5.0 million, 42% lower than the $8.6 million reported last year. Without last year's one-time gain from insurance recovery of $4.5 million (net of expenses), this year's figure would be 22% better than last year. This improvement is attributable to the sustained strong contribution of the Singapore/China operation.

EBITDA

EBITDA (Operating Income, Depreciation and Amortization) increased 5% to $1.0 million owing to the favorable results from operations.

Liquidity and Capital Resources

The Company ended the first nine months with cash balance of $40.1 million, lower than the $53.9 million as of December 31, 2009, and net debt of $8.2 million, a reverse of the zero net debt position at the end of 2009. This decrease in cash was attributable to the increased spending on operating and capital expenditure requirements necessitated by the pick up in business activity levels following the improvement in the general economic environment. The Company continues to be in a strong financial position to meet its obligations as manifested by its current ratio which has improved to 1.91:1 from the 1.89:1 at the end of 2009 and debt-to-equity ratio which has remained strong at 0.26:1.

The Company ensures it has sufficient resources to cover operating requirements and debt obligations as well as fund ongoing growth initiatives. It maintains adequate loan facilities to supplement cash flows from operations. In addition, it has laid out financial strategies and controls to ensure continued liquidity and stable fiscal position.

Net Cash Flows from Operating Activities

Operating activities in the first nine months provided positive cash flows of $3 million. Though this is very far from the $20.8 million generated in the same period last year, this is an improvement to the breakeven cash flows reported in the first half of this year. The decrease in cash generation this year compared to last year resulted from the requirement of higher working capital by both Philippine & China operations due to customers' higher inventory requirements and demand for market-dictated longer credit terms.

Net Cash Flows from Investing Activities

Investing activities used up cash of $12.1 million during the period, a sizeable increase from the $0.7 million net amount spent in the previous year. The Company returned to capital spending this year following the normalization of business activity levels. $15.1 million was used to fund the acquisition of equipments for the set up of production lines for several new projects and the replacement of equipment destroyed in the Cebu facility fire in 2009. Last year, the Company limited capital expenditure spending to $3.3 million because of the uncertainty of the business conditions at the time.

Net Cash Flows from Financing Activities

Financing activities utilized net cash of $4.9 million, down from the $10.7 million used up in 2009. The Company availed of additional $5 million loans during the period to partly finance the payment of dividends to stockholders and settlement of maturing loans.

Key performance indicators of the Company

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

	As of end	
	30 Sep 2010	**31 Dec 2009**
Performance indicators		
Liquidity:		
Current ratio	1.91x	1.89x
Solvency:		
Debt-to-equity ratio	0.29x	0.29x

	For the nine months ended 30 September	
	2010	**2009**
Operating efficiency:		
Revenue growth	4%	(17%)
Profitability:		
EBITDA margin[i]	7%	7%

[i] EBITDA Margin = EBITDA divided by revenues from sales and services where EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of performance under PFRS. Because there are various EBITDA calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

In the above:

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

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

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

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

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

Income Statement items
(YTD September 30, 2010 versus YTD September 30, 2009)

49% decrease in other income ($8,151 to $4,193)
Attributable to the significant one-time gain from insurance recovery recognized in 2009.

17% increase in provision for income tax ($2,512 to $2,944)
Due to the increase in taxable income from the increase in revenues of China sites.

29% decrease in other comprehensive income ($28 to $20)
Decrease in the fair value of club shares classified as available-for-sale financial assets.

Balance Sheet items
(September 30, 2010 versus December 31, 2009)

26% decrease in Cash and cash equivalents ($53,932 to $40,075)
Represents spending for working capital requirements, capital expenditure (set up of new production lines for new projects and replacement of equipment damaged in Cebu fire), release of dividends to stockholders, and payment of loans.

100% increase in Derivative assets ($0 to $1,257)
From the increase in market value of simple forward contracts.

23% increase in Inventories ($31,875 to $39,148)
Due to the increase in volume and materials lead time requirement of China turnkey businesses.

<u>234% increase in other current assets ($1,421 to $4,742)</u>
Represents prepayments made by Philippine site and tax credits of China sites.

<u>100% decrease in noncurrent receivables ($381 to $0)</u>
Reclassification of receivable accounts to current as full collection is expected to be made within one year.

<u>60% decrease in Intangible assets ($2,803 to $1,108)</u>
Amortization made during the period.

<u>12% increase in Available-for-sale financial assets ($309 to $347)</u>
Increase in fair value of club shares classified as available-for-sale financial assets.

<u>61% decrease in Other noncurrent assets ($3,064 to $1,180)</u>
Due to reclassification to cash and cash equivalents of two-year time deposits maturing within the next twelve months.

<u>8% decrease in Accounts payable and accrued expenses ($83,177 to $76,512)</u>
Decrease in trade payables of Philippine site following the closure in early 2010 of turnkey business with a major Japanese customer. Payables related to this business comprised a significant portion of Philippine payables balance as of December 31, 2009.

<u>10% decrease in Income tax payable ($3,262 to $2,928)</u>
Payment of taxes by China sites.

<u>100% decrease in Provisions ($44 to $0)</u>
Reversal of provisions made for warranty and restructuring.

<u>172% increase in Loans payable ($2,302 to $6,262)</u>
Availment of additional $5 million loans by Philippine site less $1,040 payment made by Singapore site of its short-term loans.

<u>11% decrease in Long-term debt ($38,000 to $34,000)</u>
Payment of Singapore loan amortization.

<u>47% decrease in Obligation under finance lease ($315 to $168)</u>
Payment of regular monthly rentals of lease agreement classified as finance lease.

<u>20% increase in Capital stock - common ($20,268 to $24,385)</u>
From declaration of stock dividends.

<u>17% increase in Subscribed capital stock ($2,168 to $2,539)</u>
From issuance of ESOWN third tranche.

<u>9% increase in Additional paid-in capital ($30,482 to $33,172)</u>
From issuance of ESOWN third tranche and accretion of subscriptions receivable.

<u>16% increase in Subscriptions Receivable ($10,153 to $11,767)</u>

From issuance of ESOWN third tranche and accretion of subscriptions receivable.

12% decrease in Retained earnings: Unappropriated ($37,458 to $33,086)
Declaration of cash and stock dividends.

35% increase in Reserve for fluctuation on available-for-sale financial assets ($57 to $77)
Represents changes in the fair values of the Company's investments in club shares.

PART II--OTHER INFORMATION

1. Integrated Micro-Electronics, Inc. reported Net Income of US$10 million for the year 2009, a reversal of the net loss incurred in the previous year.

2. At the Regular Annual Stockholders' meeting held on April 19, 2010 the stockholders considered and approved the following:

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

      Jaime Augusto Zobel de Ayala
      Fernando Zobel de Ayala
      Gerardo C. Ablaza, Jr.[ii]
      Delfin L. Lazaro[iii]
      Arthur R. Tan
      Diosdado P. Banatao (Independent Director)
      Jose Ignacio A. Carlos
      Alelie T. Funcell (Independent Director)
      Hiroshi Nishimura (Independent Director)
      Cesar V. Purisima [iv]
      Rafael Ma. C. Romualdez[v]

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

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

    - Board Committees and Memberships:

      Executive Committee
      Gerardo C. Ablaza, Jr. – Chairman *(please refer to footnote ii)*
      Arthur R. Tan – Member
      Rafael Ma. C. Romualdez – Member *(please refer to footnote v)*

      Audit Committee
      Hiroshi Nishimura – Chairman

[ii] Resigned and replaced by Mr. John Eric T. Francia who was elected as Director and Member of the Finance Committee on July 9, 2010.
[iii] Elected as Chairman of the Executive Committee and Member of the Compensation Committee at the Board meeting held on July 9, 2010.
[iv] Resigned as of the end of business day of June 29, 2010 and replaced by Mr. Delfin C. Gonzalez, Jr. who was elected as Director and Chairman of the Finance Committee at the Board meeting held on July 9, 2010.
[v] Elected as Vice Chairman of the Board and of the Executive Committee at the Board meeting held on July 9, 2010.

Rafael Ma. C. Romualdez – Member
Jaime P. Villegas – Member

Nomination Committee
Jaime Augusto Zobel de Ayala – Chairman
Jose Ignacio A. Carlos – Member
Alelie T. Funcell – Member

Compensation Committee
Fernando Zobel de Ayala – Chairman
Gerardo C. Ablaza, Jr. – Member *(please refer to footnote ii)*
Rafael Ma. C. Romualdez – Member *(please refer to footnote v)*

Finance Committee
Cesar V. Purisima – Chairman (*please refer to footnote iii)*
Gerardo C. Ablaza, Jr. – Member *(please refer to footnote ii)*
Rafael Ma. C. Romualdez – Member *(please refer to footnote v)*

- Officers:

Jaime Augusto Zobel de Ayala	-	Chairman of the Board
Arthur R. Tan	-	President & Chief Executive Officer
Emmanuel V. Barcelon	-	Senior Managing Director & Chief Operations Officer
Sherisa P. Nuesa[vi]	-	Senior Managing Director & Chief Administration/Finance Officer
Linardo Z. Lopez	-	Senior Managing Director, Global Materials & Supply Chain
Solomon M. Hermosura	-	Corporate Secretary
Renan R. Osero	-	Assistant Corporate Secretary
Andrew C. Carreon	-	Managing Director, Chief Information Officer
Olaf Gresens	-	Global Sales Head
Michael R. Hansson	-	Managing Director, Global Test & Systems Development
Melita R. Tomelden	-	Managing Director, Global Corporate Quality & Reliability
Shong Cheng Yeh	-	Managing Director, China Operations
Jeremy Cowx	-	Managing Director, IMI Japan
Annabelle C. Duques	-	VP, Human Resources
Rafael Nestor V. Mantaring	-	VP, Design and Development (Philippines)
Lucrecio B. Mendoza	-	VP, Value Engineering
Mary Ann S. Natividad	-	VP, Country Business Unit Director (Singapore and Philippines)
Reynaldo N. Torda	-	VP, Manufacturing Operations
Jaime G. Sanchez[vii]	-	VP, Deputy CFO and Controller
Anthony Raymond P. Rodriguez	-	AVP, Head – Treasury and Credit

[vi] Moved back to Ayala Land Inc. (ALI) effective August 2, 2010.
[vii] Appointed as Acting Chief Finance Officer effective August 1, 2010 at the Board meeting held on July 9, 2010.

Fernandel I. Evangelista	-	AVP, Manufacturing Unit Head
Geronimo B. Magsombol	-	AVP, Facilities
Dominador P. Leonida III[viii]	-	AVP, Global Test & Systems Development

[viii] Appointed as Assistant Vice President for the Global Test & Systems Development Group at the Board meeting held on July 9, 2010.

SIGNATURES

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

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

By:

SOLOMON M. HERMOSURA
Corporate Secretary

Date: November 15, 2010

JAIME G. SANCHEZ
Acting Chief Finance Officer

Date: November 15, 2010

Aging of trade receivables (in thousands):

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	60-90 days	90-120 days	>120 days	Specifically impaired
September 30, 2010	**86,499**	**75,303**	**6,631**	**790**	**605**	**1,116**	**1,701**	**353**
December 31, 2009 (Audited)	84,014	77,246	3,434	1,419	394	346	952	223