COVER SHEET

9 4 4 1 9

INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

NORTH SCIENCE AVE., LAGUNA
TECHNOPARK, BINAN, LAGUNA

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

ATTY. SOLOMON M. HERMOSURA	**841-5346**
Contact Person	Company Telephone Number

12 31	**SEC FORM 17-Q**	04 15
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

CFD

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

Remarks = pls. Use black ink for scanning purposes

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)

June 30, 2011

(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: **June 30, 2011**

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 [ ]

A total of 1,349,304,197 common shares are listed with the Philippine Stock Exchange as of July 14, 2011.

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 JUNE 30, 2011

(With Comparative Audited Figures as of December 31, 2010)
(In thousand dollars)

	(Unaudited) June 30, 2011	(Audited) Dec 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$32,728**	$38,135
Derivative assets (Note 17)	**979**	1,693
Loans and receivables - net (Note 5)	**124,176**	109,936
Inventories (Note 6)	**57,852**	54,694
Assets held for sale (Note 7)	**209**	–
Other current assets	**4,393**	2,509
Total Current Assets	**220,337**	206,967
Noncurrent Assets		
Noncurrent receivables	**381**	184
Property, plant and equipment - net (Note 8)	**67,752**	74,624
Goodwill	**55,719**	55,719
Intangible assets (Note 9)	**854**	923
Pension asset	**2,766**	2,766
Available-for-sale financial assets	**413**	383
Deferred income tax assets	**112**	115
Other noncurrent assets	**1,558**	1,497
Total Noncurrent Assets	**129,555**	136,211
	$349,892	$343,178

	(Unaudited) June 30, 2011	(Audited) Dec 31, 2010
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**$119,339**	$105,346
Derivative liabilities	**2,896**	3,832
Income tax payable	**1,689**	2,299
Loans payable (Note 11)	**18,930**	17,922
Current portion of long-term debt (Note 12)	**34,000**	38,000
Total Current Liabilities	**176,854**	167,399
Noncurrent Liabilities		
Long-term debt (Note 12)	**372**	372
Obligation under finance lease	**17**	118
Pension liability	**1,143**	986
Deferred revenue (Note 13)	**2,437**	2,565
Accrued rent – noncurrent	**924**	894
Total Noncurrent Liabilities	**4,893**	4,935
Total Liabilities	**181,747**	172,334

(Forward)

	(Unaudited) June 30, 2011	(Audited) Dec 31, 2010
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - common	**24,928**	$24,894
Capital stock - preferred	**26,601**	26,601
Subscribed capital stock	**1,868**	1,902
Additional paid-in capital	**35,323**	34,647
Subscriptions receivable	**(11,573)**	(11,412)
Retained earnings:		
Appropriated for expansion	**40,661**	60,661
Unappropriated	**50,009**	32,727
Treasury stock	**(1,013)**	(1,013)
Reserve for fluctuation on available-for-sale financial assets	**138**	112
Other reserves	**171**	171
	167,113	169,290
Noncontrolling interests in a consolidated subsidiary	**1,032**	1,554
Total Equity	**168,145**	170,844
	$349,892	$343,178

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 SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In thousand dollars, except Earnings per Share)

	Unaudited 2011		Unaudited 2010	
	Apr to Jun	Jan to Jun	Apr to Jun	Jan to Jun
REVENUES FROM SALES AND SERVICES	**$139,509**	**$262,471**	$98,269	$188,811
COST OF GOODS SOLD AND SERVICES	**128,668**	**241,945**	87,245	166,974
GROSS PROFIT	**10,841**	**20,526**	11,024	21,837
OPERATING EXPENSES	**(9,660)**	**(20,065)**	(7,822)	(17,490)
OTHERS - Net				
Interest and bank charges	**(274)**	**(544)**	(210)	(402)
Interest income	**47**	**134**	85	212
Foreign exchange gains (losses)	**671**	**1,698**	128	2,927
Miscellaneous	**229**	**946**	(737)	(248)
INCOME BEFORE INCOME TAX	**1,854**	**2,695**	2,468	6,836
PROVISION FOR INCOME TAX	**(1,338)**	**(2,059)**	(985)	(2,133)
NET INCOME	**516**	**636**	1,483	4,703
OTHER COMPREHENSIVE INCOME				
Fair value changes on available-for-sale financial assets	**10**	**26**	18	24
TOTAL COMPREHENSIVE INCOME	**$526**	**$662**	$1,501	$4,727
Net Income Attributable to:				
Equity holders of the Parent Company	**$761**	**1,138**	$1,470	$4,676
Noncontrolling interests	**(245)**	**(502)**	13	27
	$516	**$636**	$1,483	$4,703
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company	**$772**	**$1,165**	$1,488	$4,700
Noncontrolling interests	**(245)**	**(502)**	13	27
	$526	**$662**	$1,501	$4,727
Earnings Per Share:				
Basic and Diluted		**($0.0001)**		$0.0028

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 SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In thousand dollars)

	Attributable to Equity Holders of the Parent Company											
	CapitalStock - 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 Noncontrolling Interest	Total
Balances at January 1, 2011	$24,894	$26,601	$1,902	$34,647	($11,412)	$60,661	$32,727	($1,013)	$112	$171	$1,554	$170,844
Shares issued during the period	34	–	(34)	–	–	–	–	–	–	–	–	–
Cost of share-based payments	–	–	–	348	–	–	–	–	–	–	–	348
Collection on subscriptions	–	–	–	–	167	–	–	–	–	–	–	167
Accretion of subscription receivable	–	–	–	328	(328)	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(3,855)	–	–	–	(20)	(3,875)
Reversal of appropriated retained earnings	–	–	–	–	–	(20,000)	20,000	–	–	–	–	–
	24,928	26,601	1,868	35,323	(11,573)	40,661	48,872	(1,013)	112	171	1,534	167,484
Net income (loss)	–	–	–	–	–	–	1,138	–	–	–	(502)	636
Other comprehensive income	–	–	–	–	–	–	–	–	26	–	–	26
Total comprehensive income (loss)	–	–	–	–	–	–	1,138	–	26	–	(502)	662
Balances at June 30, 2011	**$24,928**	**$26,601**	**$1,868**	**$35,323**	**$(11,573)**	**$40,661**	**$50,010**	**($1,013)**	**$138**	**$171**	**$1,032**	**$168,146**

	Attributable to Equity Holders of the Parent Company											Total
	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 Noncontrolling Interest	
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	–	–	372	1,135	(1,507)	–	–	–	–	–	–	–
Cost of share-based payments	–	–	–	288	–	–	–	–	–	–	–	288
Collection on subscriptions	–	–	–	–	925	–	–	–	–	–	–	925
Net reversal of accretion of subscription receivable	–	–	–	882	(882)	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(5,185)	–	–	–	(40)	(5,225)
	20,268	26,601	2,540	32,787	(11,617)	60,661	32,273	(1,013)	57	161	252	162,970
Net income	–	–	–	–	–	–	4,676	–	–	–	27	4,703
Other comprehensive income	–	–	–	–	–	–	–	–	24	–	–	24
Total comprehensive income	–	–	–	–	–	–	4,676	–	24	–	27	4,727
Balances at June 30, 2010	$20,268	$26,601	$2,540	$32,787	($11,617)	$60,661	$36,949	($1,013)	$81	$161	$279	$167,697

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In thousand dollars)

	Unaudited June 30, 2011	Unaudited June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$2,695**	$6,836
Adjustments for:		
Depreciation of property, plant and equipment (Note 7)	**10,504**	8,989
Amortization of intangible assets (Note 8)	**221**	1,401
Gains on derivatives (Note 13)	**(977)**	(587)
Provision for restructuring	**–**	450
Provision for inventory obsolescence - net of reversal	**65**	(1,049)
Provision for doubtful accounts	**3**	322
Cost of share-based payments	**348**	288
Unrealized foreign exchange loss (gain)	**(122)**	150
Interest and bank charges	**544**	402
Interest income	**(134)**	(212)
Loss (gain) on sale of property, plant and equipment	**(87)**	37
Loss on retirement of property, plant and equipment	**–**	13
Operating income before working capital changes	**13,060**	17,040
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(14,362)**	7,036
Inventories	**(3,222)**	(5,461)
Other current assets	**(2,094)**	(1,782)
Noncurrent receivables	**(198)**	381
Net pension asset	**157**	–
(Decrease) increase in:		
Accounts payable and accrued expenses	**12,947**	(13,647)
Provisions	**–**	(494)
Deferred revenue	**(128)**	–
Accrued rent-noncurrent	**29**	–
Net cash generated from operations	**6,189**	3,073
Interest received	**134**	212
Interest paid	**(530)**	(415)
Income tax paid	**(2,666)**	(2,610)
Net cash provided by operating activities	**3,127**	260
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**1,121**	573
Acquisition of:		
Property, plant and equipment (Note 7)	**(4,665)**	(13,188)
Intangible assets (Note 8)	**(152)**	(403)
(Increase) decrease in other noncurrent assets	**(55)**	1,951
Settlement of derivatives	**755**	530
Net cash used in investing activities	**(2,996)**	(10,537)

	Unaudited	
	June 30, 2011	**June 30, 2010**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to Parent Company	**($2,631)**	($3,997)
Dividends paid to Noncontrolling interest	**(20)**	(40)
Collections of subscriptions receivable	**167**	925
Availment of loans	**1,461**	–
Payments of:		
Obligation under finance lease	**(103)**	(103)
Loans payable	**(453)**	(1,088)
Long-term debt	**(4,000)**	(4,000)
Net cash used in financing activities	**(5,579)**	(8,303)
NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS	**41**	21
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(5,410)**	(18,559)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**38,135**	53,932
CASH AND CASH EQUIVALENTS AT JUNE 30 (Note 4)	**$32,728**	$35,373

See accompanying 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 (Amended), *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, 2010 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, 2010.

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.

On August 05, 2011, the Audit Committee approved and authorized the release if the accompanying unaudited interim condensed financial statements of Integrated Micro-Electronics, Inc. and Subsidiaries.

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
	2011	2010	Incorporation
IMI USA	**100.00%**	100.00%	USA
IMI Japan	**100.00%**	100.00%	Japan

(Forward)

	Percentage of Ownership		Country of
	2010	2010	Incorporation
IMI Singapore	**100.00%**	100.00%	Singapore
IMI International Regional Operating Headquarter ("IMI ROHQ")	**100.00%**	100.00%	Philippines
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 (Chengdu) Ltd.	**100.00%**	100.00%	China
Monarch Elite Limited	**100.00%**	–	Hong Kong
Cooperatief IMI Europe U.A.	**100.00%**	–	Netherland
IMI France SAS	**100.00%**	–	France
PSi Technologies Inc. (PSi)	**55.78%**	55.78%	Philippines
PSi Laguna	**55.78%**	55.78%	Philippines
Pacsem Realty, Inc.	**22.31%**	22.31%	Philippines
PSiTech Realty, Inc.	**22.31%**	22.31%	Philippines

On April 26, 2011, IMI International (Singapore) Pte. Ltd., which is the subsidiary of the Parent Company in Singapore, established a wholly-owned subsidiary Monarch Elite Ltd. domiciled in Hongkong to serve as the holding company of Cooperatief IMI Europe U.A. IMI France, on the other hand, was established by Cooperatief IMI Europe U.A. purposely to be the employer of executives in Europe group, in preparation of the acquisition of EPIQ NV ("EPIQ").

A subsidiary is consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in consolidation.

Noncontrolling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity holders of the Parent Company.

Losses within a subsidiary are attributed to the noncontrolling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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, 2010 except for the adoption of the following new and amended standards and interpretations as of January 1, 2011. 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.

- PAS 24 (Amended), *Related Party Disclosures*
  It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*
  The amendment to PAS 32 amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
  The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
  This Philippine Interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the

instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs
Improvements to PFRSs is an omnibus of amendments to PFRSs effective for annual periods on or after either July 1, 2010 or January 1, 2011. The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

- PFRS 3, Business Combinations (Revised);
- PFRS 7, Financial Instruments: Disclosures;
- PAS 1, Presentation of Financial Statements;
- PAS 27, Consolidated and Separate Financial Statements; and
- Philippine Interpretation IFRIC 13, Customer Loyalty Programmes.

Future Changes in Accounting Policies
The Group will adopt the following new and amended PFRS and Philippine Interpretations 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.

Effective in 2012
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2012)
  This Philippine 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.

Effective in 2013
- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2013)
  PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized when goods are shipped or goods are received by the customer depending on the corresponding agreement with the customers, title and risk of ownership have passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured.

Rendering of services
Revenue from sale of services is recognized when the related services for completed units have been rendered.

Interest
Interest income is recognized as it accrues using the effective interest rate method.

Dividends
Dividend income is recorded when the right of payment has been established.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value.

Financial Instruments
Financial instruments within the scope of PAS 39 are classified as: (1) financial assets and liabilities at fair value through profit or loss (FVPL); (2) loans and receivables; (3) held-to-maturity (HTM) investments; (4) AFS financial assets; and (5) other financial liabilities. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting. The Group follows the trade date accounting where an asset to be received and liability to be paid are recognized on the trade date and the derecognition of an asset that is sold and the recognition of a receivable from the buyer are likewise recognized on the trade date.

The subsequent measurement bases for financial instruments depend on its classification.

The financial instruments of the Group as of June 30, 2011 and December 31, 2010 consists of loans and receivables, financial asset at FVPL, AFS financial assets, financial liability at FVPL and other financial liabilities.

Determination of fair value
The fair value for a financial instrument traded in an active market at the reporting date is based on its quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic

circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial assets or financial liabilities at FVPL
Financial assets or financial liabilities at FVPL include derivatives, financial instruments held for trading and financial instruments designated upon initial recognition as at FVPL.

Financial instruments are classified as held for trading if they are entered into for the purpose of short-term profit-taking.

Derivatives, including separated embedded derivatives, are accounted for as financial assets or liability at FVPL unless they are designated as effective hedging instruments or a financial guarantee contract. Where a contract contains one or more embedded derivatives, the hybrid contract may be designated as financial asset or liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial instruments may be designated at initial recognition as financial asset or liability at FVPL if any of the following criteria are met: (1) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the instrument or recognizing gains or losses on a different basis; or (2) the instrument is part of a group of financial instruments which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (3) the financial instrument contains an embedded derivative that would need to be separately recorded.

Financial instruments at FVPL are subsequently carried at fair value. Changes in fair value of such assets or liabilities are accounted for in the consolidated statement of comprehensive income.

The Group uses derivative financial instruments such as structured currency options and currency forwards to hedge its risks associated with foreign currency fluctuations. Such are accounted for as nonhedge derivatives.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL. The Group assesses whether an embedded derivative is required to be separated from the host contract when the Group first becomes party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on the acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets when the Group expects to realize or collect the asset within twelve months from balance sheet date. Otherwise, these are classified as noncurrent assets.

This accounting policy relates primarily to the Group’s cash and cash equivalents, loans and receivables, noncurrent receivables and miscellaneous deposits.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, loans and receivables or HTM investments. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income as dividend income when the right to receive payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported under other comprehensive income. The losses arising from impairment of such investments are recognized as impairment losses in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is recognized as realized gains or losses in profit or loss.

When the fair value of AFS equity instruments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.
This accounting policy relates primarily to the Group’s investments in club shares.

Other financial liabilities
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when liabilities are derecognized as well as through the amortization process.

This accounting policy relates primarily to the Group's accounts payable and accrued expenses (excluding customers' deposits, statutory payables and taxes payable), loans payable, lease liability and long-term debt.

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

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is charged to profit or loss. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as payment history and past-due status. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For the Group's equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously charged to income - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liability
A financial liability is derecognized when the obligation under the liability expires, or is discharged or cancelled. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Inventories
Inventories are valued at the lower of cost or 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 the consolidated statement of comprehensive income.

Business Combination 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 noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups 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.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of comprehensive income any excess remaining after reassessment.

<u>Property, Plant and Equipment</u>
Property, plant and equipment are carried at cost, net of accumulated depreciation and amortization and any impairment loss.

The cost of projects in progress include costs of construction of plant and equipment and machinery items installed and any other cost directly attributable to bringing the asset to its intended use. Projects in progress are not depreciated and amortized until such time as the relevant assets are completed and put into operational use.

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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged against income 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. Upon retirement or sale, the cost of the asset disposed and the related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is included in the consolidated statement of comprehensive income.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets as follows:

The EUL of property, plant and equipment are as follow:

	Years
Buildings	25 - 30
Building improvements	5
Machinery and facilities equipment	7 - 10
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Tools and instruments	2 - 5

Leasehold improvements are amortized over the shorter of the related lease terms or their EUL of 30 years.

The EUL of property, plant and equipment are reviewed annually 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 and amortization is consistent with the expected pattern of economic benefits from items of property, plant and equipment. Adjustments to the EUL are accounted for prospectively.

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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The EUL of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL using the straight line method. The amortization periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

The EUL of intangible assets are as follows:

	Years
Customer relationships	5
Unpatented technology	5
Computer software	3

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

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets
An assessment is made at the reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset or CGU to which the asset belongs is written down to its recoverable amount. An impairment loss is charged against operations in the period in which it arises.

Property, plant and equipment and intangible assets
A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property, plant and equipment and intangible assets) had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is credited to current operations. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill
Impairment losses relating to goodwill cannot be reversed in the future.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at end of the reporting period.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- Where 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 income nor taxable income or loss; and

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to 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 reporting date.

Income tax relating to items recognized in other comprehensive income is recognized in the consolidated statement of comprehensive income under other comprehensive income.

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

For periods where the 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 temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

<u>Equity</u>
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds at the par value is credited to “Additional paid-in capital” account. 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. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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

Retained earnings represent accumulated earnings of the Group less dividends declared. Appropriated retained earnings are set aside for future expansion.

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 to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Foreign Currency Transactions

The functional and presentation currency of the Parent Company and its subsidiaries is the U.S. Dollar. Transactions denominated in foreign currencies are recorded in U.S. Dollar at the transaction date based on a booking rate set each month, which is the closing rate at the end of the previous month. Foreign currency-denominated monetary assets and liabilities are translated to U.S. Dollar at the closing exchange rate prevailing at the end of the reporting period. Foreign exchange differentials between the rate at transaction date and the rate at settlement date or rate at the end of the reporting period of foreign currency-denominated monetary assets or liabilities are credited to or charged against current operations. 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 the initial transaction.

Pensions and Other Employee Benefits

Defined contribution plans

The Parent Company's subsidiaries in Singapore, PRC and Hong Kong participate in their respective national pension schemes which are considered as defined contribution plans. A defined contribution plan is a pension plan under which the subsidiary pays fixed contributions. The subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee service in the current and prior periods. The required contributions to the national pension schemes are recognized as pension cost as accrued.

Singapore

The subsidiaries incorporated and operating in Singapore make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

PRC

The subsidiaries incorporated and operating in PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

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. The contributions of the subsidiary and the employees are subject to a cap of HK$1,000 per month and thereafter, contributions are voluntary.

Defined benefit plans

The Parent Company and PSi maintain separate defined benefit plan covering substantially all of their employees. The plans are funded, noncontributory pension plans administered by their respective Boards of Trustees. Pension cost 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. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses, past service cost and the effect of any curtailment or settlement.

A portion of the actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The net pension asset recognized in respect of the defined benefit pension plan is the lower of: (a) the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial loss and past service cost and the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. If there is no minimum funding requirement, an entity shall determine the economic benefit available as a reduction in future contributions as the lower of: (a) the surplus in the plan; and (b) the present value of the future service cost to the entity, excluding any part of the future cost that will be borne by employees, for each year over the shorter of the expected life of the plan and the expected life of the entity.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

<u>Share-based Payment Transactions</u>
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 the difference between the market price at the time of subscription and the subscription price as employee benefit expense over the holding period.

Earnings Per Share
Basic earnings per share (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 earnings per share does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in the “Property, plant and equipment” account with the corresponding liability to the lessor included in the “Accounts payable and accrued expenses” account for the current portion and “Obligation under finance lease - noncurrent” account for the noncurrent portion in the consolidated balance sheet. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly as “Interest expense” in the consolidated statement of comprehensive income.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Expenses
Expenses of the Group include cost of goods sold, cost of services, and operating expenses. Cost of goods sold and services pertain to the direct expenses incurred by the Group related to the products and services offered. Operating expenses pertain to the general and administrative expenses. Cost of goods sold and services are recognized when the related goods are sold and when services are rendered. Operating expenses are recognized when incurred except for rent expense which is computed on a straight line basis over the lease term.

Provisions
Provisions are recognized only when the following conditions are met: (a) there exists a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Where the Group expects some or all of a provision to be reimbursed, for example an insurance claim, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Events after the Reporting Period
Post report events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post report events that are non-adjusting events are disclosed in the consolidated financial statements when material.

4. Cash and Cash Equivalents

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Cash on hand and in banks	**$26,156**	$24,894
Short-term deposits	**6,572**	13,241
	$32,728	$38,135

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**

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Trade	**113,051**	$95,629
Nontrade	**8,798**	9,462
Receivable from insurance	**1,486**	1,860
Receivables from employees	**570**	707
Receivable from Meralco	**–**	550
Short-term investments	**–**	2,000
Others	**1,624**	1,095
	$125,529	111,303
Less allowance for doubtful accounts	**1,353**	1,367
	$ 124,176	$109,936

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.

Receivable from insurance
Insurance claims for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu, Philippines in May 2009 amounted to $1.49 million and $1.86 million as of June 30, 2011 and December 31, 2010, respectively.

Short-term investments
Short-term investments are 2-year time deposits due in May 2011 subject to fixed interest rate of 2.00% per annum.

Receivable from Meralco
As a customer of Manila Electric Company (Meralco), the Parent Company is entitled to a refund for some of its previous billings under Phase IV of Meralco's refund scheme. This was fully collected as of March 31, 2011.

6. **Inventories**

During the six months ended June 30, 2011 and year ended December 31, 2010, the Group written off inventories amounting to $0.09 million and $0.42 million, respectively.

7. **Assets Held for Sale**

The company identified various assets that are idle and obsolete. These are machinery and equipment particularly certain component of SMT lines that are no longer needed due to old model and cannot perform on its required maximum efficiency. The disposal of these assets will be expected to complete until end of the year.

8. **Property, Plant and Equipment**

2011

In thousands	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation	Tools and Instruments	Construction in Progress	Total
Cost							
At January 1, 2011	$51,325	$119,640	$13,911	$972	$2,725	$96	$188,669
Additions	392	3,322	506	197	82	166	4,665
Disposals	–	(8,057)	(253)	(132)	–	–	(8,442)
Transfer	7	89	–	–	–	(96)	–
At June 30, 2011	51,724	114,995	14,164	1,037	2,807	166	184,893
Accumulated depreciation and amortization							
At January 1, 2011	$31,519	$69,966	$9,111	$237	$1,710	$–	$112,543
Depreciation and amortization	1,350	7,617	1,162	164	211	–	10,504
Disposals	–	(7,044)	(245)	(119)	–	–	(7,408)
At June 30, 2011	32,869	70,539	10,028	282	1,921	–	115,639
Accumulated impairment loss	737	753	12	–	–	–	1,502
Net book value as of June 30, 2011	$ 18,119	$ 43,702	$ 4,124	$ 755	$ 886	$ 166	$ 67,752

2010

In thousands	Buildings and Improvements	Machinery and Facilities Equipment	Furniture, Fixtures and Office Equipment	Transportation	Tools and Instruments	Construction in Progress	Total
Cost							
At January 1, 2010	$50,322	$97,732	$12,241	$1,230	$1,501	$1,627	$164,653
Additions	922	17,786	3,519	499	1,245	96	24,067
Additions through business combination (Note 2)	219	8,813	149	29	–	–	9,210
Disposals	(292)	(6,164)	(1,998)	(786)	(21)	–	(9,261)
Reclassifications	154	1,473	–	–	–	(1,627)	–
At December 31, 2010	51,325	119,640	13,911	972	2,725	96	188,669
Accumulated depreciation and amortization							
At January 1, 2010	$28,712	$61,615	$8,207	$148	$1,340	$–	$100,022
Depreciation and amortization	3,089	13,529	2,063	301	391	–	19,373
Disposals	(282)	(5,178)	(1,159)	(212)	(21)	–	(6,852)
At December 31, 2010	31,519	69,966	9,111	237	1,710	–	112,543
Accumulated impairment loss	737	753	12	–	–	–	1,502
Net book value as of December 31, 2010	$19,069	$48,921	$4,788	$735	$1,015	$96	$74,624

Depreciation and amortization expense included in cost of goods sold and services for the six months ended June 30, 2011 and 2010 amounted to $9.16 million and $3.70 million, respectively. Depreciation and amortization expense included in operating expenses for the six months ended June 30, 2011 and 2010 amounted to $1.34 million and $0.73 million, respectively.

9. Intangible Assets

During the six months ended June 30, 2011 and 2010, the Parent Company acquired additional computer software amounting to $0.15 million and $0.40 million respectively.

Amortization of intangible assets for the six months ended June 30, 2011 and 2010 amounted to $0.22 million and $1.40 million, respectively.

10. **Accounts Payable and Accrued Expenses**

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Trade payables	**$80,683**	$71,090
Accrued expenses	**21,604**	21,777
Accrued payroll	**6,333**	3,564
Dividends payable	**1,251**	–
Employee-related payables	**714**	688
Nontrade payables	**677**	1,054
Taxes payable	**515**	640
Customers' deposits	**335**	681
Obligation under finance lease - current	**200**	1,210
Accrued interest payable	**79**	61
Others	**6,948**	4,581
	$119,339	$105,346

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

Accrued expenses consist mainly of accruals for light and water, taxes, repairs and maintenance, professional fees, transportation and travel, sub-contract costs, security, insurance and representation.

11. **Loans Payable**

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Parent Company	**$10,000**	$10,000
PSi	**7,544**	6,625
STEL	**1,386**	1,297
	$18,930	$17,922

The Parent Company has two (2) 90-day term loans amounting to $5.00 million each, and subject to fixed interest rate of 1.10%.

PSi has short-term loans from the following banks:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Metropolitan Bank & Trust Co. (MBTC)	**$6,000**	$5,000
PVB	**1,544**	1,625
	$7,544	$6,625

MBTC
PSi has an unsecured Omnibus Line Credit Facility of $10.00 million granted on November 24, 2010, which includes 30 to 360 days Promissory Notes, may be denominated in USD or Philippine peso (PHP), Letter of Credit/Trust Receipt (LC/TR) Line, Export Packing Credit Line, FX Forward Cover, Foreign Bills Line and Domestic Bill Purchase Line. The credit facility will expire on October 30, 2011. On February 10, 2011, PSi availed an additional short term loan amounting to $1.00 million. The interest rates in 2011 ranged from 2.50% to 2.52% and 2010 is 2.56%.

PVB
The existing short-term credit facility with PVB, which will expire on July 8, 2011, is secured by trade receivables from certain customers and MTI on machinery and equipment. As of As of June 30, 2011, PSi availed an additional short term loan amounting to $0.37 million. The interest rates ranged from 3.45% to 3.48% in 2011 and from 3.16% to 3.72% in 2010, respectively.

Under the terms of the Credit Facility Agreement with PVB, PSi shall ensure that the collection of eligible receivables under the Borrowing Base (equivalent to 95% of the value of the outstanding eligible receivables) will be deposited with its PVB bank account. Furthermore, PSi shall maintain a Borrowing Base to cover the outstanding principal drawn under the Credit Facility Agreement at all times.

The loan of STEL amounting to $1.30 million as of June 30, 2011 and December 31, 2010, are clean and unsecured loans obtained from various Singapore banks from existing revolving credit facilities. The loans payable bear interest rates ranging from 3.30% to 3.39% in 2011 and 3.52% to 3.79% in 2010 and have maturities of 30 to 240 days from the date of issue with renewal options.

12. **Long-Term Debt**

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Parent Company	**$30,000**	$30,000
STEL	**4,000**	8,000
PSi	**372**	372
	$34,372	$38,372

As of June 30, 2011 and December 31, 2010, current portion of long-term debt amounts to $34.00 million and $38.00 million, respectively.

The Parent Company loan is a five-year term clean loan from a Philippine bank obtained in 2006 for the original amount of $40.00 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 $10.00 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 $40.00 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 quoted by the bank plus 0.75%.

The long term debt of PSi pertains to employee vacation leave benefits that are to be settled at retirement date. The accrual was discounted using the assumptions and method used in discounting the retirement benefits obligation.

13. **Deferred Revenue**

On June 28, 2010, PSi and a local customer entered into a Subcontracting Services Agreement (SSA) for PSi to provide subcontracted services. In consideration, the local customer shall pay PSi service fees as provided for in the SSA.

The SSA shall take effect upon the execution thereof and effective until August 14, 2020, unless mutually terminated by both parties. However, the subcontracted services shall be effective starting from July 15, 2010 and ending February 29, 2020, renewable upon mutual agreement by both parties.

In September 2009, PSi received noninterest-bearing cash advances amounting to $3.00 million from a foreign customer, an affiliate of the local customer.

On July 15, 2010, the foreign customer assigned all of its rights with respect to the cash advances, including payments thereof, to the local customer. The local customer and PSi agree that the full cash advances amounting to $3.00 million will be applied to pre-pay and that will be rendered by PSi to the local customer. Moreover, PSi shall return to the local customer, upon termination of the SSA, for any reason, the cash advances less any amount applied to pay the fees as detailed in the SSA.

The current and noncurrent portion of the advances from Microsemi is as follows:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Total outstanding advances from Microsemi	**$2,692**	$2,829
Less current portion	**255**	264
Noncurrent portion	**$2,437**	$2,565

The current portion is included under “Accounts payable and accrued expenses - others” (see Note 9).

14. **Equity**

On February 23, 2011, the BOD of the Parent Company approved the reclassification of appropriated retained earnings amounting to $20.00 million to unappropriated retained earnings as of December 31, 2010.

Dividends declaration
On February 14, 2011, the Finance Committee of the Parent Company approved the declaration and payment of the first quarter cash dividends of 8.25% per annum to all shareholders of the Parent Company’s preferred shares as of record date of February 8, 2011. Payment date is February 21, 2011. This was ratified by the BOD of the Parent Company on February 23, 2011.

Likewise, on February 23, 2011, the BOD of the Parent Company approved the declaration of the quarterly cash dividends of 8.25% per annum for the second to fourth quarters of 2011 on its outstanding preferred shares. The record and payment dates for the cash dividends are as follows:

	2nd Quarter	3rd Quarter	4th Quarter
Record date	May 9, 2011	August 17, 2011	November 9, 2011
Payment date	May 20, 2011	August 23, 2011	November 22, 2011

15. **Earnings (Loss) per Share**

The following table presents information necessary to calculate earnings (loss) per share on net income attributable to equity holders of the Parent Company.

	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)
	(In thousands)	
Net income	**$1,138**	$4,676
Less dividends on preferred stock	**(1,232)**	(1171)
	($94)	$3,505
Weighted average number of common shares Outstanding	**1,428,090**	1,235,389
Basic and Diluted	**($0.0001)**	$0.0028

As of June 30, 2011 and December 31, 2010, the Parent Company has no dilutive potential common shares.

16. **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 six months ended June 30, 2011 and 2010 (in thousands):

2011

	Philippines		Singapore	USA	Japan	Eliminations	Total
	Paren Company	**PSi**					
Revenue							
Third party	**$76,935**	**$41,616**	**$143,315**	**$130**	**$475**	**$–**	**$262,471**
Inter-segment	**–**	**–**	**2,233**	**1,356**	**416**	**(4,005)**	**–**
Total revenue	**$76,935**	**$41,616**	**$145,548**	**$1,486**	**$891**	**($4,005)**	**$262,471**
Segment gross profit	**$6,915**	**$3,155**	**$ 12,855**	**$1,121**	**$485**	**($4,005)**	**$20,526**
Segment operating income (loss)	**($2,813)**	**($693)**	**$3,859**	**$23**	**$85**	**$–**	**$461**
Segment interest income	**$100**	**$1**	**$33**	**$–**	**$–**	**$–**	**$134**
Segment profit (loss) before income tax	**($1,498)**	**($1,017)**	**$5,096**	**$22**	**$92**	**$–**	**$2,695**
Segment provision for income tax	**(190)**	**(113)**	**(1,756)**	**–**	**–**	**–**	**(2,059)**
Segment profit (loss) after income tax	**($1,688)**	**($1,130)**	**$3,340**	**$22**	**$92**	**$–**	**$636**

2010

	Philippines		Singapore	USA	Japan	Eliminations	Total
	Parent Company	PSi					
Revenue							
Third party	$72,390	–	$116,252	$125	$44	$–	$188,811
Inter-segment	–	–	2,117	1,164	600	(3,881)	–
Total revenue	$72,390	–	$118,369	$1,289	$644	($3,881)	$188,811
Segment gross profit	$6,927	–	$14,910	$1,254	$425	($1,679)	$21,837
Segment operating income (loss)	($2,920)	–	$7,173	$71	$23	$–	$4,347
Segment interest Income	$178	–	$34	$–	$–	$–	$212
Segment profit (loss) before income tax	$222	–	$6,520	$70	$24	$–	$6,836
Segment provision for income tax	(169)	–	(1,964)	–	–	–	(2,133)
Segment profit (loss) after income tax	$53	–	$4,556	$70	$24	$–	$4,703

The following table presents segment assets of the Group's geographical segments as of June 30, 2011 and December 31, 2010 (in thousands):

	Philippines		Singapore	USA	Japan	Eliminations	Total
	Parent Company	**PSi**					
Segment assets							
June 30, 2011 (Unaudited)	**$208,824**	**$35,877**	**$211,775**	**$2,811**	**$2,398**	**($111,794)**	**$349,891**
Segment assets							
December 31, 2010 (Audited)	$217,587	$36,518	$203,886	$2,804	$1,779	($119,396)	$343,178

Segment assets as of June 30, 2011 do not include investments in subsidiaries amounting to $96.47 million and inter-segment loans and receivables amounting to $24.82 million which are eliminated on consolidation.

Segment assets as of December 31, 2010 do not include investments in subsidiaries amounting to $96.21 million and inter-segment loans and receivables amounting to $32.68 million which are eliminated on consolidation.

As of June 30, 2011 and December 31, 2010, goodwill arising from the acquisition of PSi amounting to $9.49 million is recognized at consolidated level.

The following table presents revenues from external customers and noncurrent assets (in thousands):

	Revenues from External Customers		**Noncurrent Assets**	
	June 30, 2011 (Unaudited)	June 30, 2010 (Unaudited)	**June 30, 2011 (Unaudited)**	December31, 2010 (Audited)
Philippines	**37,153**	38,431	**$ 38,979**	$53,596
Europe	**126,601**	69,249	**–**	–
USA	**60,533**	43,767	**1,254**	1,246
Asia	**33,439**	28,639	**74,556**	76,399
Japan	**4,745**	8,725	**43**	25
	$262,471	$188,811	**$ 114,832**	$131,266

Revenues are attributed to countries on the basis of the customer's location. Revenues from one customer from the Philippine segment represent $12.60 million or 5% of the Group's total revenues for the six months ended June 30, 2011.

Noncurrent assets, which include property, plant and equipment, goodwill, and intangible assets, are disclosed according to their physical location.

17. 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. Related parties may be individuals or corporate entities.

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

Related Party	Relationship	Nature of Transaction	Balance Sheets 2011	Balance Sheets 2010	Statements of Comprehensive Income 2011	Statements of Comprehensive Income 2010
Bank of the Philippine Islands (BPI)	Affiliate	Cash and cash equivalents	**$576**	$2,030	**$–**	$–
		Nontrade receivable	**105**	70	**–**	–
		Nontrade payable	**1**	2	**49**	–
		Derivative asset	**18**	481	**–**	–
		Gains on derivatives	–	–	**158**	261
		Interest income	–	–	**5**	–
AG Counselors Corporation (AGCC)	Affiliate	Nontrade payable	–	1	**–**	–
		Professional fees	–	–	**38**	–
Technopark Land, Inc. (TLI)	Affiliate	Nontrade receivable	**8**	8	**–**	–
Innove Communications, Inc. (ICI)	Affiliate	Nontrade payable	–	67	**106**	–
		Postal and communication	–	–	**92**	82
		Building rental	–	–	**14**	9
Globe Telecom, Inc. (GTI)	Affiliate	Nontrade payable	–	4	–	–
		Postal and communication	–	–	**45**	49
		Nontrade receivable	**1**	–	–	–
Ayala Land, Inc.		Nontrade receivable	**2**	–	3	–

a. As of June 30, 2011, the Parent Company has savings and current accounts with BPI amounting to $ 575,979 million. As of December 31, 2010, the Parent Company has savings and current accounts and short-term deposits with BPI amounting to $546,993 and $1,482,664, respectively. Total interest income earned from investments with BPI amounted to $5,260 in 2011, $101 in 2010.

b. As of June 30, 2011 and December 31, 2010, nontrade receivables from BPI pertain to retirement and separation pay advanced by the Parent Company but is reimbursable from the trust fund with BPI.

c. The Parent Company has outstanding housing and automobile financing loans from BPI amounting to $321 and $1,698 as of June 30, 2011 and December 31, 2010, respectively, included in “Employee-related payables” under “Accounts payable and accrued expenses”. The outstanding housing and automobile financing loans arise from the differences in the timing of remittances by the Parent Company to BPI and the period of withholding from employee salaries and wages.

d. In 2011 and 2010, the Parent Company has entered into various short-term currency forwards with BPI with aggregate nominal amount of $4,000,000 and $2,000,000. As of June 30, 2011 and December 31, 2010, the outstanding forward contracts have a net positive fair value of $ 18,008 and $15,283.

e. The Parent Company engages AGCC, an affiliate, for corporate secretarial services subject to a monthly fee of ₱40,000. As of June 30, 2011 and December 31, 2010, payable to AGCC amounted to $65 and $718, respectively.

f. The Parent Company has nontrade receivable from TLI, an affiliate, amounting to $8,198 and $7,682 as of June 30, 2011 and December 31, 2010, which pertains to advances by the Parent Company for various expenses incurred by TLI, primarily on real property taxes and corporate secretarial services.

g. The Parent Company has nontrade payables to Innove Communications, Inc., an affiliate, amounting to $209 and $67,102 as of June 30, 2011 and December 31, 2010, respectively, which pertains to billing on leased lines, internet connections and ATM connections and building rentals. Related expense for 2011 and 2010, amounted to $15,177 and $39,108, respectively.

h. As of June 30, 2011 and December 31, 2010, the Parent Company's accounts payable to GTI, an affiliate, amounted to $99 and $3,828 for the purchase of Blackberry software and billings for cellphone charges and WiFi connections. Related expense for 2011 and 2010, amounted to $44,896 and $30,004, respectively.

18. **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 (in thousands):

Philippine Peso (₱)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Cash and cash equivalents	**$1,760**	**$76,259**	$6,230	₱273,386
Loans and receivables	**797**	**34,545**	1,716	75,299
Miscellaneous deposits	**1,124**	**48,722**	1,351	59,287
Accounts payable and accrued expenses	**(17,093)**	**(740,641)**	(19,519)	(856,573)
Other current liabilities	**(1,092)**	**(47,301)**	(5,407)	(237,299)
Net foreign currency-denominated liabilities	**($14,504)**	**(628,416)**	($15,629)	(₱685,900)

Singapore Dollar (SGD)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Singapore Dollar**	In U.S. Dollar	In Singapore Dollar
Cash and cash equivalents	**$320**	**395**	$–	SGD–
Loans and receivables	**11**	**13**	155	200
Accounts payable and accrued expenses	**(963)**	**(1,187)**	(826)	(1,068)
Other current liabilities	**(1,023)**	**(1,261)**	(981)	(1,268)
Loans payable	**(1,386)**	**(1,708)**	(1,301)	(1,682)
Net foreign currency-denominated liabilities	**($3,041)**	**(SGD3,748)**	($2,953)	(SGD3,818)

Euro (€)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Euro**	In U.S. Dollar	In Euro
Cash and cash equivalents	**$2,232**	**€1,546**	$663	€501
Loans and receivables	**449**	**311**	326	247
Accounts payable and accrued expenses	**(40)**	**(28)**	(440)	(333)
Net foreign currency-denominated assets	**$2,641**	**€1,829**	$549	€415

Japanese Yen (¥)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Japanese Yen**	In U.S. Dollar	In Japanese Yen
Cash and cash equivalents	**$1,615**	**¥130,390**	$819	¥66,906
Loans and receivables	**3,864**	**311,961**	2,688	219,487
Miscellaneous deposits	**29**	**2,354**	28	2,325
Accounts payable and accrued expenses	**(6,478)**	**(523,044)**	(6,434)	(525,402)
Other current liabilities	**(1)**	**(97)**	(16)	(1,341)
Net foreign currency-denominated liabilities	**($971)**	**(¥78,436)**	($2,915)	(¥238,025)

Renminbi (RMB)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Renminbi**	In U.S. Dollar	In Renminbi
Cash and cash equivalents	**$5,771**	**37,304**	$4,714	RMB31,210
Loans and receivables	**42,110**	**272,179**	38,571	255,384
Accounts payable and accrued expenses	**(31,352)**	**(202,645)**	(23,235)	(153,840)
Net foreign currency-denominated assets	**$16,529**	**RMB106,838**	$20,050	RMB132,754

Hong Kong Dollar (HKD)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Hong Kong Dollar**	In U.S. Dollar	In Hong Kong Dollar
Cash and cash equivalents	**$64**	**496**	$71	554
Loans and receivables	**363**	**2,825**	202	1,569
Accounts payable and accrued expenses	**(534)**	**(4,160)**	(790)	(6,147)
Net foreign currency-denominated liabilities	**($107)**	**(HKD839)**	($517)	(HKD4,024)

Australia Dollar (AUD)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Australia Dollar**	In U.S. Dollar	In Australia Dollar
Accounts payable and accrued expenses	**($95)**	**(AUD89)**	($179)	(AUD177)

Thailand Baht (THB)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Thailand Bath**	In U.S. Dollar	In Thailand Bath
Accounts payable and accrued expenses	**($6)**	**(THB189)**	$–	THB–

Denmark Kroner (DKK)

	June 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	In U.S. Dollar	**In Thailand Bath**	In U.S. Dollar	In Thailand Bath
Accounts payable and accrued expenses	**($2)**	**(DKK9)**	$–	DKK–

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 June 30, 2011 and December 31, 2010. 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.

June 30, 2011 (Unaudited)

Currency	**Increase/decrease in U.S. Dollar rate**	**Effect on profit before tax (in thousands)**
PHP	**+1%**	**(78)**
	-1%	**78**
SGD	**+1%**	**(24)**
	-1%	**24**
EUR	**+2%**	**40**
	-2%	**(40)**
JPY	**+1%**	**(14)**
	-1%	**14**
RMB	**+1%**	**168**
	-1%	**(168)**
HKD	**+1%**	**(1)**
	-1%	**1**
AUD	**+1%**	**(1)**
	-1%	**1**

December 31, 2010 (Audited)

	Increase/decrease in U.S. Dollar rate	Effect on profit before tax (in thousands)
PHP	+2%	($258)
	-2%	258
SGD	+2%	(44)
	-2%	44
EUR	+3%	15
	-3%	(15)
JPY	+3%	(74)
	-3%	74
RMB	+1%	253
	-1%	(253)
HKD	+1%	(6)
	-1%	6
AUD	+4%	(7)
	-4%	7

Derivatives
In 2011 and 2010, the Parent Company entered into various short-term currency forwards with aggregate nominal amount of $31.00 million and $59.00 million, respectively.

As of June 30, 2011 and December 31, 2010, the outstanding forward contracts have a net positive fair value of $0.08 million and $0.48 million, respectively.

Net mark-to-market gain recognized for the six months ended June 30, 2011 and 2010 amounted to $0.35 million and $0.59 million, respectively.

The acquisition of PSi on October 6, 2010 gave rise to a long equity call option and written equity put option for the Parent Company. As of June 30, 2011 and December 31, 2010, the call option has a positive value of $0.89 million and $1.21 million, respectively, while the put option has a negative value of $2.89 million and $3.83 million, respectively. Net fair value gain on the options amounted to $0.62 million for the six months period ended June 30, 2011.

Fair Value Changes on Derivatives

The net movements in fair value changes of the Group's derivative instruments as of June 30, 2011 and December 31, 2010 follow:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
	(In thousands)	
Derivative assets		
Balance at beginning of year	**$1,693**	$–
Initial value of long call option	**–**	1,404
Net changes in fair value	**$41**	1,890
Fair value of settled instruments	**(755)**	(1,601)
	$979	$1,693

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Derivative liabilities		
Balance at beginning of year	**$3,832**	$–
Initial value of written put option	**–**	3,816
Net changes in fair value	**(936)**	16
	$2,896	$3,832

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the Group's financial instruments carried at fair value as of June 30, 2011 and December 31, 2010, based on fair value hierarchy:

	Level 1	Level 2	Level 3
		(In thousands)	
2011			
AFS financial assets	$413	$–	$–
Derivative assets			
Currency forwards	–	86	–
Call option	–	–	893
Derivative liabilities			
Currency forwards		(7)	
Put option	–	–	(2,888)
	$413	**$79**	**($1,995)**
2010			
AFS financial assets	$383	$–	$–
Derivative assets			
Currency forwards	–	481	–
Call option	–	–	1,212
Derivative liabilities			
Put option	–	–	(3,832)
	$383	$481	($2,620)

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.

Sensitivity analysis
The fair value of the call and put options are highly sensitive to the estimated 12-month trailing EBITDA of PSi during the option period and PSi's cost of equity as of valuation date.

The following are the estimated changes in the fair values of the call and put options assuming the estimated EBITDA used in the fair value calculation would vary by 5%.

	Increase (Decrease) in Net Income
Estimated EBITDA is 5% higher	
Call option	($115)
Put option	(501)
Estimated EBITDA is 5% lower	
Call option	214
Put option	467

The following are the estimated changes in the fair values of the call and put options assuming the cost of equity will change by 5%.

	Increase (Decrease) in Net Income
Cost of equity is 5% higher	
Call option	($241)
Put option	(525)
Cost of equity is 5% lower	
Call option	438
Put option	503

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.

19. **Other Matters**

On May 4, 2011, the Parent Company announced that it has entered into an agreement with EPIQ NV ("EPIQ"), for the acquisition of the EPIQ subsidiaries in Bulgaria, Mexico and the Czech Republic. The purchase consideration of approximately €43.00 million will be a combination of cash and 200 million newly-issued shares of the Parent Company representing approximately 12% ownership in common shares on a fully diluted basis. As part of the Parent Company's strategic initiatives, the acquisition will enable to establish a global geographic footprint in manufacturing as well as in technology development and engineering.

The acquisition is expected to be completed no later than the fourth quarter of 2011. ING Bank N.V. is acting as financial advisor to the Parent Company in this transaction.

EPIQ is an EMS provider that designs, produces, and sells electronic and electro-mechanical systems and sub-systems. These are drive- and/or control elements especially for supply in the automotive and industrial equipment markets, household appliances, and other applications with plastic parts and/or electronic components. EPIQ provides a wide range of integrated services from product development to mass production. Production comprises the design of printed circuits and/or spray casting of plastics up to and including the supply of assembled and tested systems and sub-systems. EPIQ also provides all the required engineering, R&D, and logistics management. EPIQ is headquartered in Europe with manufacturing and engineering facilities in Bulgaria, the Czech Republic, and Mexico. The EPIQ subsidiaries subject of the transaction generated a combined turnover of €90.00 million and net income of approximately €4.00 million for the financial year ended December 31, 2010.

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

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

Results of Operations

Financial Highlights

	For the quarters ended 30 June	
	2011	**2010**
	(in USUS$ thousands, except Basic EPS)	
Revenues from Sales and Services	262,471	188,811
Cost of Goods Sold and Services	241,945	166,974
Gross Profit	20,526	21,837
Net Income Attributable to Equity holders	1,138	4,676
EBITDA[i]	13,232	18,402
Basic Earnings per Share (EPS)	(0.0001)	0.0028

Revenues from Sales and Services

The Company generated a 39% growth in revenues for the second quarter which reached US$262.5 million. The Singapore/China site delivered US$143.3 million in revenues, up 23% year-on-year, and now accounting for 55% of group-wide sales from last year of 62%. The growing contribution of the Singapore/China business and the newly acquired company (PSi Technologies, Inc.) was mainly the reason for the increase in revenue during the first and second quarter of 2011. In addition, Laguna sales also increased by 6% to US$76.9 million this year.

On the overall, the communication and consumer segments continue to dominate the company's market, with each segment accounting for 21% of sales, while industrial, multiple markets, automotive, computing and medical comprise the rest. Europe remains to be the biggest recipient of the company's products, getting 48% of total, followed by North America, Asia and Japan.

[i] EBITDA = EBITDA represents net operating income after adding depreciation and amortization, cost of share-based payments and foreign exchange gains/losses. EBITDA and EBITDA Margin are not measures of performance under PFRS and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as alternatives to net income as an indicator of our operating performance or to cash flows, or any other measure of 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.

Cost of Goods Sold and Services

Cost of Goods Sold and Services, at 92% of sales, went up by 4% from last year's 88%. The increase resulted to higher direct material cost of the turnkey business and contribution of PSi Technologies, Inc. Under a turnkey arrangement; the Company provides all inputs to production as different to the consignment arrangement where only facility and labor are provided as the customer supplies the materials. The unutilized capacity of the group also contributes to the increase in manufacturing overhead.

Gross Profit and Gross Profit Margin

The Company's operations produced Gross Profit of US$20.5 million which, in absolute terms, lower rate by 6% versus the 39% increase in sales as a result of the higher DMC costs from the increased turnkey business. As a percentage to sales, gross profit dropped 4% as a result to the rise in Cost of Goods Sold and Services ratio.

Operating Expenses

The Company's operating expenses went up by 15% to US$20.1 million from the previous year's US$17.5 million. Increase was mainly due to the expenses incurred by PSi operation amounting to US$3.8million. Without the PSi operating expense, variance should have been a decrease of 8% compared to last year's operating expenses due to continuous cost saving initiatives.

Net Income

The Company's net income of $1.1 million for the six-month period declined by 76 percent from the same period of last year as a result of higher direct costs, which include costs of labor and materials.

EBITDA

EBITDA (operating income, depreciation, amortization and esown expenses) decreased by 28%, US$13.2 million against last year of US$18.4 million was brought about by higher manufacturing cost which resulted to a negative operating income.

Liquidity and Capital Resources

The Company continues to show strong financial health with cash balance of US$32.7 million, 14% lower than the US$38.1 million as of December 31, 2010 and net debt of US$20.2 million. The decrease in cash was brought about by the increase in working capital and capital expenditure to support increased operational requirements, and also the prepayment of long-term loan during the second quarter. Current and debt-to-equity ratios maintained at 1.24:1 and 0.31:1, respectively, from the 1.24:1 and 0.33:1 reported at the end of 2010.

The Company's strong financial position continues to ensure that its financial flexibility can sustain its ongoing strategic initiatives and meet both operating requirements and debt payment obligations. The Company ensures that its operations continue to generate adequate operating cash flows to meet its liquidity requirements. Moreover, it has sufficient credit facilities to support its working capital requirements and finance its growth agenda.

Key performance indicators of the Company

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

	As of end	
	30 Jun 2011	31 Dec 2010
Performance indicators		
Liquidity:		
Current ratio	1.24x	1.24x
Solvency:		
Debt-to-equity ratio	0.31x	0.33x

	For the quarters ended 30 June	
	2011	2010
Operating efficiency:		
Revenue growth	39%	11%
Profitability:		
EBITDA margin[ii]	5%	10%

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.

[ii] 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.

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

Income Statement items
(Quarter ended 30 June 2011 versus 30 June 2010)

39% growth in Revenues from Sales and Services ($188.8M to $262.5M)
Significant increase in revenues was mainly due to strong sales from Singapore/China operations, accounting for 55% of group revenues.

45% increase in Cost of Goods Sold and Services ($167M to $241.9M)
The increase in Cost of Goods Sold and Services was due to higher direct costs, particularly labor and materials.

15% increase in Operating Expenses ($17.5M to $20.1M)
The operating expense incurred by PSi Technologies, Inc partially offset the cost saving initiatives performed by the other group.

10% decrease in net finance and other income ($2.5M to $2.2M)
The net finance and other income was composed of gains and losses on mark-to-market on forward contracts, call/put options and foreign exchange gains on simple forwards.

76% decrease in net income attributable to equity holders of the Parent Company ($4.7M to $1.1M)
On account of higher direct cost which includes cost of labor and materials.

8% increase in other comprehensive income ($24k to $26k)
The change was a result of increase in the fair value of club shares classified as available-for-sales financial assets.

Decrease in Noncontrolling Interest ($27k to -$502k)
Due to net loss of 2nd quarter result of PSi Technologies, Inc.

Balance Sheet items
(30 June 2011 versus 31 December 2010)

14% decrease in Cash and cash equivalents ($38.1m to $32.7m)
Decrease was mainly due to prepayment of long-term loan for $4M during the second quarter.

42% decrease in Derivative assets ($1.7M to $1.0M)
Represents mark-to-market of derivative instrument on call/put option of PSi Tecnologies, Inc. and simple forward contracts.

13% increase in Loans and receivable ($110M to $124M)
Pertains to increase in trade and other receivables. Variance in trade receivables was mainly due to increase in sales of Singapore/China operations and PSi Technologies, Inc.

6% increase in Inventories ($54.7m to $57.9m)
Due to the increased volume and lead time requirement of Singapore/China turnkey businesses.

100% increase in Assets held for Sale
Mainly machineries and equipment declared as idle and obsolete that was reclassified as held for sale

75% increase in other current assets ($2.5m to $4.4m)
The increase was largely due to input taxes of China operations.

107% increase in Noncurrent Receivables ($184K to $381K)
The increase was due to expenses incurred that will be amortized until the end of the year.

9% decrease in Property, plant and equipment ($74.6m to $67.8m)
The decrease was mainly due to the normal depreciation expense for the first and second quarter and disposal of machineries and equipment, which is partially offset by the newly acquired PPEs in 2011.

7% decrease in Intangible Asset ($923K to $854K)
The decrease was mainly due to amortization during the period.

8% increase in Available –for-sale financial assets ($383k to $413k)
Represents increase in the fair value of club shares classified as available-for-sales financial assets.

13% increase in Accounts payable and accrued expenses ($105.3m to $119.3m)
Attributable to inventory purchases due to increasing turnkey business in Singapore/China and payables from new company.

24% decrease in Derivative Liabilities ($3.8m to $2.9m)
Mainly due to decrease in the mark value of put option from the acquisition of PSi.

27% decrease in Income tax payable ($2.3m to $1.7m)
The decrease was due to partial payment of taxes and lower taxable income by China during the first and second quarter.

6% increase in Loans payable ($17.9m to $18.9m)
Increase was due to the availment of PSi Technologies, Inc. for additional short-term loan of $1.4m during the first quarter and a prepayment amounting to $400k during the second quarter.

11% decrease in Current portion of Long-Term debt ($38m to $34m)
Decrease was due to partial payment of $4M for long-term debt during the second quarter.

86% decrease in Obligation under finance lease ($118k to $17k)
Regular payments made every month of rentals due.

16% increase in Pension Liability ($1.0M to $1.1M)
Mainly due to accrual on retirement fund pension liability of PSi.

5% decrease in Deferred Revenue ($2.6M to $2.4M)
Decrease was mainly due to the remaining balance on advances from a foreign customer of PSi Technologies.

33% decrease in Retained earnings: Appropriated ($60.7m to $40.7m)
Reclassification of Appropriated Retaining Earnings of $20M to Unappropriated Retained Earnings

53% increase in Retained earnings: Unappropriated ($32.7m to $50.0m)
Declaration of cash dividends (preferred & common) and reclassification of Appropriated to Unappropriated Retained Earnings

23% increase in Reserve for fluctuation of available-for-sale financial assets ($112k to $138k)
Represents changes in the fair values of the Company's investments in club shares.

38% decrease in Minority interests in a consolidated subsidiary ($1.6m to $1.0m)
Due to share in net loss of PSi Technologies, Inc. of which IMI owns 56%.

PART II--OTHER INFORMATION

1. Integrated Micro-Electronics, Inc. reported a US$412.3 million in consolidated revenues in 2010, or a 4 percent year-on-year growth.

2. At the Regular Annual Stockholders' meeting held on April 15, 2011 the stockholders considered and approved the following:

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

  Jaime Augusto Zobel de Ayala
  Fernando Zobel de Ayala
  Delfin C. Gonzalez, Jr.
  Delfin L. Lazaro
  Arthur R. Tan
  Diosdado P. Banatao (Independent Director)
  Jose Ignacio A. Carlos
  Alelie T. Funcell (Independent Director)
  Hiroshi Nishimura (Independent Director)
  John Eric T. Francia
  Rafael Ma. C. Romualdez

- 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
  Delfin L. Lazaro – Chairman
  Rafael Ma. C. Romualdez – Vice Chairman
  Arthur R. Tan – Member

  Audit Committee
  Hiroshi Nishimura – Chairman
  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
  Delfin L. Lazaro – Member
  Rafael Ma. C. Romualdez – Member

Finance Committee
Delfin C. Gonzalez – Chairman
John Eric T. Francia – Member
Rafael Ma. C. Romualdez – Member

- Officers:

Jaime Augusto Zobel de Ayala	-	Chairman of the Board
Arthur R. Tan	-	President & Chief Executive Officer
Jerome S. Tan	-	Chief Financial Officer
Sheila Marie U. Tan[iii]	-	Corporate Secretary
Christian Gerard P. Castillo[iv]	-	Assistant Corporate Secretary
Linardo Z. Lopez	-	Senior Managing Director, Global Materials & Supply Chain
Timothy P. Patterson	-	Country Managing Director – USA and Global Managing Director – Advanced Manufacturing Engineering
Andrew C. Carreon	-	Managing Director, Seconded as COO of PSi Technologies, Inc. and Concurrent Chief Information Officer
Olaf Gresens	-	Global Sales Head
Michael R. Hansson	-	Managing Director, Chief Technology Architect for Test and Systems Development
Melita R. Tomelden	-	Managing Director, Corporate Quality & Reliability
Shong Cheng Yeh	-	Managing Director – China
Jeremy Cowx	-	Managing Director, IMI Japan
Monina S. Lasala	-	VP, Human Resources Head
Rafael Nestor V. Mantaring	-	VP, Design and Development (Philippines)
Lucrecio B. Mendoza	-	Managing Director, Test & Systems Development Group and Global Head for Value Engineering
Mary Ann S. Natividad	-	Country Managing Director – Singapore and Head of Global Business Strategies and Development
Reynaldo N. Torda	-	Head of Operations, PSi Technologies, Inc.
Jaime G. Sanchez	-	VP, Deputy CFO and Group Controller
Anthony Raymond P. Rodriguez	-	AVP, Head – Treasury and Credit
Fernandel I. Evangelista	-	AVP, Fremont Site GM
Geronimo B. Magsombol	-	AVP, Plant Engineering
Dominador P. Leonida III	-	AVP, Global Test & Systems Development
Jawaharlal K. Milanes	-	AVP, SSCG & LVHM

[iii] Elected as Corporate Secretary, in place of Solomon M. Hermosura, at the Board meeting held on June 7, 2011.
[iv] Elected as Assistant Corporate Secretary, in place of Ma. Carlota Christina G. Laiño-Santiago, at the Board meeting held on June 7, 2011.

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:

JAIME G. SANCHEZ
Vice President, Deputy CFO and Group Controller

Date: August 11, 2011

JEROME S. TAN
Chief Financial Officer

Date: August 11, 2011

Aging of trade receivables (in thousands):

	Total	Neither past due nor impaired	Past due but not impaired					Specifically
			<30 days	30-60 days	60-90 days	90-120 days	>120 days	Impaired
June 30, 2011 (Unaudited)	**$113,051**	**$97,082**	**$9,712**	**$1,598**	**$993**	**$386**	**$3,160**	**$120**
December 31, 2010 (Audited)	$95,629	$79,551	$6,020	$111	$287	$47	$9,497	$116