

SEC Number: 94419
File Number: _____

INTEGRATED MICRO-ELECTRONICS, INC.

(Company's Full Name)

North Science Avenue, Laguna Technopark-Special Economic Zone (LT-SEZ), Biñan, Laguna

(Company Address)

(632) 756-6840

(Telephone Number)

June 30, 2016

(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, 2016**
2. Commission Identification No.: **94419**
3. BIR Tax Identification No.: **000-409-747-000**
4. Exact name of issuer as specified in its charter: **INTEGRATED MICRO-ELECTRONICS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: **North Science Avenue, Laguna Technopark-Special Processing Zone (LT-SEZ), Bo. Biñan, Biñan, Laguna**
Postal Code: **4024**
8. Issuer's telephone number, including area code: **(632) 756-6840**
9. Former name, former address and former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

| Title of Each Class | Number of Shares Issued and Outstanding |
|---------------------|---|
| Common * | 1,867,293,315 |

* Net of 15,892,124 treasury shares;

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

1,565,636,697 common shares are listed with the Philippine Stock Exchange, including 15,892,124 treasury shares as of June 30, 2016.
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 []
No []
 - (b) has been subject to such filing requirements for the past ninety (90) days: Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2016

(With Comparative Audited Figures as of December 31, 2015)

(In thousand dollars)

| | (Unaudited) Jun 30, 2016 | (Audited) Dec 31, 2015 |
|---|-----------------------------|---------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 4) | \$107,687 | \$101,532 |
| Receivables - net (Note 5) | 185,685 | 169,292 |
| Inventories (Note 6) | 97,671 | 88,255 |
| Other current assets (Note 7) | 15,983 | 10,936 |
| Total Current Assets | 407,026 | 370,015 |
| Noncurrent Assets | | |
| Property, plant and equipment – net (Note 8) | 102,965 | 93,102 |
| Goodwill | 46,876 | 46,876 |
| Intangible assets (Note 9) | 2,757 | 2,398 |
| Available-for-sale financial assets (Note 10) | 620 | 584 |
| Deferred tax assets | 1,756 | 1,528 |
| Other noncurrent assets | 2,318 | 2,032 |
| Total Noncurrent Assets | 157,292 | 146,520 |
| | \$564,318 | \$516,535 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses (Note 11) | \$171,449 | \$152,817 |
| Trust receipts and loans payable (Note 12) | 64,360 | 42,298 |
| Current portion of long-term debt (Note 13) | 43,005 | 42,953 |
| Income tax payable | 3,243 | 2,534 |
| Total Current Liabilities | 282,057 | 240,602 |
| Noncurrent Liabilities | | |
| Noncurrent portion of: | | |
| Long-term debt (Note 13) | 34,485 | 34,649 |
| Advances from customers | 960 | 1,123 |
| Net retirement liabilities | 4,414 | 5,792 |
| Deferred tax liabilities | 1,137 | 1,358 |
| Accrued rent | 106 | 455 |
| Other noncurrent liabilities | 197 | 118 |
| Total Noncurrent Liabilities | 41,299 | 43,495 |
| Total Liabilities | 323,356 | 284,097 |

(Forward)

| | (Unaudited) Jun 30, 2016 | (Audited) Dec 31, 2015 |
|--|-----------------------------|---------------------------|
| EQUITY | | |
| Equity attributable to equity holders of the Parent Company | | |
| Capital stock - common | \$34,934 | \$34,934 |
| Subscribed capital stock | 1,883 | 1,908 |
| Additional paid-in capital | 82,813 | 82,528 |
| Subscriptions receivable | (12,511) | (13,132) |
| Retained earnings unappropriated (Note 14) | 155,794 | 149,437 |
| Treasury stock | (1,013) | (1,013) |
| Reserve for fluctuation on available-for-sale financial assets | 293 | 251 |
| Cumulative translation adjustment | (15,355) | (16,545) |
| Other comprehensive loss | (6,238) | (6,296) |
| Other reserves | 171 | 171 |
| | 240,771 | 232,243 |
| Equity attributable to non-controlling interests in consolidated subsidiaries | | |
| | 191 | 195 |
| Total Equity | 240,962 | 232,438 |
| | \$564,318 | \$516,535 |

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousand dollars, except Earnings per Share)

| | Unaudited 2016 | | Unaudited 2015 | |
|---|----------------|-----------------|----------------|-----------------|
| | Apr to Jun | Jan to Jun | Apr to Jun | Jan to Jun |
| REVENUES FROM SALES AND SERVICES | \$210,638 | \$409,741 | \$215,122 | \$416,347 |
| COST OF GOODS SOLD AND SERVICES | 184,151 | 362,419 | 191,811 | 370,474 |
| GROSS PROFIT | 26,487 | 47,322 | 23,311 | 45,873 |
| OPERATING EXPENSES | (14,987) | (26,641) | (14,389) | (28,477) |
| OTHERS - Net | | | | |
| Interest and bank charges | (759) | (1,512) | (657) | (1,286) |
| Foreign exchange gains (losses) | (774) | (1,325) | 729 | (76) |
| Interest income | 45 | 128 | 129 | 316 |
| Rental income | 1 | 2 | 154 | 239 |
| Miscellaneous income - net | 284 | 135 | 831 | 1,446 |
| INCOME BEFORE INCOME TAX | 10,297 | 18,109 | 10,108 | 18,035 |
| PROVISION FOR INCOME TAX | (1,875) | (3,146) | (1,713) | (2,853) |
| NET INCOME | \$8,422 | \$14,963 | \$8,395 | \$15,182 |
| Net Income (Loss) Attributable to: | | | | |
| Equity holders of the Parent Company | \$8,422 | \$14,967 | \$8,398 | \$15,194 |
| Non-controlling interests | 0 | (4) | (3) | (12) |
| | \$8,422 | \$14,963 | \$8,395 | \$15,182 |
| Earnings Per Share | | | | |
| Basic and diluted | | \$0.008 | | \$0.008 |

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousand dollars)

| | Unaudited 2016 | | Unaudited 2015 | |
|--|----------------|-----------------|-----------------|-----------------|
| | Apr to Jun | Jan to Jun | Apr to Jun | Jan to Jun |
| NET INCOME FOR THE PERIOD | \$8,422 | \$14,963 | \$8,395 | \$15,182 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences arising from translation of foreign operations | (1,472) | 1,190 | 2,302 | (4,302) |
| Fair value changes on available-for-sale financial assets | 35 | 42 | 14 | 49 |
| | (1,437) | 1,232 | 2,316 | (4,253) |
| Other comprehensive income (loss) not to be reclassified into profit or loss in subsequent periods: | | | | |
| Remeasurement gains on defined benefit plans | – | 58 | – | – |
| | (1,437) | 1,290 | 2,316 | (4,253) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | \$6,985 | \$16,253 | \$10,711 | \$10,929 |
| Total Comprehensive Income (Loss) Attributable to: | | | | |
| Equity holders of the Parent Company | \$6,985 | \$16,257 | \$10,714 | \$10,941 |
| Non-controlling interests | 0 | (4) | (3) | (12) |
| | \$6,985 | \$16,253 | \$10,711 | \$10,929 |

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 AND FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousand dollars)

| Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | |
|--|------------------------|---------------------------|--------------------------|----------------------------|--------------------------|--|----------------------------------|------------------|--|-----------------------------------|--------------------------|----------------|--|------------------|
| | Capital Stock - Common | Capital Stock - Preferred | Subscribed Capital Stock | Additional Paid-in Capital | Subscriptions Receivable | Retained Earnings Appropriated for Expansion | Retained Earnings Unappropriated | Treasury Stock | Reserve for Fluctuation on Available-for-Sale Financial Assets | Cumulative Translation Adjustment | Other Comprehensive Loss | Other Reserves | Attributable to Non-controlling Interest | Total |
| Balances at January 1, 2016 | \$34,934 | \$- | \$1,908 | \$82,528 | (\$13,132) | \$- | \$149,437 | (\$1,013) | \$251 | (\$16,545) | (\$6,296) | \$171 | \$195 | \$232,438 |
| Cost of share-based payments | - | - | - | 424 | - | - | - | - | - | - | - | - | - | 424 |
| Forfeitures during the year | - | - | (25) | (139) | 164 | - | - | - | - | - | - | - | - | - |
| Collections on subscriptions | - | - | - | - | 457 | - | - | - | - | - | - | - | - | 457 |
| Cash dividends (Note 14) | - | - | - | - | - | - | (8,610) | - | - | - | - | - | - | (8,610) |
| | 34,934 | - | 1,883 | 82,813 | (12,511) | - | 140,827 | (1,013) | 251 | (16,545) | (6,296) | 171 | 195 | 224,709 |
| Net income (loss) | - | - | - | - | - | - | 14,967 | - | - | - | - | - | (4) | 14,963 |
| Other comprehensive income | - | - | - | - | - | - | - | - | 42 | 1,190 | 58 | - | - | 1,290 |
| Total comprehensive income (loss) | - | - | - | - | - | - | 14,967 | - | 42 | 1,190 | 58 | - | (4) | 16,253 |
| Balances at June 30, 2016 | \$34,934 | \$- | \$1,883 | \$82,813 | (\$12,511) | \$- | \$155,794 | (\$1,013) | \$293 | (\$15,355) | (\$6,238) | \$171 | \$191 | \$240,962 |

| Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | |
|--|------------------------|---------------------------|--------------------------|----------------------------|--------------------------|--|----------------------------------|------------------|--|-----------------------------------|--------------------------|----------------|--|------------------|
| | Capital Stock - Common | Capital Stock - Preferred | Subscribed Capital Stock | Additional Paid-in Capital | Subscriptions Receivable | Retained Earnings Appropriated for Expansion | Retained Earnings Unappropriated | Treasury Stock | Reserve for Fluctuation on Available-for-Sale Financial Assets | Cumulative Translation Adjustment | Other Comprehensive Loss | Other Reserves | Attributable to Non-controlling Interest | Total |
| Balances at January 1, 2015 | \$34,877 | \$26,601 | \$1,798 | \$80,481 | (\$12,907) | \$20,661 | \$109,481 | (\$1,013) | \$184 | (\$10,709) | (\$5,574) | \$171 | \$214 | \$244,265 |
| Issued shares during the period | 3 | - | (3) | - | - | - | - | - | - | - | - | - | - | - |
| Cost of share-based payments | - | - | - | 865 | - | - | - | - | - | - | - | - | - | 865 |
| Collections on subscriptions | - | - | - | - | 403 | - | - | - | - | - | - | - | - | 403 |
| Forfeitures of subscriptions | - | - | (8) | - | 8 | - | - | - | - | - | - | - | - | - |
| Reversal of appropriation (Note 14) | - | - | - | - | - | (20,661) | 20,661 | - | - | - | - | - | - | - |
| Cash dividends (Note 14) | - | - | - | - | - | - | (7,868) | - | - | - | - | - | - | (7,868) |
| | 34,880 | 26,601 | 1,787 | 80,346 | (12,496) | - | 122,274 | (1,013) | 184 | (10,709) | (5,574) | 171 | 214 | 237,665 |
| Net income (loss) | - | - | - | - | - | - | 15,194 | - | - | - | - | - | (12) | 15,182 |
| Other comprehensive income (loss) | - | - | - | - | - | - | - | - | 49 | (4,302) | - | - | - | (4,253) |
| Total comprehensive income (loss) | - | - | - | - | - | - | 15,194 | - | 49 | (4,302) | - | - | (12) | 10,929 |
| Balances at June 30, 2015 | \$34,880 | \$26,601 | \$1,787 | \$80,346 | (\$12,496) | \$- | \$137,468 | (\$1,013) | \$233 | (\$15,011) | (\$5,574) | \$171 | \$202 | \$248,594 |

Attributable to Equity Holders of the Parent Company

| | Capital Stock - Common | Capital Stock - Preferred | Subscribed Capital Stock | Additional Paid-in Capital | Subscriptions Receivable | Retained Earnings Appropriated for Expansion | Retained Earnings Unappropriated | Treasury Stock | Reserve for Fluctuation on Available- for-Sale Financial Assets | Cumulative Translation Adjustment | Other Comprehensive Loss | Other Reserves | Attributable to Non- controlling Interests | Total |
|--|------------------------------|---------------------------------|--------------------------------|----------------------------------|-----------------------------|---|--|-------------------|--|---|--------------------------------|-------------------|---|------------------|
| Balances at January 1, 2015 | \$34,877 | \$26,601 | \$1,798 | \$80,481 | (\$12,907) | \$20,661 | \$109,481 | (\$1,013) | \$184 | (\$10,710) | (\$5,574) | \$171 | \$215 | \$244,265 |
| Issued shares during the year | 57 | - | (57) | - | - | - | - | - | - | - | - | - | - | - |
| Redemption of preferred shares | - | (26,601) | - | - | - | - | (1,835) | - | - | - | - | - | - | (28,436) |
| Subscriptions during the year | - | - | 222 | 914 | (1,136) | - | - | - | - | - | - | - | - | - |
| Collections on subscriptions | - | - | - | - | 460 | - | - | - | - | - | - | - | - | 460 |
| Forfeitures during the year | - | - | (55) | (395) | 451 | - | - | - | - | - | - | - | - | - |
| Cost of share-based payments | - | - | - | 1,528 | - | - | - | - | - | - | - | - | - | 1,528 |
| Reversal of appropriated retained earnings | - | - | - | - | - | (20,661) | 20,661 | - | - | - | - | - | - | - |
| Reversal of cash dividends declared in advance | - | - | - | - | - | - | 208 | - | - | - | - | - | - | 208 |
| Cash dividends | - | - | - | - | - | - | (7,868) | - | - | - | - | - | - | (7,868) |
| | 34,934 | - | 1,908 | 82,528 | (13,132) | - | 120,647 | (1,013) | 184 | (10,710) | (5,574) | 171 | 215 | 210,157 |
| Net income (loss) | - | - | - | - | - | - | 28,790 | - | - | - | - | - | - | 28,771 |
| Other comprehensive income (loss) | - | - | - | - | - | - | - | - | 67 | (5,835) | (722) | - | - | (6,490) |
| Total comprehensive income (loss) | - | - | - | - | - | - | 28,790 | - | 67 | (5,835) | (722) | - | (20) | 22,281 |
| Balances at December 31, 2015 | \$34,934 | \$- | \$1,908 | \$82,528 | (\$13,132) | \$- | \$149,437 | (\$1,013) | \$251 | (\$16,545) | (\$6,296) | \$171 | \$195 | \$232,438 |

INTEGRATED MICRO-ELECTRONICS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousand dollars)

| | Unaudited | |
|---|---------------------|---------------------|
| | Jun 30, 2016 | Jun 30, 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$18,109 | \$18,035 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (Note 8) | 11,937 | 11,001 |
| Reversal of inventory obsolescence (Note 6) | (1,929) | (81) |
| Interest expense | 1,475 | 1,286 |
| Amortization of intangible assets (Note 9) | 1,262 | 1,066 |
| Cost of share-based payments | 424 | 865 |
| Interest income | (128) | (316) |
| Provisions for (reversal of) doubtful accounts (Note 5) | (83) | 87 |
| Unrealized foreign exchange losses - net | 19 | 301 |
| Gains on sale of property, plant and equipment | (13) | (49) |
| Reversal of decline in inventories | - | 100 |
| Operating income before working capital changes | 31,073 | 32,295 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Loans and receivables | (18,161) | (7,185) |
| Inventories | (7,362) | 1,324 |
| Other current assets | (4,965) | 551 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 20,873 | (334) |
| Retirement liabilities and other long-term benefits | (1,316) | 330 |
| Advances from customers | (163) | (155) |
| Accrued rent | (349) | (10) |
| Net cash generated from operations | 19,630 | 26,816 |
| Interest received | 119 | 316 |
| Interest paid | (1,290) | (1,134) |
| Income tax paid | (2,878) | (4,128) |
| Net cash provided by operating activities | 15,581 | 21,870 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of: | | |
| Property, plant and equipment (Note 8) | (21,577) | (14,040) |
| Intangible assets (Note 9) | (1,644) | (75) |
| Proceeds from sale of property, plant and equipment | 271 | 136 |
| Decrease (increase) in other noncurrent assets | (286) | 120 |
| Net cash used in investing activities | (23,236) | (13,859) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Availment of loans | 22,204 | 4,771 |
| Dividends paid to equity holders of the Parent Company (Note 14) | (8,610) | (8,352) |
| Collections of subscriptions receivable | 457 | 403 |
| Payment of loans | (252) | (19,281) |
| Decrease in obligations under finance lease | - | (2,256) |
| Net cash provided by (used in) financing activities | 13,799 | (24,715) |
| NET FOREIGN EXCHANGE DIFFERENCE IN CASH AND CASH EQUIVALENTS | 11 | (298) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,155 | (17,002) |
| CASH AND CASH EQUIVALENTS AT JANUARY 1 | 101,532 | 117,626 |
| CASH AND CASH EQUIVALENTS AT JUNE 30 | \$107,687 | \$100,624 |

INTEGRATED MICROELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited interim condensed consolidated financial statements for the six months ended June 30, 2016 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, 2015 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, 2015.

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 United States (U.S.) Dollar (\$), and all values are rounded to the nearest thousands except when otherwise indicated.

The accompanying unaudited interim condensed consolidated financial statements were approved and authorized for release by the Audit Committee on August 8, 2016.

2. Basis of Consolidation

Information about Subsidiaries

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

| Subsidiary | Percentage of Ownership | | Country of Incorporation | Functional Currency |
|--|-------------------------|---------|--------------------------|-------------------------------|
| | 2016 | 2015 | | |
| IMI International (Singapore) Pte. Ltd. (IMI Singapore) | 100.00% | 100.00% | Singapore | United States Dollar (USD) |
| IMI International ROHQ (IMI ROHQ) | 100.00% | 100.00% | Philippines | USD |
| Speedy-Tech Electronics, Ltd. (STEL) | 100.00% | 100.00% | Singapore | USD |
| IMI (Chengdu) Ltd. (IMICD) ^a Shenzhen Speedy-Tech Electronics Co., Ltd. (SZSTE) | 100.00% | 100.00% | China | Renminbi (RMB) |
| Speedy-Tech Electronics (HK) Limited (STHK) | 99.48% | 99.48% | China | USD |
| Speedy-Tech Electronics (Chong Qing) Co. Ltd. (STCQ) ^b | 100.00% | 100.00% | Hong Kong | USD |
| Speedy-Tech Electronics (Jiaxing) Co., Ltd. (STJX) | 100.00% | 100.00% | China | USD |
| Speed-Tech (Philippines), Inc. ^c | 100.00% | 100.00% | Philippines | USD |
| Speedy-Tech Electronics, Inc. | 100.00% | 100.00% | USA | USD |

| Subsidiary | Percentage of Ownership | | Country of Incorporation | Functional Currency |
|---|-------------------------|---------|--------------------------|---------------------|
| | 2016 | 2015 | | |
| Monarch Elite Ltd. (Monarch) | 100.00% | 100.00% | Hong Kong | USD |
| Cooperatief IMI Europe U.A. (Cooperatief) ^d | 100.00% | 100.00% | Netherlands | Euro (EUR) |
| Integrated Micro-Electronics Bulgaria | | | | |
| EOOD (IMI BG) | 100.00% | 100.00% | Bulgaria | Bulgarian Lev (BGN) |
| Microenergia EOOD (Microenergia) | 100.00% | 100.00% | Bulgaria | BGN |
| Integrated Micro-Electronics Czech Republic s.r.o. (IMI CZ) | 100.00% | 100.00% | Czech Republic | Czech Koruna (CZK) |
| Integrated Micro-Electronics Mexico, S.A.P.I. de C.V. (IMI MX) ^e | 100.00% | 100.00% | Mexico | USD |
| Integrated Micro-Electronics Manufactura S.A.P.I de C.V. | 100.00% | 100.00% | Mexico | Mexican Peso (MXP) |
| IMI France SAS (IMI France) | 100.00% | 100.00% | France | EUR |
| IMI USA | 100.00% | 100.00% | USA | USD |
| IMI Japan | 100.00% | 100.00% | Japan | USD |
| PSi | 100.00% | 100.00% | Philippines | USD |

^a On August 1, 2014, IMI CD changed its functional currency from USD to RMB.

^b On June 30, 2014, STEL's BOD passed a resolution to wind up STCQ.

^c STPH's business operations were integrated as part of the Parent Company in 2013 wherein a Deed of Assignment was executed between the Parent Company and STPH. STPH is a dormant company.

^d Cooperatief is 99% owned by Monarch and 1% owned by IMI Singapore.

^e On March 1, 2014, IMI MX changed its functional currency from MXN to USD.

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of June 30, 2016 and December 31, 2015 and for each of the six months period ended June 30, 2016 and 2015.

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

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same balance sheet date as the Parent Company, using consistent accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments 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; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets and liabilities.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to the Parent Company.

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 of the previous financial years, except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2016. The nature and the impact of each new standards and amendments are described below:

PAS 1, Presentation of Financial Statements - Disclosure Initiative (Amendments)

The amendments to PAS 1 clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify:

- The materiality requirements in PAS 1.
- That specific line items in the statements of income and comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016.

PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that

produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016.

PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016.

PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016.

PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities and PAS 28, Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under PFRS 10. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to PAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016.

PFRS 14, Regulatory Deferral Accounts

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016. These include:

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, Financial Instruments: Disclosures - Servicing Contracts

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Standards and Interpretation Issued but not yet Effective

The Group will adopt the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) enumerated below when these become effective. Except as otherwise indicated, 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 January 1, 2018

PFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of PFRS 9. The new standard reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's determination of the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

Interpretation with deferred effectivity

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves

rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

IFRS 16, Leases

On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces IAS 17, the current lease standard, and related Interpretations.

Under the new lease standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the asset and related liabilities for most of leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Lease with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual period beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either the full retrospective approach or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Classification of financial instruments

Financial instruments within the scope of PAS 39 are classified as:

1. Financial assets and financial liabilities at 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. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every balance sheet date.

The financial instruments of the Group as of June 30, 2016 and December 31, 2015 consist of loans and receivables, AFS financial assets, financial liability at FVPL and other financial liabilities.

Date of recognition of financial instruments

Financial instruments are recognized in the consolidated balance sheets 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.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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" difference 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 financial liabilities 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 assets or financial liabilities at FVPL if any of the following criteria is 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 financial instrument is part of a group of financial instruments which is managed and its performance is 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 assets and financial liabilities at FVPL are subsequently measured at fair value. Changes in fair value of such assets or liabilities are accounted for in profit or loss.

The Group uses 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:

1. The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
3. 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 a 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.

Loans and receivables are recognized initially at fair value, plus transaction costs that are attributable to the acquisition of loans and receivables.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for doubtful accounts. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy relates primarily to the Group's cash and cash equivalents, receivables and miscellaneous deposits reported under "Other noncurrent assets".

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.

AFS financial assets are recognized initially at fair value, plus transaction costs that are attributable to the acquisition of AFS financial assets.

After initial measurement, AFS financial assets are subsequently measured at fair value. Dividends earned on holding AFS financial assets are recognized in profit or loss 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 recognized in OCI under "Reserve for fluctuation on

available-for-sale financial assets” account. The losses arising from impairment of such investments are recognized as impairment losses in profit or loss. When the investment is disposed of, the cumulative gains or losses previously recognized in OCI are 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 allowance for impairment losses.

This accounting policy pertains to the Group’s investments in club shares and common equity shares.

Other financial liabilities

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

Other financial liabilities are initially recognized at the fair value of the consideration received, less directly attributable transaction costs.

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

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

Fair Value Measurement

The Group measures derivatives and AFS financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 18.

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

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

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

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets 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 assets and settle the liabilities simultaneously.

Derecognition of Financial Instruments

Financial asset

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (that is, removed from the consolidated balance sheets) when:

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

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

Financial liability

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

Impairment of Financial Assets

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”), 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 observable data indicating 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

For loans and receivables, the Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated provision for doubtful accounts increases or decreases because of an event occurring after the provision for doubtful accounts was recognized, the previously recognized provision for doubtful accounts is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit or loss.

AFS financial assets

For AFS financial investments, the Group assesses, at each balance sheet date, whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is evaluated against the original cost of the investments and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that investments previously recognized in profit or loss - is removed from OCI 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 OCI.

Inventories

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

Tax Credits

Tax credits, included under "Other current assets" account in the consolidated balance sheets, include amounts withheld from income tax payments and value added tax refund claims.

Property, Plant and Equipment

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

obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

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

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

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

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

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

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

Borrowing Costs

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

Business Combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability, that is a financial instrument and within the scope of PAS 39 is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

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

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

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.

After initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment losses.

The EUL of intangible assets are assessed as either finite or indefinite.

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

The EUL of intangible assets 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 CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Impairment of Nonfinancial Assets

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

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

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

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

Goodwill is tested for impairment annually as of September 30 and when circumstances indicate that the carrying amount is impaired.

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

Provisions

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

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

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

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

Equity

Capital stock

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

Preferred shares may be issued with various rights. In determining whether a preference share is financial liability or equity instrument, the issuer is required to assess the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. A preference share redeemable only at the holder's option is an equity instrument because the issuer does not have a present or future obligation to transfer financial assets to the shareholder.

Additional paid-in capital

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

Subscriptions receivable

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

Retained earnings and dividends on capital stock of the Parent Company

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

Treasury stock

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

Revenue Recognition

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. 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 to complete the required units have been rendered.

Interest income

Interest income is recognized as it accrues using the EIR method.

Dividends

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

Miscellaneous income

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

Expenses

Expenses of the Group include cost of sales, operating expenses and interest expense.

Cost of sales

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

Operating expenses

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

Interest expense

Interest expense is incurred with the passage of time and is recorded on an accrual basis.

Foreign Currency Transactions

The functional currencies of the Group's foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to USD, which is the Parent Company's functional and presentation currency.

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

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

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

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

Income Taxes

Current tax

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws

used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date in the countries where the Group operates and generates taxable profit.

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

Basic EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares outstanding and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income

attributable to common equity holders by the weighted average number of common shares outstanding, plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on EPS.

Retirement and Other Employee Benefits

Defined benefit plans

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

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

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

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

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

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

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

Defined contribution plans

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

Singapore

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

PRC

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

Hong Kong

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

IMI CZ

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

IMI MX

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

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

Employee leave entitlement

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

PSi

PSi compensates its employees for vacation and sick absences (compensated absences). Entitlement to compensated absences is accumulating.

Share-based Payment Transactions

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

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

Operating Segments

The Group is organized and managed separately according to geographical locations of businesses. The geographical segments are segregated as follows: Philippines, Singapore/China, Bulgaria, Czech, Mexico, USA and Japan. These geographical businesses are the basis upon which the Group reports its operating segment information presented in Note 16.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, or whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating and finance lease commitments - Group as lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group 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 "Noncurrent portion of obligation under finance lease" account for the noncurrent portion in the consolidated balance sheets. 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 recognized under "Interest expense and bank charges" account in the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms.

Leases in which the Group 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 profit or loss on a straight-line basis over the respective lease terms.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognized immediately. If the sale price is below fair value, any profit or loss should be recognized immediately, unless the loss is compensated by future lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

Contingencies

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

Events after the Balance Sheet Date

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

4. Cash and Cash Equivalents

This account consists of:

| | Jun 30, 2016 | Dec 31, 2015 |
|------------------------|---------------------|--------------|
| | (Unaudited) | (Audited) |
| | (In thousands) | |
| Cash on hand | \$91 | \$35 |
| Cash in banks | 91,084 | 67,159 |
| Short-term investments | 16,512 | 34,338 |
| | \$107,687 | \$101,532 |

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

5. Receivables - Net

This account consists of:

| | Jun 30, 2016 | Dec 31, 2015 |
|--------------------------------------|---------------------|--------------|
| | (Unaudited) | (Audited) |
| | (In thousands) | |
| Trade | \$182,837 | \$165,831 |
| Nontrade | 896 | 1,737 |
| Receivables from employees | 562 | 736 |
| Due from related parties (Note 17) | 264 | 196 |
| Others | 2,723 | 2,487 |
| | 187,282 | 170,987 |
| Less allowance for doubtful accounts | 1,597 | 1,695 |
| | \$185,685 | \$169,292 |

Trade

Trade receivables arise from manufacturing and other related services for electronic products and components and have credit terms averaging 45 to 90 days from invoice date.

Nontrade

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

Others

Others include claims for damages to equipment and inventories caused by a fire incident in the Parent Company's plant in Cebu, Philippines in May 2009. This receivable is fully provided with allowance for doubtful accounts.

On January 20, 2016, a fire broke out in one of the operations buildings at IMI's facility in Jiaxing, China. The estimated financial effect and amount of insurance claims is yet to be determined by the Group.

Allowance for Doubtful Accounts

Trade receivables, nontrade receivables, receivable from insurance and receivable from employees with aggregate nominal value of \$1.60 million as of June 30, 2016 and \$1.70 million as of December 31, 2015, were individually assessed to be impaired and fully provided with allowance for doubtful accounts.

Provisions (reversals) for doubtful accounts recognized for the six-month period ended June 30, 2016 and 2015 amounted to (\$83) thousand and \$87 thousand, respectively. Provisions during the year form part of "Operating Expenses" account.

6. Inventories

Reversals of inventory obsolescence recognized for the six-month period ended June 30, 2016 and 2015 amounted to \$1.93 million and \$0.01 million, respectively.

7. Other Current Assets

This account consists of:

| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
|-----------------------|-----------------------------|---------------------------|
| | (In thousands) | |
| Tax credits | \$7,240 | \$4,846 |
| Advances to suppliers | 4,795 | 3,369 |
| Prepayments | 3,564 | 1,945 |
| Input taxes | 217 | 710 |
| Derivative assets | 143 | 66 |
| Others | 24 | — |
| | \$15,983 | \$10,936 |

Tax credits include amounts withheld from income tax payments of the Parent Company and PSI and value added tax refund claims of IMI MX and IMI BG.

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

Prepayments include prepayments for life and fire insurance, rent and product liability, and recall insurance, which cover product recall expenses and liability to third parties seeking damage in the event the Group recalls any of its products.

8. Property, Plant and Equipment

June 30, 2016 (Unaudited)

| 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, 2016 | \$72,114 | \$108,898 | \$17,900 | \$1,468 | \$5,490 | \$9,509 | \$215,379 |
| Additions | 2,779 | 9,264 | 1,189 | 235 | 607 | 7,503 | 21,577 |
| Disposals | — | (1,129) | (225) | (98) | (74) | — | (1,526) |
| Transfers | 169 | 1,173 | 287 | 1 | 257 | (1,899) | (11) |
| Retirement | — | (627) | — | — | — | — | (627) |
| Foreign currency exchange difference | 92 | 363 | 21 | 7 | — | 108 | 591 |
| At June 30, 2016 | 75,154 | 117,942 | 19,172 | 1,613 | 6,280 | 15,222 | 235,383 |
| Accumulated depreciation | | | | | | | |
| At January 1, 2016 | 39,525 | 64,001 | 13,632 | 539 | 2,848 | — | 120,545 |
| Depreciation | 1,815 | 8,790 | 996 | 238 | 98 | — | 11,937 |
| Disposals | (1) | (1,857) | (210) | (91) | 252 | — | (1,907) |
| Foreign currency exchange difference | 15 | 69 | 23 | 4 | — | — | 111 |
| At June 30, 2016 | 41,354 | 71,003 | 14,441 | 690 | 3,198 | — | 130,686 |
| Accumulated impairment loss | | | | | | | |
| Balances at January and June 30, 2016 | 737 | 983 | 12 | — | — | — | 1,732 |
| Net book value as of June 30, 2016 | \$32,067 | \$45,956 | \$4,720 | \$923 | \$3,081 | \$15,222 | \$102,965 |

December 31, 2015 (Audited)

| 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, 2015 | \$67,856 | \$107,813 | \$17,072 | \$1,348 | \$4,033 | \$3,167 | \$201,289 |
| Additions | 5,114 | 15,797 | 1,689 | 358 | 2,055 | 10,107 | 35,120 |
| Disposals | (153) | (14,113) | (609) | (189) | (582) | (102) | (15,748) |
| Retirement | – | – | (33) | – | – | – | (33) |
| Transfers | 158 | 3,152 | 9 | 15 | (16) | (3,318) | – |
| Foreign currency exchange difference | (861) | (3,751) | (228) | (64) | – | (345) | (5,249) |
| At December 31, 2015 | 72,114 | 108,898 | 17,900 | 1,468 | 5,490 | 9,509 | 215,379 |
| Accumulated depreciation | | | | | | | |
| At January 1, 2015 | 36,260 | 65,122 | 12,865 | 296 | 3,325 | – | 117,868 |
| Depreciation | 3,669 | 15,242 | 1,542 | 472 | 92 | – | 21,017 |
| Disposals | (150) | (13,758) | (607) | (183) | (569) | – | (15,267) |
| Retirement | – | – | (6) | – | – | – | (6) |
| Foreign currency exchange difference | (254) | (2,605) | (162) | (46) | – | – | (3,067) |
| At December 31, 2015 | 39,525 | 64,001 | 13,632 | 539 | 2,848 | – | 120,545 |
| Accumulated impairment loss | | | | | | | |
| Balances at January and December 31, 2015 | 737 | 983 | 12 | – | – | – | 1,732 |
| Net book value as of December 31, 2015 | \$31,852 | \$43,914 | \$4,256 | \$929 | \$2,641 | \$9,509 | \$93,102 |

Depreciation expense included in “Cost of goods sold and services” and “Operating expenses” accounts follows:

| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
|---------------------------------|-----------------------------|-----------------------------|
| | (In thousands) | |
| Cost of goods sold and services | \$10,695 | \$9,714 |
| Operating expenses | 1,242 | 1,287 |
| | \$11,937 | \$11,001 |

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments for the six-month period ended June 30, 2016 and 2015 amounting to \$0.01 million and \$0.01 million, respectively.

9. Intangible Assets

During the six months ended June 30, 2016 and 2015, the Group incurred \$1.64 million and \$0.01 million, respectively, for the cost of additional computer software.

Amortization of intangible assets for the six months ended June 30, 2016 and 2015 amounted to \$1.26 million and \$1.07 million, respectively.

10. Available-for-Sale (AFS) Financial Assets

This account consists of:

| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
|--|-----------------------------|---------------------------|
| | (In thousands) | |
| Investment securities | \$1,754 | \$1,754 |
| Club shares | 620 | 584 |
| | 2,374 | 2,338 |
| Less allowance for impairment on AFS financial assets | 1,754 | 1,754 |
| | \$620 | \$584 |

As of June 30, 2016 and December 31, 2015, the balance of investment securities pertains to Class A common stock of a customer. This investment was provided with full allowance due to the investee company's financial difficulties.

11. Accounts Payable and Accrued Expenses

| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
|-----------------------------------|-----------------------------|---------------------------|
| | (In thousands) | |
| Trade payables | \$123,602 | \$103,563 |
| Accrued compensation and benefits | 22,319 | 23,263 |
| Accrued expenses | 17,419 | 15,734 |
| Nontrade payables | 4,072 | 5,122 |
| Customers' deposits | 964 | 573 |
| Accrued interest payable | 694 | 509 |
| Employee-related contributions | 612 | 580 |
| Taxes payable | 540 | 1,366 |
| Advances from customers | 225 | 552 |
| Derivative liabilities | 11 | 11 |
| Due to related parties (Note 17) | 3 | 5 |
| Others | 988 | 1,539 |
| | \$171,449 | \$152,817 |

Trade Payables

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

Accrued Compensation and Benefits

Accrued compensation and benefits include accrued salaries, leave credits and other employee benefits.

Accrued Expenses

Accrued expenses consist mainly of accruals for taxes, professional fees, utilities, sub-contractual costs and supplies.

Nontrade Payables

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

Employee-related Contributions

This account consists mainly of remittances related to government agencies such as Social Security Services, Pag-IBIG and Philhealth.

Others

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

12. Trust Receipts and Loans Payable

| | Jun 30, 2016 | Dec 31, 2015 |
|----------------|---------------------|--------------|
| | (Unaudited) | (Audited) |
| | (In thousands) | |
| Parent Company | \$47,000 | \$25,000 |
| PSi | 9,360 | 9,298 |
| STEL | 8,000 | 8,000 |
| | \$64,360 | \$42,298 |

Parent Company

As of June 30, 2016 and December 31, 2015, the Parent Company has short-term loans aggregating to \$47.00 million. The loans have maturities ranging from 30-60 days and fixed interest rates ranging from 1.29% to 1.76% p.a. in 2016 and 1.03% to 1.50% p.a. in 2015.

PSi

PSi has short-term loan from a local bank amounting to \$9.20 million as of June 30, 2016 and December 31, 2015 and trust receipts payable amounting to \$0.2 and \$0.1 million as of June 30, 2016 and December 31, 2015, respectively. These loans fall under an unsecured Omnibus Line Credit Facility of \$10.00 million granted on November 24, 2010. The credit facility includes 30 to 360-day Promissory Notes (maybe denominated in USD or Philippine Peso (PHP), Letter of Credit (LC)/Trust Receipt Line, Export Packing Credit Line, FX Forward Cover, and Foreign Bills Line and Domestic Bill Purchase Line, subject to interest rates ranging from 2.17% to 2.91% p.a. in 2016 and 2.03% to 2.82% p.a. in 2015. This credit facility is renewable annually, and the current term is until May 19, 2017.

STEL

The loans of STEL are clean loans from existing revolving credit facilities with a Singaporean bank and bear annual interest rate of 1.95% p.a. in 2016 and from 1.73% p.a. in 2015 and have maturities of 30 days from the date of issue, with renewal options.

13. Long-Term Debt

| | Jun 30, 2016 | Dec 31, 2015 |
|-----------------------|---------------------|--------------|
| | (Unaudited) | (Audited) |
| | (In thousands) | |
| Parent Company | \$65,560 | \$65,494 |
| Cooperatief | 9,158 | 8,980 |
| IMI BG | 556 | 660 |
| IMI CZ | 2,216 | 2,468 |
| | 77,490 | 77,602 |
| Less current portion: | | |
| Parent Company | 40,000 | 40,000 |
| Cooperatief | 2,220 | 2,177 |
| IMI BG | 223 | 220 |
| IMI CZ | 562 | 556 |
| | 43,005 | 42,953 |
| Noncurrent portion | \$34,485 | \$34,649 |

Parent Company

On August 12, 2015, the Parent Company obtained a \$20 million 5-year term loan from a local bank payable as the end of the loan subject to a fixed interest rate per annum equal to the 5-year Dollar Benchmark rate plus a spread of 5 bps or the rate of 2.8%, whichever is higher. Interests are payable quarterly in arrears on each interest payment date.

On February 29, 2012, the Parent Company obtained a €5.00 million (\$5.56 million), 5-year term clean loan from a local bank 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, if made on an interest payment date, subject to certain conditions. Interest is payable semi-annually at the rate of 6-month LIBOR plus 1.50% spread per annum.

In October 2011, the Parent Company obtained a 5-year term clean loan from a local bank amounting to \$40.00 million, payable in a single balloon payment due in 2016. 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%. As of December 31, 2015, the loan was reclassified to current liability.

Cooperatief

The purchase consideration for the acquisition of IMI EU/MX Subsidiaries in 2011 includes the deferred payment aggregating to €14.25 million (\$20.40 million) relating to the acquisition of EPIQ NV's shares and purchased receivables of EPIQ NV from IMI EU/MX Subsidiaries. Based on the payment schedule in the SPA, this long-term debt will be settled from 2013 to 2018, subject to interest rate of 1.60% plus 1.50%.

Cooperatief had already paid €2.00 million (\$2.19 million) in 2015 and €2.00 million (\$2.58 million) in 2014.

Below is the amortization schedule:

| Due Dates | In EUR | In USD |
|-----------|----------------|---------|
| | (In thousands) | |
| 2016 | €2,000 | \$2,220 |
| 2017 | 2,000 | 2,220 |
| 2018 | 4,249 | 4,718 |
| | €8,249 | \$9,158 |

The 2016 amortization was paid in July 2016.

IMI BG

IMI BG has a long-term debt from BNP Paribas that relates to the term loan facility for financing the construction of a new warehouse with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%. The warehouse was completed in 2013.

The credit facility with BNP Paribas is subject to the following collateral: Security of Transfer of Ownership Title relating office and factory equipment with the carrying value of \$1.35 million.

IMI CZ

On August 14, 2015, IMI CZ obtained a new term loan facility from Citibank amounting to €2.00 million that was used to settle intercompany loans. The principal shall be paid in 60 regular monthly installments and bears interest of 3-month EURIBOR plus 1.20% but is not to exceed 15% per annum.

In 2013, IMI CZ obtained a long-term debt from Citibank that related to a term loan facility for the purchase of its new SMT machine. The debt bears interest of 1-month EURIBOR plus 2.70% and matures on July 31, 2019.

14. Retained Earnings Unappropriated

On February 06, 2016, the Board of Directors of the Parent Company approved the declaration of cash dividend of \$0.0046 or ₱0.2204 per share to all outstanding common shares as of record date February 23, 2016 payable on March 10, 2016.

On February 17, 2015, the Board of Directors (BOD) of the Parent Company approved the reclassification of the remaining balance of the appropriated retained earnings to unappropriated retained earnings amounting to \$20.66 million. On the same day, the BOD of the Parent Company approved the declaration of cash dividend of \$0.0042 (₱0.1868) per share to all outstanding common shares as of record date of March 4, 2015, payable on March 19, 2015.

15. Earnings per Share

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

| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
|--|-----------------------------|-----------------------------|
| | (In thousands) | |
| Net income | \$14,967 | \$15,194 |
| Less dividends on preferred stock | – | (420) |
| | <u>\$14,967</u> | <u>\$14,774</u> |
| Weighted average number of common shares outstanding | <u>1,864,139</u> | <u>1,856,900</u> |
| Basic and diluted | <u>\$0.008</u> | <u>\$0.008</u> |

As of June 30, 2016 and 2015, the Parent Company has no dilutive potential common shares.

16. Segment Information

Management monitors operating results per geographical area (with the Philippine operations further subdivided into the Parent Company and PSi) for the purpose of making decisions about resource allocation and performance assessment. It evaluates the segment performance based on gross revenue and 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 per legal entity's location for the six-month period ended June 30, 2016 and 2015:

| June 30, 2016 (Unaudited) | Philippines | | Singapore/ China | Bulgaria | Czech | Mexico | USA | Japan | Consolidation and Eliminations | Total |
|--|-------------------|-----------|---------------------|-----------|----------|----------|---------|-------|--------------------------------------|-----------|
| | Parent Company | PSi | | | | | | | | |
| Revenue | | | | | | | | | | |
| Third party | \$109,612 | \$16,100 | \$130,417 | \$106,086 | \$14,204 | \$33,105 | \$203 | \$14 | \$- | \$409,741 |
| Inter-segment | 19 | - | 3,165 | - | - | - | 1,492 | 559 | (5,235) | - |
| Total revenue | \$109,631 | \$16,100 | \$133,582 | \$106,086 | \$14,204 | \$33,105 | \$1,695 | \$573 | (\$5,235) | \$409,741 |
| Segment interest income | \$432 | \$1 | \$86 | \$- | \$- | \$- | \$- | \$- | (\$390) | \$129 |
| Segment interest expense | (\$1,009) | (\$328) | (\$135) | (\$83) | (\$157) | (\$188) | (\$1) | (\$1) | \$390 | (\$1,512) |
| Segment profit (loss) before income tax | \$656 | (\$1,781) | \$2,367 | \$15,133 | \$819 | \$554 | \$311 | \$54 | (\$4) | \$18,109 |
| Segment provision for income tax | 367 | - | 734 | 1,663 | 94 | 288 | - | - | - | 3,146 |
| Segment profit (loss) after income tax | \$289 | (\$1,781) | \$1,633 | \$13,470 | \$725 | \$266 | \$311 | \$54 | (\$4) | \$14,963 |
| Net income (loss) attributable to the equity holders of the Parent Company | \$289 | (\$1,781) | \$1,636 | \$13,470 | \$725 | \$266 | \$311 | \$54 | (\$3) | \$14,967 |

| June 30, 2015 (Unaudited) | Philippines | | Singapore/ China | Bulgaria | Czech | Mexico | USA | Japan | Consolidation and Eliminations | Total |
|--|-------------------|-----------|---------------------|----------|----------|----------|---------|-------|--------------------------------------|-----------|
| | Parent Company | PSi | | | | | | | | |
| Revenue | | | | | | | | | | |
| Third party | \$109,515 | \$22,902 | \$146,060 | \$94,392 | \$12,692 | \$30,508 | \$268 | \$10 | \$- | \$416,347 |
| Inter-segment | 50 | - | 2,960 | - | - | - | 1,400 | 442 | (4,852) | - |
| Total revenue | \$109,565 | \$22,902 | \$149,020 | \$94,392 | \$12,692 | \$30,508 | \$1,668 | \$452 | (\$4,852) | \$416,347 |
| Segment interest income | \$573 | \$1 | \$100 | \$- | \$- | \$- | \$- | \$0 | (358) | \$316 |
| Segment interest expense | (\$656) | (\$283) | (\$100) | (\$214) | (\$218) | (\$171) | (\$1) | (\$1) | \$358 | (\$1,286) |
| Segment profit (loss) before income tax | \$2,521 | (\$1,421) | \$3,164 | \$12,488 | \$642 | \$382 | \$258 | \$1 | \$- | \$18,035 |
| Segment provision for income tax | 760 | - | 518 | 1,314 | 148 | 113 | - | - | - | 2,853 |
| Segment profit (loss) after income tax | \$1,761 | (\$1,421) | \$2,646 | \$11,174 | \$494 | \$269 | \$258 | \$1 | \$- | \$15,182 |
| Net income (loss) attributable to the equity holders of the Parent Company | \$1,761 | (1,421) | \$2,658 | \$11,174 | \$494 | \$269 | \$258 | \$1 | \$- | \$15,194 |

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

For the six-month period ended June 30, 2016, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to \$5.24 million and intersegment cost of sales and operating expenses amounting to \$0.04 million and \$5.20 million, respectively.

For the six-month period ended June 30, 2015, the profit before and after income tax for each operating segment includes net profit from intersegment revenues aggregating to \$4.85 million and intersegment cost of sales and operating expenses amounting to \$0.06 million and \$4.79 million, respectively.

The following table presents segment assets of the Group's geographical segments as of June 30, 2016 and December 31, 2015:

| Segment assets | Philippines | | Singapore/ China | Europe | Mexico | USA | Japan | Consolidation and Eliminations | Total |
|----------------------|-------------------|----------|---------------------|-----------|----------|---------|-------|--------------------------------------|-----------|
| | Parent Company | PSi | | | | | | | |
| June 30, 2016 | | | | | | | | | |
| (Unaudited) | \$285,499 | \$15,328 | \$225,475 | \$157,450 | \$55,153 | \$1,813 | \$940 | (\$177,340) | \$564,318 |
| December 31, 2015 | | | | | | | | | |
| (Audited) | \$273,699 | \$15,306 | \$216,719 | \$125,968 | \$50,763 | \$1,689 | \$899 | (\$168,508) | \$516,535 |

Segment assets do not include investments in subsidiaries and intersegment receivable amounting to \$140.38 million and \$36.71 million as of June 30, 2016 respectively, and \$125.60 million and \$42.68 million as of December 31, 2015. These are eliminated in consolidation.

Furthermore, goodwill arising from the acquisition of STEL, IMI USA and IMI CZ amounting to \$45.13 million, \$0.66 million and \$0.65 million, respectively, are recognized at consolidated level.

The following table presents revenues from external customers:

| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
|-------------|---|-----------------------------|
| | (In thousands) | |
| Europe | \$219,489 | \$214,186 |
| America | 105,511 | 104,730 |
| Japan | 19,776 | 30,222 |
| Asia/Others | 64,965 | 67,209 |
| | \$409,741 | \$416,347 |

Revenues are attributed to countries on the basis of the customer's location. Certain customers independent of each other but within the same group account for 15% and 13% of the Group's total revenue for the six-month period ended June 30, 2016 and 2015, respectively.

The following table presents revenues per product type:

| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
|----------------------|---|-----------------------------|
| | (In thousands) | |
| Automotive | \$189,105 | \$174,691 |
| Telecom | 83,298 | 77,076 |
| Industrial | 64,678 | 57,832 |
| Consumer | 29,366 | 45,692 |
| Multiple market | 25,998 | 33,330 |
| Computer peripherals | 5,361 | 13,684 |
| Medical | 11,935 | 14,042 |
| | \$409,741 | \$416,347 |

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 which include affiliates. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six-month period ended June 30, 2016 and 2015, the Group has not recorded any impairment on loans and receivables relating to amounts owed by related parties. Impairment assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

a. Transaction with BPI, an affiliate

As of June 30, 2016 and December 31, 2015, the Group maintains current and savings accounts with BPI amounting \$1.07 million and \$1.53 million, respectively.

Total interest income earned from investments with BPI amounted to \$2.3K and \$19.6k for the six-month period ended June 30, 2016 and 2015, respectively.

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

| | Receivables | | Payables | |
|---------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
| BPI | \$264 | \$196 | \$- | \$- |
| Innove Communication Inc. (ICI) | - | - | 3 | 1 |
| Globe Telecom, Inc. (GTI) | - | - | 0 | 4 |
| | \$264 | \$196 | \$3 | \$5 |

- i. Receivables from BPI are nontrade in nature and pertain to retirement and separation pay advanced by the Parent Company but reimbursable from the trust fund with BPI. These are noninterest-bearing and are due quarterly.
- ii. Payables to ICI are nontrade in nature and pertain to leased lines, internet connections and automated teller machines connections. These are noninterest-bearing and are due every month.
- iii. Payables to GTI pertain to billings for software and WiFi connections. These are due and demandable.

c. Outstanding balances of related party transactions within the Group follow:

| | Receivables | | Payables | |
|------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
| IMI EU/MX Subsidiaries | \$15,251 | \$22,298 | \$- | \$1 |
| PSi | 15,549 | 13,471 | 97 | 99 |
| IMI Singapore | 1,010 | 1,010 | - | - |
| IMI Japan | 982 | 993 | 600 | 527 |
| IMI USA | 258 | 254 | 257 | 292 |
| IMI ROHQ | 16 | 362 | 1,044 | 1,162 |
| STEL | 247 | 215 | 1,174 | 1,757 |
| | \$33,313 | \$38,603 | \$3,172 | \$3,838 |

i. Receivables from STEL, IMI EU/MX Subsidiaries, PSi, IMI Singapore, IMI ROHQ, IMI Japan and IMI USA are nontrade in nature and pertain to operating cash advances made by the Parent Company.

Advances to STEL, IMI Singapore, IMI Japan and IMI USA are noninterest-bearing and are due on demand.

Advances to PSi, IMI MX and IMI CZ have 90-day to 1 year term subject to interest rates ranging from 2.00% to 2.88% p.a. in 2016 and 1.25% to 2.85% p.a. in 2015. In June 2016, advances to IMI MX amounting to \$14.41 million was settled through debt to equity conversion.

ii. Payables to STEL Group pertain to non-trade related transactions which include freight and handling charges, business travel expenses and consideration for the net assets transferred by STPH to the Parent Company. These advances are noninterest-bearing and are payable on demand.

iii. Payables to IMI Japan and IMI USA are trade in nature and pertain to the services rendered by IMI Japan and IMI USA. These receivables are with a 30-day term.

iv. Payables to IMI ROHQ are nontrade in nature and pertain to services provided by IMI ROHQ to the Parent Company and PSi which serves as a supervisory, communications and coordinating center for its affiliates.

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

| | Revenue/Income | | Expenses | |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
| BPI | \$2 | \$20 | \$- | \$- |
| Technopark Land, Inc (TLI) | - | - | 528 | 558 |
| Ayala Group Legal (AGL) | - | - | 51 | 47 |
| ICI | - | - | 46 | 34 |
| GTI | - | - | 24 | 49 |
| | \$2 | \$20 | \$649 | \$688 |

Revenue/income from its affiliates pertain to the following transactions:

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

Expenses incurred from related party transactions include:

i. Rent expense from the lease contract with TLI.

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

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

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

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

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

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

18. Fair Values of Financial Instruments

Below are the fair values of financial assets and financial liabilities that are either carried at fair value or where the carrying amounts do not approximate fair values as of June 30, 2016 and December 31, 2015:

| | Carrying Amounts | | Fair Values | |
|-------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
| Financial assets: | | | | |
| Derivative assets | \$143 | \$66 | \$143 | \$66 |
| AFS financial assets | 620 | 584 | 620 | 584 |
| | \$763 | \$650 | \$763 | \$650 |
| Financial liabilities: | | | | |
| Derivative liabilities | 11 | 11 | 111 | 11 |
| Noncurrent portion of: | | | | |
| Long-term debt | 34,485 | 34,649 | 34,606 | 33,311 |
| | \$34,496 | \$34,660 | \$34,717 | \$33,322 |

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Derivatives - These pertain to currency forwards hedged by the Group for risks associated with foreign currency fluctuations.

AFS financial assets - These pertain to investments in club shares. Fair value is based on quoted prices.

Noncurrent portion of long-term debt - The fair value of long-term debt that is re-priced on a semi-annual basis is estimated by using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used in 2016 and 2015 ranged from 1.86% to 2.98%.

Fair Values of Financial Assets and Financial Liabilities where the Carrying Amounts Approximate Fair Values

Financial assets and financial liabilities that are liquid or are short-term in nature which consist of cash, receivables, accounts payables and accrued expenses, with maturity of less than one year, are assumed to have carrying amounts approximating their fair values.

Fair Value Hierarchy

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

| | June 30, 2016 | | | Total |
|--|--|--|--|--------------|
| | Fair Value Measurement Using | | | |
| | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Assets measured at fair value: | | | | |
| Derivative assets | \$143 | \$- | \$- | \$143 |
| AFS financial assets | 620 | - | - | 620 |
| | \$763 | \$- | \$- | \$763 |
| Liabilities measured at fair value - | | | | |
| Derivative liabilities | \$11 | \$- | \$- | \$11 |
| Liabilities for which fair values are disclosed - | | | | |
| Long-term debt | \$- | \$- | \$34,606 | \$34,717 |

| | December 31, 2015 | | | Total |
|--|--|--|--|---------------|
| | Fair Value Measurement Using | | | |
| | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Assets measured at fair value: | | | | |
| Derivative assets | \$66 | \$- | \$- | \$66 |
| AFS financial assets | 584 | - | - | 584 |
| | \$650 | \$- | \$- | \$ 650 |
| Liabilities measured at fair value - | | | | |
| Derivative liabilities | \$11 | \$- | \$- | \$11 |
| Liabilities for which fair values are disclosed - | | | | |
| Long-term debt | \$- | \$- | \$33,311 | \$33,311 |

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

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

19. Financial Risk Management Objectives and Policies

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

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

he Group's risk management policies are summarized below:

Interest Rate Risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings) as of June 30, 2016 and 2015. There is no other impact on the Group's equity other than those already affecting income.

| Increase/Decrease in Basis Points | Effect on Net Income before Tax | |
|-----------------------------------|---------------------------------|-----------------------------|
| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
| +100 | (\$242) | (\$234) |
| -100 | 242 | 234 |

The following table shows the information about the Group's debt as of June 30, 2016 and 2015 that are exposed to interest rate risk presented by maturity profile:

| | Jun 30, 2016 (Unaudited) | Jun 30, 2015 (Unaudited) |
|-------------------|-----------------------------|-----------------------------|
| Within one year | \$40,785 | \$341 |
| One to five years | 7,547 | 46,494 |
| | \$48,332 | \$46,835 |

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 projected and actual cash flows. To cover financing requirements, the Group intends to use internally-generated funds and loan facilities with local and foreign banks. Surplus funds are placed with reputable banks.

Credit risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's major credit risk exposure relates primarily to its holdings of cash and cash equivalents and 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.

The Group's maximum exposure to credit risk for the components of the consolidated balance sheets as at June 30, 2016 and December 31, 2015 are the carrying amounts of the financial assets. The Group's maximum exposure for cash and cash equivalents excludes the carrying amount of cash on hand.

The Group has 41% and 40% of trade receivables relating to three (3) major customers as of June 30, 2016 and December 31, 2015.

As of June 30, 2016 and December 31, 2015, the aging analysis of trade receivables follows:

| | Total | Neither past due nor impaired | Past due but not impaired | | | | Specifically Impaired | |
|----------------------|------------------|--|---------------------------|----------------|----------------|----------------|--------------------------|--------------|
| | | | <30 days | 30-60 days | 60-90 days | 90-120 days | | >120 days |
| June 30, 2016 | | | | | | | | |
| (Unaudited) | \$182,837 | \$160,614 | \$16,764 | \$2,724 | \$1,392 | \$294 | \$590 | \$459 |
| December 31, 2015 | | | | | | | | |
| (Audited) | \$165,831 | \$141,318 | \$18,807 | \$3,521 | \$196 | \$281 | \$1,164 | \$544 |

Foreign currency risk

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

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in 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 USD equivalent follows:

Philippine Peso (P)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|--|--------------------------|------------|------------------------|------------|
| | In USD | In PHP | In USD | In PHP |
| | (in thousands) | | | |
| Cash and cash equivalents | \$1,792 | P84,309 | \$10,518 | P494,951 |
| Loans and receivables | 1,225 | 57,649 | 765 | 36,000 |
| Miscellaneous deposits | 1,092 | 51,367 | 1,222 | 57,504 |
| Accounts payable and accrued expenses | (16,436) | (773,459) | (19,141) | (900,760) |
| Pension liabilities | (3,988) | (187,667) | (5,288) | (248,852) |
| Other noncurrent liabilities | (421) | (19,811) | (421) | (19,811) |
| Net foreign currency-denominated liabilities | (\$16,737) | (P787,622) | (\$12,345) | (P580,968) |

Singapore Dollar (SGD)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|--|--------------------------|-------------|------------------------|----------|
| | In USD | In SGD | In USD | In SGD |
| | (in thousands) | | | |
| Cash and cash equivalents | \$528 | SGD 712 | \$1,689 | SGD2,380 |
| Loans and receivables | 54 | 72 | 39 | 56 |
| Accounts payable and accrued expenses | (1,757) | (2,370) | (2,037) | (2,871) |
| Net foreign currency-denominated liabilities | (\$1,176) | (SGD 1,586) | (\$309) | (SGD435) |

Euro (€)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|---|--------------------------|----------|------------------------|----------|
| | In USD | In EUR | In USD | In EUR |
| | (in thousands) | | | |
| Cash and cash equivalents | \$21,255 | €18,739 | \$22,622 | € 20,588 |
| Loans and receivables | 57,272 | 50,491 | 37,984 | 34,568 |
| Accounts payable and accrued expenses | (23,551) | (20,763) | (18,371) | (16,719) |
| Long-term debt | (7,698) | (6,787) | (8,621) | (7,846) |
| Net foreign currency-denominated assets | \$47,278 | €41,680 | \$33,614 | €30,591 |

Japanese Yen (JPY or ¥)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|--|--------------------------|------------|------------------------|------------|
| | In USD | In JPY | In USD | In JPY |
| | (in thousands) | | | |
| Cash and cash equivalents | \$325 | ¥36,604 | \$318 | ¥ 38,281 |
| Loans and receivables | 582 | 65,427 | 678 | 81,597 |
| Miscellaneous deposits | 20 | 2,271 | 20 | 2,411 |
| Accounts payable and accrued expenses | (3,008) | (338,328) | (2,654) | (319,437) |
| Net foreign currency-denominated liabilities | (\$2,081) | (¥234,026) | (\$1,638) | (¥197,148) |

Renminbi (RMB)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|---|--------------------------|-------------|------------------------|------------|
| | In USD | In RMB | In USD | In RMB |
| | (in thousands) | | | |
| Cash and cash equivalents | \$16,729 | RMB 108,090 | \$12,007 | RMB 77,880 |
| Loans and receivables | 63,991 | 413,460 | 61,493 | 398,863 |
| Accounts payable and accrued expenses | (46,493) | (300,398) | (35,464) | (230,031) |
| Net foreign currency-denominated assets | \$34,227 | RMB 221,152 | \$38,036 | RMB246,712 |

Hong Kong Dollar (HKD or HK\$)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|---|--------------------------|-----------|------------------------|--------------|
| | In USD | In HKD | In USD | In HKD |
| | (in thousands) | | | |
| Cash and cash equivalents | \$136 | HK\$1,058 | \$41 | HK\$ 323 |
| Loans and receivables | 2 | 15 | 6 | 44 |
| Accounts payable and accrued expenses | (84) | (649) | (193) | (1,495) |
| Net foreign currency-denominated assets | \$54 | HK\$424 | (\$146) | (HK\$ 1,128) |

British Pound (GBP or £)

| | Jun 30, 2016 (Unaudited) | | Dec 31, 2015 (Audited) | |
|--|--------------------------|--------|------------------------|--------|
| | In USD | In GBP | In USD | In GBP |
| | (in thousands) | | | |
| Loans and receivables | \$— | £— | \$67 | £ 45 |
| Accounts payable and accrued expenses | (10) | (7) | — | — |
| Net foreign currency-denominated liabilities | (\$10) | (£7) | \$67 | £45 |

Sensitivity Analysis

The following tables demonstrate sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of June 30, 2016 and December 31, 2015. The reasonably possible change was computed based on one year average historical movement of exchange rates between the USD and other currencies.

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

| Currency | Increase/Decrease in USD Rate | Effect on Net Income before Tax | |
|----------|----------------------------------|---------------------------------|---------------------------|
| | | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
| PHP | +1% | \$109 | \$82 |
| | -1% | (109) | (82) |
| SGD | +1% | 5 | 2 |
| | -1% | (5) | (2) |
| EUR | +1% | (468) | (323) |
| | -1% | 468 | 323 |
| JPY | +1% | 10 | 12 |
| | -1% | (10) | (12) |
| RMB | +1% | (228) | (482) |
| | -1% | 228 | 482 |
| HKD | +1% | 1 | 2 |
| | -1% | (1) | (2) |
| GBP | +1% | 1 | 1 |
| | -1% | (1) | (1) |
| AUD | +1% | 1 | 1 |
| | -1% | (1) | (1) |

Capital management

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

No changes were made in the objectives, policies and processes during the period ended June 30, 2016 and December 31, 2015.

The Group is not subject to externally imposed capital requirements.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity. The Group considers bank borrowings in the determination of debt, which consist of trust receipts and loans payable and long-term debt. Net debt is equivalent to the total bank borrowings less cash and cash equivalents.

| | Jun 30, 2016 (Unaudited) | Dec 31, 2015 (Audited) |
|--|-----------------------------|---------------------------|
| Trust receipts and loans payable | \$64,360 | \$42,298 |
| Long-term bank borrowings | 68,332 | 68,621 |
| Total debt | 132,692 | 110,919 |
| Less cash and cash equivalents | 107,687 | 101,533 |
| Net bank debt | \$25,005 | \$9,386 |
| Equity attributable to equity holders of the Parent Company | 240,771 | 232,243 |
| Debt to equity ratio | 0.55:1 | 0.48:1 |
| Net debt to equity ratio | 0.10:1 | 0.04:1 |

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

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

Results of Operations

| | For the six months ended 30 June | |
|--|--|-----------|
| | 2016 | 2015 |
| | <i>(in US\$ thousands, except Basic EPS)</i> | |
| Revenues from Sales and Services | \$409,741 | \$416,347 |
| Cost of Goods Sold and Services | 362,419 | 370,474 |
| Gross Profit | 47,322 | 45,873 |
| Net Income Attributable to Equity Holders of the Parent Company | 14,967 | 15,194 |
| EBITDA ⁱ | 32,556 | 29,387 |
| Basic Earnings per Share (EPS) | \$0.008 | \$0.008 |

Revenues from Sales and Services

The Company reported revenues of \$409.7 million for the first half of 2016, slightly declined by 1.6% year on year.

IMI's Europe and Mexico operations recorded \$153.4 million in revenues in the first half, an 11.5 percent improvement year over year as the demand for automotive body controls and lighting systems that IMI assemble in Bulgaria and Czech Republic continued to increase. In Mexico, revenues increased by 8.5 percent due to strong performance of IMI's plastic injection and assembly lines.

The company's China operations posted \$130.4 million in revenues, down 10.7 percent year-on-year mainly due to weak performance of the consumer electronics lines. The telecommunications infrastructure business, however, grew 6.8 percent year-on-year.

Revenues for IMI's EMS operations in the Philippines remained flat at \$109.6 million. Lines for automotive cameras, security and access controls, asset tag sensors, and lighting controls continued on the growth path, partially offsetting the weak storage device business.

Gross Profit and Gross Profit Margin

The Company's operations generated gross profit of US\$47.3 million, higher year-on-year by 3%. GP% higher by 53 bps from lower DL% while improving utilization.

Operating Income

The Company posted \$20.7 million in operating income for the period of January to June 2016-- 19 percent higher than that for the same period of 2015 despite a slight decrease in revenues to \$409.7 million from \$416.3 million. Focus on high-margin product segments, continuous improvements in operations and disciplined cost management contributed to the rise in operating income.

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.

Net Income

The Company posted a flat net income in the first semester at \$15 million, as higher margins from the automotive and industrial product segments and line productivity and cost savings initiatives were partially offset by foreign exchange headwinds due to a stronger dollar. Operating income climbed 19 percent year-over-year to \$20.7 million.

EBITDA

EBITDA higher by US\$3.2 million or 11% due to higher operating income +US\$3.3 million.

Financial Condition

The company's balance sheet at end-June 2016 remains healthy, with current ratio and debt-to-equity ratio at 1.44:1 and 0.55:1, respectively.

Capital investments in the first half totaled \$23.2 million, higher by 65 percent from last year mainly to investments in Mexico, Bulgaria, China and the Philippines to support line expansion. For the full year of 2016, the Company expects to spend approximately \$50 million for capital expenditures to support production volume ramp up in automotive and industrial lines which will commence in the fourth quarter of the year.

Key Performance Indicators of the Company

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

| Performance indicators | As of end | |
|--------------------------------------|------------------------------------|--------------|
| | Jun 30, 2016 | Dec 31, 2015 |
| Liquidity: | | |
| Current ratio ^a | 1.44x | 1.54x |
| Solvency: | | |
| Debt-to-equity ratio ^b | 0.55x | 0.48x |
| | For the six months ended 30 Jun | |
| | 2016 | 2015 |
| Operating efficiency: | | |
| Revenue growth ^c | -2% | -3% |
| Profitability: | | |
| Gross profit margin ^d | 11.5% | 11% |
| Net income margin ^e | 3.7% | 3.6% |
| Return on equity ^f | 6.3% | 6.2% |
| Return on common equity ^g | 6.3% | 6.9% |
| Return on assets ^h | 2.7% | 2.8% |
| ⁱⁱ EBITDA margin | 7.9% | 7.1% |

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 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.

^a Current assets/current liabilities

^b Bank debts/Equity attributable to equity holders of the Parent Company

^c (Current year less previous year revenue)/Previous year revenue

^d Gross profit/Revenues

^e Net income attributable to equity holders of the Parent Company/Revenues

^f Net income attributable to equity holders of the Parent Company/Average equity attributable to Parent

^g Net income attributable to equity holders of the Parent Company/Average common equity attributable to Parent

^h Net income attributable to equity holders of the Parent Company/Total Assets

In the above:

- (i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.
- (ii) There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- (iii) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- (iv) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations.
- (v) There were no significant elements of income or loss that did not arise from continuing operations.
- (vi) There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes

(Increase or decrease of 5% or more in the financial statements)

Income Statement Items

(Three months ended 30 June 2016 versus 30 June 2015)

6% decrease in Operating expenses (\$28.5M to \$26.6M)

The decrease can be attributable to reversal of inventory provisions, lower people-related costs, taxes and licenses, software maintenance and selling commissions.

503% increase in Other non-operating expenses (\$0.6M to -\$2.6M)

Mainly due to forex losses in China and Phils (\$1.3M), lower non-recurring engineering income -\$1.3M, higher interest expense from bank loans and lower interest income on short-term investments.

10% increase in Provision for taxes (\$2.9M to \$3.1M)

Increase in IMI BG's tax base resulting from higher income.

Balance Sheet items

(30 Jun 2016 versus 31 Dec 2015)

6% increase in Cash and cash equivalents (\$101.5M to \$107.7M)

Mainly from additional bank loans intended to support expansion programs.

10% increase in Loans and receivables (\$169.3M to \$185.7M)

Increase mainly due to higher sales and longer credit terms in Europe.

11% increase in Inventories (\$88.3M to \$97.7M)

Increase attributable to growth of turnkey businesses particularly in China and Bulgaria.

46% increase in Other Current Assets (\$10.9M to \$16.0M)

Due to increase in tax credits.

11% increase in Property, plant and equipment (\$93.1M to \$103.0M)

Due to investments in Mexico, Bulgaria, China and the Philippines to support line expansion

22% increase in Intangible assets (\$2.4M to \$2.7M)

Purchase of additional software.

15% increase in Deferred tax assets (\$1.5M to \$1.8M)

Due to unrealized forex losses.

12% increase in Accounts payable and accrued expenses (\$152.8M to \$171.4M)

Mainly due to the increase in trade payment terms and accrual for benefits and taxes.

The following table sets forth the Company's accrued compensation, benefits and expenses as of 30 June 2016 versus the year ended 31 December 2015:

| | 2016 | 2015 |
|---------------------------|-----------------|-----------------|
| Compensation and benefits | \$22,319 | \$23,263 |
| Taxes | 4,157 | 3,981 |
| Professional fees | 1,468 | 1,321 |
| Light and water | 1,289 | 1,233 |
| Sales return | 626 | 636 |
| Interest payable | 694 | 509 |
| Supplies | 354 | 1,073 |
| Subcontracting costs | 175 | 340 |
| Sales commission | 170 | 144 |
| Others | 9,180 | 7,007 |
| | \$40,432 | \$39,507 |

52% increase in Loans payable (\$42.3M to \$64.4M)

Increase to support expansion programs

24% decrease in Pension liability (\$5.8M to \$4.4M)

Due to retirement benefits paid during the year.

7% increase in Cumulative translation adjustments (-\$16.5M to -\$15.4M)

Arising from translation of management accounts in Europe denominated in their respective local currencies to the Parent Company's functional currency. Movement is attributable to appreciation Europe subsidiaries' local currencies (BGN and CZK) against USD with regard to its net assets. Local currencies are pegged against EUR.

EXHIBIT 1
FINANCIAL RATIOS
For the Period Ended June 30, 2016 and 2015

| Ratios | Formula | Jun 30, 2016 | Jun 30, 2015 | Dec 31, 2015 |
|-----------------------------------|---|--------------|--------------|--------------|
| (i) Current ratio | Current assets / Current Liabilities | 1.44 | | 1.54 |
| (ii) Debt/Equity ratio | Bank debts / Equity attributable to parent | 0.55 | | 0.48 |
| (iii) Asset to Equity ratio | Total Assets / Equity attributable to parent | 2.34 | | 2.22 |
| (iv) Interest rate coverage ratio | Earnings before interest and taxes / Interest Expense | 12.89 | 14.78 | |
| (v) Profitability ratios | | | | |
| GP margin | Gross Profit / Revenues | 11.5% | 11.0% | |
| Net profit margin | Net Income after Tax / Revenues | 3.7% | 3.6% | |
| EBITDA margin | EBITDA / Revenues | 7.9% | 7.1% | |
| Return on assets | Net Income after Tax / Total Asset | 2.7% | 2.8% | |
| Return on equity | Net Income after Tax / Average equity attributable to parent | 6.3% | 6.2% | |
| Return on common equity | Net Income after Tax / Average common equity attributable to parent | 6.3% | 6.9% | |

| | (in US\$'000) | | |
|---|---------------|---------------|--------------|
| | June 30, 2016 | June 30, 2015 | Dec 31, 2015 |
| Current Assets | 407,026 | | 370,015 |
| Current Liabilities | 282,057 | | 240,602 |
| Total Assets | 564,318 | 538,984 | 516,535 |
| Bank Debts | 132,692 | | 110,919 |
| Equity attributable to parent | 240,771 | | 232,243 |
| Average equity attributable to parent | 236,507 | 246,221 | 238,147 |
| Average common equity attributable to parent | 236,507 | 220,256 | 225,272 |
| Revenues | 409,741 | 416,347 | |
| Gross Profit | 47,322 | 45,873 | |
| Net income attributable to equity holders of the parent | 14,967 | 15,194 | |
| Earnings before interest and taxes | 19,493 | 19,005 | |
| Interest expense | 1,512 | 1,286 | |
| EBITDA | 32,556 | 29,387 | |

PART II--OTHER INFORMATION

1. At the Regular Annual Stockholders' meeting held on April 8, 2016 the stockholders considered and approved the following:

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

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Delfin L. Lazaro
Arthur R. Tan
Jose Teodoro K. Limcaoco
John Eric T. Francia
Rafael Ma. C. Romualdez
Jose Ignacio A. Carlos
Alelie T. Funcell (Independent Director)
Hiroshi Nishimura (Independent Director)
Edgar O. Chua (Independent Director)

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

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

- Board Committees and Memberships:

Executive Committee

Arthur R. Tan - Chairman
Rafael Ma. C. Romualdez – Vice Chairman
Jose Teodoro K. Limcaoco – Member

Audit Committee

Edgar O. Chua - Chairman
Rafael Ma. C. Romualdez - Member
Hiroshi Nishimura - Member

Nomination Committee

Alelie T. Funcell - Chairman
Jose Ignacio A. Carlos - Member
Edgar O. Chua - Member

Compensation Committee

Hiroshi Nishimura - Chairman
Delfin L. Lazaro - Member
Alelie T. Funcell - Member

Finance Committee

Delfin L. Lazaro – Chairman
Jose Teodoro K. Limcaoco – Member
Rafael Ma. C. Romualdez – Member

Proxy Validation Committee

Solomon M. Hermosura – Chairman
Jaime G. Sanchez – Member
Neilson C. Esguerra – Member

Related Party Transaction Committee

Edgar O. Chua – Chairman

Hiroshi Nishimura– Member
Alelie T. Funcell – Member

- Officers:

| | |
|------------------------------|---|
| Jaime Augusto Zobel de Ayala | - Chairman of the Board |
| Arthur R. Tan | - President & Chief Executive Officer |
| Jerome S. Tan | - Global Chief Finance Officer / ICT |
| Linardo Z. Lopez | - Senior Managing Director, Global Head of Materials Management |
| Gilles Bernard | - Senior Managing Director – COO Asia & Europe |
| Anthony Raymond P. Rodriguez | - AVP, Head of Treasury and Credit |
| Jaime G. Sanchez | - VP and Compliance Officer |
| Solomon M. Hermosura | - Corporate Secretary |
| Charlene Mae C. Tapic-Castro | - Assistant Corporate Secretary |

SIGNATURES

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

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

By:



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

Date: August 11, 2016



JEROME S. TAN
Chief Finance Officer

Date: August 11, 2016